

RULE 250 SACRAMENTO CARBON EXCHANGE PROGRAM
Adopted 03-25-10

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100 **GENERAL**

101 **PURPOSE:** To provide an administrative mechanism for quantifying, certifying, issuing, and tracking high quality carbon credits from emission reduction activities that occur in the Sacramento Metropolitan Air Quality Management District.

102 **APPLICABILITY:** This rule shall apply to any person:

102.1 Who submits a Project Plan to voluntarily reduce greenhouse gas emissions in Sacramento County; or

102.2 Who may own, purchase, sell, trade, or retire carbon credits created pursuant to this rule.

103 **SEVERABILITY:** If a court of competent jurisdiction issues an order that any provision of this rule is invalid, it is the intent of the Board that other provisions of this rule remain in full force and effect to the extent allowed by law.

200 **DEFINITIONS:**

201 **ADDITIONAL:** Greenhouse gas emission reductions are additional if they are achieved throughout the duration of the activity that generates certified carbon credits and are a) not occurring due to routine equipment replacement, and b) not otherwise required or would occur as a result of any local, state, or federal regulation, or any legal instrument, unless authorized by the regulation or legal instrument, to ensure no double counting or inappropriate granting of emission reductions.

202 **APPROVED PROTOCOL:** A quantification methodology that is adopted by the Environmental Protection Agency, Climate Action Reserve, or a similar entity approved by the Air Pollution Control Officer or has been reviewed by the California Air Resources Board (CARB) to accurately quantify reductions of greenhouse gas emissions from specific project types.

203 **CARBON DIOXIDE EQUIVALENT (CO₂E):** The amount of carbon dioxide that would have the same global warming potential as a given amount of another greenhouse gas. The weight of CO₂E of a greenhouse gas is calculated by multiplying the weight of the greenhouse gas by its global warming potential.

204 **CERTIFIED CARBON CREDIT:** Greenhouse gas emission reductions that are created by following an approved protocol and are verified and issued by the Air Pollution Control Officer.

205 **ENFORCEABLE:** Established by a legally binding mechanism, such as a contractual agreement with specific conditions and terms, to ensure that a project is being implemented.

206 **GLOBAL WARMING POTENTIAL (GWP):** The capacity to heat the atmosphere, calculated as the ratio of the time-integrated radiative forcing from the instantaneous release of 1 kilogram (kg) of a substance relative to that of 1 kg of CO₂. Global warming potential shall be calculated according to the factors for a 100-year time horizon, as listed in Table 1.

207 **GREENHOUSE GAS (GHG):** All of the gases listed in Table 1:

Table 1: Greenhouse Gases and associated GWP

| Greenhouse Gas | GWP |
|---|------------|
| Carbon dioxide (CO ₂) | 1 |
| Methane (CH ₄) | 21 |
| Nitrous Oxide (N ₂ O) | 310 |
| Hydrofluorocarbons (HFC): | |
| HFC-23 | 11,700 |
| HFC-32 | 650 |
| HFC-125 | 2,800 |
| HFC-134a | 1,300 |
| HFC-143a | 3,800 |
| HFC-152a | 140 |
| HFC-227ea | 2,900 |
| HFC-236fa | 6,300 |
| HFC-4310mee | 1,300 |
| Perfluorocarbons: | |
| Perfluoromethane (CF ₄) | 6,500 |
| Perfluoroethane (C ₂ F ₆) | 9,200 |
| Perfluorobutane (C ₄ F ₁₀) | 7,000 |
| Perfluorohexane (C ₆ F ₁₄) | 7,400 |
| Sulfur hexafluoride (SF ₆) | 23,900 |

- 208 **PERMANENT:** Emission reductions are permanent if they are real and additional over a specified time period.
- 209 **PROJECT PLAN:** A detailed description of the project and the method to control and reduce greenhouse gas emissions that meets the requirements in Section 401.
- 210 **QUANTIFIABLE:** Emission reductions are quantifiable if the method to measure the amount and type of GHG emission reduction uses tools or tests that are reliable and give confidence.
- 211 **REAL:** Emission reductions are real if they actually occur.
- 212 **THIRD-PARTY VERIFIER:** Any person that is not affiliated with or related to the project or the applicant and has no relationship with the District other than providing an independent service to verify GHG emission reductions.
- 213 **TRANSFER:** The change in ownership of a certified carbon credits from one person to another.
- 214 **VERIFIABLE:** Emission reductions are verifiable if the actions that resulted in the certified carbon credit can be audited and there is sufficient evidence to show that the emission reductions occurred and were quantified correctly.

300 **STANDARDS**

- 301 **CERTIFICATION:** To be certified as carbon credits, the emission reductions shall meet the requirements of an approved protocol for a specific project type and consider any Sacramento specific conditions or requirements to be real, additional, quantifiable, verifiable, permanent, and enforceable. Such emission reductions shall also meet the following requirements to be certified as carbon credits:
- 301.1 A Project Plan has been submitted pursuant to Section 401;
- 301.2 Written approval of the Project Plan has been received from the Air Pollution Control Officer pursuant to Section 402;
- 301.3 Emission reductions have been generated in accordance with an approved protocol and pursuant to the requirements of the Project Plan. Baseline year and project start date established in the approved protocol shall be used; and

- 301.4 Emissions reductions have been verified and issued pursuant to Section 405 and 406.

Emission reductions that have occurred prior to approval of the Project Plan must comply with all provisions of this rule.

- 302 **USE OF CERTIFIED CARBON CREDITS:** Certified carbon credits may be used for:
- 302.1 Satisfying California Environmental Quality Act (CEQA) mitigation requirements or other mitigation requirements; or
 - 302.2 Retirement for the benefit of the environment; or
 - 302.3 Retirement to reduce a carbon footprint; or
 - 302.4 Any other use authorized by a local, state, federal or international law, regulation or program.

400 **ADMINISTRATIVE REQUIREMENTS**

401 **PROJECT PLAN SUBMITTAL REQUIREMENTS**

- 401.1 On or after March 25, 2010, any person who elects to voluntarily reduce GHG emissions shall submit a Project Plan to the Air Pollution Control Officer and pay an initial Project Plan fee pursuant to Rule 350, GREENHOUSE GAS PROGRAM FEES. The Project Plan shall include the following:
- a. Identification of the applicable approved protocol that will be followed;
 - b. Nature of the emission reductions, including the type of greenhouse gas and amount of reductions projected;
 - c. Funding amount and source, including the parties providing the funding;
 - d. Start date for the emission reductions activity;
 - e. Location of the project;
 - f. Duration of the project;
 - g. Person responsible for the emission reduction project;
 - h. Certification that the project or carbon credits from the project are not and will not be registered with any other program; and
 - i. Any additional information required by the approved protocol.
- 401.2 In addition to the information required in Section 401.1, the Project Plan shall also indicate who will be the owner of the certified carbon credits. The owner shall be the person responsible for the emission source and responsible for funding the emission reduction projects. If the person responsible for the emission source differs from the person responsible for funding the emission reduction project, then a contractual agreement between the two parties shall be required to specify the rightful owner of the certified carbon credits. If the contractual agreement allows for multiple owners, then the certified carbon credits shall be separated according to the agreements between the parties with certified carbon credits issued to each owner for their respective portions.

402 **PROJECT PLAN APPROVAL**

- 402.1 The Air Pollution Control Officer shall determine whether the Project Plan for carbon credits is complete not later than 30 days after receipt of the Project Plan or after such longer time as both the applicant and the Air Pollution Control Officer have agreed in writing. If the Air Pollution Control Officer determines that the Project Plan is not complete, the applicant shall be notified in writing of the decision, specifying the information required. If the specified information is not submitted by the applicant within 30 days from the notification from the District that the Project Plan is incomplete, the Project Plan shall be automatically cancelled unless the applicant has requested and received an extension of time, in writing and prior to the end of the 30 day period, from the Air Pollution Control Officer.
- 402.2 Upon receipt of any re-submittal of the Project Plan, a new 30-day period to determine completeness shall begin.
- 402.3 Completeness of a Project Plan or re-submitted Project Plan shall be evaluated on the basis of the information requirements set forth in Section 401. The Air Pollution

- Control Officer may, during the processing of the Project Plan, request an applicant to clarify, amplify, correct, or otherwise supplement the information submitted in the Project Plan.
- 402.4 The Air Pollution Control Officer shall perform the evaluations necessary to determine whether the Project Plan meets the criteria of real, additional, quantifiable, verifiable, permanent, and enforceable and complies with applicable District, state, and federal rules, regulations, or statutes. In addition, the Air Pollution Control Officer may establish conditions of approval to ensure compliance with the requirements of this rule. The Air Pollution Control Officer shall make a preliminary decision to approve or disapprove the Project Plan. The decision shall be supported by a succinct written analysis.
- 402.5 Within 10 days following a preliminary decision to approve the Project Plan, the Air Pollution Control Officer shall publish, in at least one newspaper of general circulation in the District, a notice stating the preliminary decision of the Air Pollution Control Officer, noting how pertinent information can be obtained, and inviting written public comment for a 30-day period following date of publication.
- 402.6 Within 180 days after the Project Plan was determined complete, the Air Pollution Control Officer shall take final action on the Project Plan after considering all written comments.
- 402.7 The Air Pollution Control Officer shall provide written notice of the final action to the applicant, and if the final decision is to approve the Project Plan, the final decision shall be published in at least one newspaper of general circulation in the District.
- 403 **PROJECT PLAN WITHDRAWAL:** Withdrawal of a Project Plan for carbon credits by the applicant shall result in cancellation.
- 404 **VERIFICATION OF EMISSION REDUCTIONS:**
- 404.1 For emission reductions that occurred in calendar years prior to approval of the Project Plan, all data required to verify the greenhouse gas emission reductions for each calendar year shall be submitted to the Air Pollution Control Officer no more than 60 days after approval of the Project Plan. For emission reductions that occur in calendar years after approval of the Project Plan, all data required to verify the greenhouse gas emission reductions for each calendar year shall be submitted to the Air Pollution Control Officer no more than 60 days after the end of the calendar year. The applicant shall pay a verification and credit fee pursuant to Rule 350, GREENHOUSE GAS PROGRAM FEES for each calendar year.
- 404.2 The emission reductions of greenhouse gases shall be verified for each calendar year prior to the issuance of a carbon credit certificate.
- 404.3 All verification shall be performed by the District except when performed by a third-party verifier.
- a. The District may specifically require the applicant to use a third-party verifier. Notification of this requirement shall be in writing and mailed to the applicant at least 60 days before the end of the calendar year.
- b. If not required by the District to use a third-party verifier, the applicant may petition to the Air Pollution Control Officer at least 30 days before the end of the calendar year to use a third-party verifier. The petition shall be approved or denied by the Air Pollution Control Officer before the end of the calendar year.
- 404.4 All third-party verifiers shall submit the following information to the Air Pollution Control Officer:
- a. Proof of accreditation to verify emission reduction projects from either the California Air Resources Board or the American National Standard Institute to meet ISO 14065;
- b. Material demonstrating sufficient knowledge and experience of the specific project type;
- c. A completed Conflict of Interest Form; and
- d. Any other information requested by the APCO.

Within 30 days after receiving the required information, the Air Pollution Control Officer shall notify the applicant and the third-party verifier whether the third-party verifier is eligible to perform the verification service.

- 404.5 Verification of emission reductions conducted by the District shall be completed no later than 90 days after receipt of data required in Section 405.1.
- 404.6 Verification of emission reductions conducted by a third-party verifier shall be completed and a verification report shall be submitted to the District no later than 90 days after receipt of data required in Section 405.1, except when an extension of time has been mutually agreed upon by the applicant and the Air Pollution Control Officer.
- 404.7 During the review of a third-party verification report, the Air Pollution Control Officer may request additional information or clarification. The Air Pollution Control Officer shall notify the applicant and the third-party verifier in writing, specifying the additional information required. If the specified information is not submitted to the District within 30 days from the date of notice, the Air Pollution Control Officer may deny the issuance of certified carbon credits or may conduct a separate verification of greenhouse gas emission reductions. The verification of emission reductions shall be completed no later than 90 days after the end of the 30 day notice.

405 **ISSUANCE OF CERTIFICATE**

- 405.1 Issuance of carbon credit certificate will occur no more than 30 days after verification of emission reductions as specified in Section 405 has been accepted by the District, except when an extension of time has been mutually agreed upon by the applicant and the Air Pollution Control Officer.
- 405.2 Certified carbon credits shall be issued in metric tons of CO₂E and will be rounded to the nearest metric ton.
- 405.3 Certified carbon credits shall be issued a unique tracking number for every metric ton of CO₂E.
- 405.4 Carbon credit certificates shall be issued to the owner as specified by Section 401.2 and shall include the following:
 - a. Unique tracking numbers for every metric ton of CO₂E;
 - b. The quantity of CO₂E;
 - c. Date of issuance;
 - d. Owner Information; and
 - e. Project Information, including location and type of emission reduction projects.
- 405.5 The issuance of carbon credit certificate shall not constitute evidence of compliance with the rules and regulations of the District, or a representation or assurance to the recipient upon which reliance is authorized or intended that the certified carbon credits represented by the carbon credit certificate are available from the District Register.
- 405.6 Co-benefits of other pollutants that are also reduced as a result of the greenhouse gas emission reduction project shall not be eligible to generate emission reductions for those pollutants unless specifically authorized by the applicable approved protocol. For pollutants that are eligible for emission reduction credits, the pollutants shall be credited pursuant to Rule 204, EMISSION REDUCTION CREDITS, and/or Rule 206, MOBILE AND TRANSPORTATION SOURCE EMISSION REDUCTION CREDITS.
- 405.7 All fees pursuant to Rule 350, GREENHOUSE GAS FEES shall be paid prior to issuance of the certificate.

406 **REGISTRATION OF CERTIFICATE**

- 406.1 All certified carbon credits issued pursuant to Section 406 shall be registered in the District Register, and the information for any certified carbon credit shall be available to the public.
- 406.2 The District Register shall contain the following information:
 - a. Unique tracking numbers for every metric ton of CO₂E;
 - b. Status of each certified carbon credit;

- c. Date of issuance;
- d. Certified carbon credit holder information; and
- e. Project information, including but not limited to, location and type of project.

407 **TRANSFER OF CARBON CREDIT**

- 407.1 A certified carbon credit shall not be transferred from person to another unless a written request to transfer is received no later than 30 days of the date of the written agreement and approved by the Air Pollution Control Officer. The written request to transfer shall be submitted by the owner of certificate and shall include the following:
- a. The original certified carbon credit certificate; and
 - b. A copy of a written agreement, signed by both parties, authorizing the transfer of a specific amount of carbon credits.
- 407.2 The Air Pollution Control Officer shall record the transfer in the Register and reissue the certified carbon credit certificate to reflect the change of ownership.
- 407.3 If less than all certified carbon credits are transferred, the new balance in the name of the appropriate owners shall be entered in the Register and new carbon credit certificates shall be issued.
- 407.4 All written requests for the transfer of certified carbon credit(s) shall be assessed a transfer fee pursuant Rule 350, GREENHOUSE GAS PROGRAM FEES.
- 407.5 The Air Pollution Control Officer may refuse to recognize any transfer of certified carbon credits that does not comply with the requirements of this section.

- 408 **USE OF CREDIT:** Any person who retires or otherwise uses a certified carbon credit for any purpose must submit a written notice to the Air Pollution Control Officer no later than 30 days of such use. The written notice shall include the owner's authorization to surrender the certified carbon credit(s), the unique tracking number(s), and the original carbon credit certificate. The surrender of the credit(s) shall be recorded by the Air Pollution Control Officer and reflected in the Register. A certified carbon credit that has been retired cannot be reactivated.

500 **MONITORING AND RECORDS**

- 501 **MONITORING:** All monitoring shall be performed in accordance with the approved protocol specified by the Project Plan.
- 502 **RECORDKEEPING:** Records required pursuant to the approved protocol specified by the Project Plan shall be maintained for at least five years after the end of the project, and made available to the Air Pollution Control Officer upon request.