

US Regional Emissions Markets

Our Involvement

Several US states and metropolitan regions in non-attainment have additional compliance obligations to that of the Federal SO₂ and NO_x programs. These programs are the California Reclaim Trading Credit Market, New York State NO_x and SO₂ program, and Houston-Galveston Area NO_x program.

Whether it be the zones and cycles of the RECLAIM market, pricing discrepancies between individual vintage years and perpetuity structures in HGA or the disparate banking policies of all the programs; TFS Energy's expertise comes in the attention to detail needed to both decipher the regulations and maximize the opportunities in regional markets.

California RECLAIM Trading Credits (RTCs):

The California RECLAIM trading program is used by the South Coast Air Quality Management District (SCAQMD) to control the amount of nitrogen oxide (NO_x) and sulfur oxides (SO_x) in Los Angeles and Orange counties. RECLAIM Trading Credits (RTCs) are denominated in \$/lbs (one RTC is equates to one pound of NO_x emitted).

Reclaim facilities are divided into Zone 1 (coastal) and Zone 2 (inland). (Move line up)The program is further divided into two cycles: Cycle 1 and Cycle 2. Cycle 1 credits are valid January 1st and expire December 31st of the same year. Cycle 2 Credits are valid from July 1st until June 30th of the following year. Facilities may use cross-cycling or a combination of cycles as a means of meeting quarterly compliance.

Houston – Galveston Area (HGA) NO_x Allowances:

Commencing on January 1, 2002, Houston-Galveston Area NO_x Trading Program was implemented by the Texas Natural Resources Conservation Commission (TNRCC) in order to bring ozone attainment to this eight county region which includes Harris, Galveston, Brazoria, Liberty, Montgomery, Fort Bend, Waller, and Chambers counties.

New York State NO_x and SO₂:

TFS' Environmental Products Desk can also assist its clients with their needs in the New York State Parts 237/238 NO_x and SO₂ allowance trading programs. The NO_x program serves as an off-season complement to the Federal EPA mandates with compliance obligations from October 1st through April 30th. The SO₂ program is a full calendar year compliance period that runs concurrently

with Federal EPA acid rain obligations. TFS is utilizing its environmental expertise to foster further liquidity in this developing market.

Emission Reduction Credits (ERCs) and Discrete Emissions Reduction Credits (DERCs)

ERCs or “offsets” as they are commonly referred are required for new sources of emissions as well as existing facilities that undergo significant changes to their emission profiles. ERCs can be created via facility shutdowns and by the curtailment or over-control of existing permitted facilities. There are several different types of ERCs depending upon which ozone pollutant one needs to offset; nitrogen oxide (NO_x), volatile organic compounds (VOCs), carbon monoxide (CO), particulate matter of varying sizes (PM₁₀) or (PM_{2.5}), and reactive organic gases (ROGs). ERCs are required in regions where air quality fails to meet the National Ambient Air Quality Standards (NAAQS). Air quality classifications are broken down into Extreme/Severe, Serious, Moderate and Marginal. There are a number of non-attainment areas across the United States most notably in the Northeast, Southern California and Texas. DERCs are offsets similar to ERCs but are used in a defined time period and may only be used once

TFS’s environmental products team is composed of policy and financial market veterans who have significant experience in structuring ERC transactions to enable the permitting of new facilities or to assist in the certification process for newly created ERCs.

For more information, please call toll-free in the US +1.866.AIR.3590 or +1.212.943.2883, or email tfs-coal-emissions@tfsenergy.com.