

# Using Creditable Emission Reductions (CERs) as Emission Offsets

## Standards for use of emission reductions as emission offsets

Only a creditable emissions reduction, as defined at N.J.A.C. 7:27-18.1 may be used to offset an emission increase. Such emission reductions shall be: Contemporaneous or Banked in accordance with N.J.A.C. 7:27-18.8. *N.J.A.C. 7:27-18.5(a)*.

Emission reductions used previously as emission offsets, or used in calculating the proposed net emission increase, in accordance with N.J.A.C. 7:27-18.7(a)1 may not be used again as emission offsets. *N.J.A.C. 7:27-18.5(i)*.

### Initial Verification of CERs

Initial verification and validation of CERs is completed when a CER banking application is submitted and an approval letter is issued.

### Are the proposed CERs valid for use as Emission Offsets?

- i) Were CERs generated through Shutdown/Curtailment → YES → **BOTH YES** →  → No CERs are available for use as Emission Offsets
- ii) Is CER Registration date is more than 10 years old → YES → 

If answer to either or both (i) or (ii) is → NO → **CONTINUE BELOW**

## STEP 1 - RULE DISCOUNTS

### Final Verification of CERs

If a State or federal statute, rule, or regulation decreases an allowable emission limit for an air contaminant, the value of any banked CERs of that air contaminant shall be reduced, before discounting (applying time discounts) pursuant to *N.J.A.C. 7:27-18.8 (f) or (g)*, to equal the allowable emission limits in effect at the time the banked emission reductions are used to offset emission increases. *N.J.A.C. 7:27-18.8(e)*.

The following rules should be checked (and the table below completed) to compare the allowable emissions at the time CERs were banked and allowable emissions based on the current rule limit:

N.J.A.C. 7:27-16 - Control and Prohibition of Air Pollution by Volatile Organic Compounds (VOC RACT)

N.J.A.C. 7:27-19 - Control and Prohibition of Air Pollution from Oxides of Nitrogen (NOx RACT)

CER Registration Date:	VOC	NOx
	(units of standard)	
Emission limit from the RACT rule, current on the CER Registration Date (above):		
Emission limit from the current RACT rule:		
Difference:		
If the difference is zero, no Rule Discount applies - go to Option A Otherwise, Rule Discount applies - go to Option B		

In some cases, the allowable emission limit may also be reduced by other regulatory and/or enforceable documents (federal and State) e.g., consent order or permit. Check the relevant documents to confirm if the value of any banked CERs shall be reduced.

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## STEP 2 - TIME DISCOUNTS

### Option A - No Rule Discount Applies

The value of banked CERs which remain unused as emission offsets for more than five years after the date the emission reduction is submitted for banking shall be discounted by 50 percent. Also, CERs which remain unused as emission offsets for 10 years after the date they have been submitted for banking shall revert to the State. *N.J.A.C. 7:27-18.8(f) and (g)*.

### Option B - Rule Discount Applies

The value of CERs shall be reduced by applying the current rule limits before applying time discount.

The value of banked CERs which remain unused as emission offsets for more than five years after the date the emission reduction is submitted for banking shall be discounted by 50 percent (after applying the rule discount). *N.J.A.C. 7:27-18.8(f) and (g)*.

## STEP 3 - OTHER DISCOUNTS

Contact the Department to check that the CERs are NOT RELIED on in the SIP or any revision thereto, adopted by the Department, to demonstrate attainment or maintenance of a NAAQS or to demonstrate reasonable further progress toward attainment of a NAAQS.

Note: Use of NO<sub>x</sub>/VOC CERs from a source located in Southern New Jersey (Severe-15 classification) to offset emission increases of NO<sub>x</sub>/VOC emissions from a source located in Northern New Jersey (Severe-17 classification) is prohibited consistent with CAA Section 173(c) (1). Sources located in Southern New Jersey may be able to purchase credits from sources located in Northern New Jersey, but the reverse is not true.

Check the [FAQ Document](#) for details on this topic and other questions related to CER Banking.