

ILLINOIS POLLUTION CONTROL BOARD  
July 1, 1982

IN THE MATTER OF: )  
 )  
EMISSION REDUCTION BANKING, ) R82-15  
CHAPTER 2: AIR POLLUTION )

ORDER OF THE BOARD (by I. Goodman):

On May 13, 1982 the Board adopted Interim "Alternative Control Strategy" (ACS) regulations (R81-20) which provide both a framework and an incentive for owners and operators of Illinois emission sources to develop cost-efficient alternatives to air pollution control requirements. Those regulations address a variety of parameters for emission reduction trading; however, they do not directly address the creation and "saving" of emission reductions for use in the future. Several other states have addressed this question by creating a "bank" for the storage and tracking of "saved" increments of emission reduction. The question of whether Illinois should adopt "banking" regulations was raised several times in the course of the rulemaking in R81-20, but neither specific proposals nor testimony were offered. Nonetheless, there is a growing interest in the "banking" of emission reductions. Thus, to consider whether "banking" regulations are necessary and, if so, what issues should be addressed, inquiry hearings on this subject are hereby authorized. The record created in these inquiry hearings is likely to provide the basis for a future regulatory proposal, if any, on this subject.

In taking this step the Board notes that USEPA's recent "Emission Trading Policy Statement" (47 FR 15075) points out that "banking" systems increase certainty as to the scope and use of emission reduction credits, and thus encourage development of and investment in emission reduction alternatives. Several other arguments support the creation of a statewide "banking" system. A statewide approach will insure uniformity in the treatment of emission reduction "credits." This will reduce the number of regulatory approaches applicable to ACS, as well as insure statewide equity. Statewide regulations will also eliminate the possibility that "banking" systems developed by other entities (e.g. municipalities or private associations) will conflict with other air pollution control programs. Lastly, the availability of a "banking" system should produce improvements in the state's air quality by encouraging owners and operators to utilize cleaner, alternative strategies as soon as they become available, rather than wait until a use for the emission increment is discovered.

Without limiting the scope of the inquiry hearings, the Board solicits public comment and testimony on the following issues:

1. The appropriateness of statewide "banking" regulations;
2. The designation of the entity responsible for administering "bank" functions;
3. The identification of qualified emission reductions;
4. The establishment of "ownership" rights, e.g. private parties, the state, municipalities;
5. The establishment of a "registry" for tracking ownership, use and transfer of emission reductions;
6. The establishment of a "clearing house" for providing information to the public on the "banked" emission reductions;
7. The definition of the relationship between emission sources for enforcement purposes; and
8. The specification of how "banked" emission reductions will be treated if additional reductions are required to attain or maintain air quality requirements.

A bibliography of relevant literature on emission reduction trading and banking may be obtained by writing to the Board at 309 W. Washington St., Suite 300, Chicago, IL 60606.

IT IS SO ORDERED.

I, Christan L. Moffett, Clerk of the Illinois Pollution Control Board, hereby certify that the above Order was adopted on the 1<sup>st</sup> day of July, 1982 by a vote of 5-0.

  
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Christan L. Moffett, Clerk  
Illinois Pollution Control Board