

Ask CAMD Webinar
February 7, 2019
10:30 a.m. – 12:00 p.m. Eastern

On Thursday, February 7, 2019, the Clean Air Markets Division (CAMD) held an informal webinar to discuss allowances, compliance, and auctions. The purpose of the webinar was to provide industry with an opportunity to ask CAMD staff any questions they had about these topics.

The webinar was led by Paula Branch and Kenon Smith. Other CAMD staff present included Ming Chang, Laurie DeSantis, Craig Hillock, Andrew Reighart, and Garrett Powers.

I. Introduction

Ming Chang, Branch Chief of the Market Operations Branch, welcomed the attendees and gave an overview of the goals of the session. The main purpose of the webinar was to provide information to industry users on allowances, where they come from and how they are used, different types of accounts, and how the auction process works. She also mentioned that CAMD welcomes any and all feedback on this session and would take suggestions on future webinar topics.

Industry attendees were given the opportunity to submit questions in advance of the webinar and also to ask questions as the webinar progressed. CAMD staff made every effort to address these questions during the appropriate segment of the webinar.

II. Allowances

Under the Acid Rain Program, one allowance is equivalent to one ton of SO₂ during a given year or any subsequent year. Allowances are fully marketable commodities and may be bought, sold, traded, or banked for use in future years once allocated.

Allowances may be traded using the CAMD Business System (CBS). Only Designated Representatives (DRs), Alternate Designated Representatives (ADRs), and Allowance Trading Agents of those representatives may trade allowances.

Pre-submitted Questions:

1. How is the quantity of allowances determined and distributed?

Answer: The number of allowances distributed to the sources is defined in the Code of Federal Regulations (CFR):

- [CSAPR Annual programs](#)
- [CSAPR Ozone Season \(Update rule\)](#)

Acid Rain Program (ARP) allowances can also be found in the [CFR](#). However, new units do not receive any allocations.

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Allowances for the Cross-State Air Pollution Rule (CSAPR) Annual Programs can be found in the Notice of Data Availability (NODA) for existing units:

<https://www.epa.gov/csapr/new-unit-set-aside-notices-data-availability-nusa-noda-cross-state-air-pollution-rule>.

Allowances for the Cross-State Air Pollution Rule (CSAPR Update) NOx Ozone Season Programs can be found in the Notice of Data Availability (NODA):

<https://www.epa.gov/csapr/new-unit-set-aside-notices-data-availability-nusa-noda-cross-state-air-pollution-rule>.

All initial allocations are distributed by EPA, regardless of if a state has a State Implementation Plan (SIP) in place for their own allocation approach.

CSAPR affected units that do not receive an existing unit allocation may be eligible for an allocation from the New Unit Set-Aside (NUSA). The NUSA allocations are based on prior year's emissions for the first round, and if eligible for a second round, allocation is based on the current year's emissions. (Note: emissions used for compliance purposes start at the unit monitor certification deadline).

2. How do you perform allowance transfers across accounts?

Answer: Please refer to the [CAMD website](#) for instructions. This year there a new option was introduced which allows industry users to import a .csv file to identify specific allowances for deduction.

3. How do you add someone onto your CAMD Authorized person account?

Answer: The Authorized Account Representative (AAR) or Alternate AAR can be added to your CAMD Business System account. This person can be added online using the Manage General Accounts module. A person can also be added by submitting the General Account Form by mail using the instructions found at the end of the form.

Note that changing the representative for an account will end all of that representative's agent associations for that account as well.

If an agent change is made online in CBS, there is no need to follow-up with a paper form.

4. **At some point, are states going to be expected to administer CSAPR NUSA as they did in the past for CAIR?**

Answer: No, states have the option to submit a SIP and use their own approach to allocate allowances under CSAPR. Otherwise CAMD will administer the NUSA allocations in accordance with Part 97 (i.e., under the FIP). Under an approved SIP, it is

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up to the state to determine the approach for all allocations, which would include existing and new units. One big change from CAIR to CSAPR is that Designated Representatives are no longer required to request new unit set aside (NUSA) allowances under Part 97. CAMD automatically calculates the NUSA allocations and publishes a Notice of Data Availability (NODA) in the Federal Register. The schedule of NUSA NODAs can be found here: <https://www.epa.gov/csapr/schedule-cross-state-air-pollution-rule-csapr-new-unit-set-aside-nusa-notices-data>

Questions from the webinar:

1. Is there any place we can find which states have had their CSAPR SIPS approved by EPA?

Answer: Unfortunately, this information is not publicly posted. Please contact us if you have any questions.

2. Are there multiple accounts for allowances— general versus compliance? If so, how do we move allowances into a compliance account?

Answer: Yes, General accounts and Compliance (i.e. Facility) accounts are separate accounts. When allocations are made, they can either be placed into a General account or a Facility account. However, EPA will not use General accounts for compliance. Allowances need to be moved into a Facility account by the March 1st allowance transfer deadline to be used for compliance purposes. Sources can use the Allowance Transfer module in CBS to move allowances, as demonstrated in the webinar.

If a source has purchased allowances, the seller can transfer those allowances directly using CBS as well. Note that the credentials of the account representatives must be kept up to date in CBS in order for transfers to be made successfully. For example, accounts whose representative has an expired password cannot accept transfers.

3. If we change the Designated Representative (DR), does the new DR have to authorize agents again?

Answer: Yes. Agents do not transfer with a change of representatives. If a person is no longer a DR for any plant or account, all of that person's agent relationships will be ended. If the person is still a DR for a plant or account, only the agent associations with the plant or account the DR is no longer representing will be ended.

4. Can a Source Management Agent retrieve and submit data as well as trade allowances?

Answer: No. A Source Management Agent cannot trade allowances nor can they retrieve or submit.

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Agent Types:

- Source Management: Can maintain plant information and take over for representatives
- General Account: Can maintain account information and take over for representatives
- Allowance Trading: Can transfer allowances
- Compliance: Can run draft and final compliance and specify deductions
- Retrieve: Can only retrieve submitted Monitoring Plan, QA, and Emissions data
- Retrieve and Submit: Can retrieve submitted Monitoring Plan, QA, and Emissions data and make submissions of new data

More information on agent types and their responsibilities can be found at:

<https://www.epa.gov/airmarkets/business-center#pane-3>

5. If a new facility is not allocated allowances in the first round of NUSA can it still have allowances allocated in the second round?

Answer: To be eligible for second round CSAPR NUSA allocations, the new units at a facility would need to have a commence commercial operation date between January 1 of the previous year and November 30 of the current year. It is possible, depending upon the commence commercial operation date of the units, that a source that did not get first round allocations would be eligible in the second round. Users can refer to the NODA for the current compliance year to see preliminary second round allocations.

<https://www.epa.gov/csapr/schedule-cross-state-air-pollution-rule-csapr-new-unit-set-aside-nusa-notices-data>

6. If a facility completed its initial monitor certification in August 2018, will it be allocated CSAPR allowances for the ozone season program?

Answer: Whether or not ozone season allowances are needed is based on a unit's monitor certification deadline, which is 180 days after the commence commercial operation date.

III. Compliance

A demonstration of the Compliance module was conducted, with specific attention given to the "Specify Deductions" functionality.

After January 1 of a given year, authorized users can go into the Compliance module of CBS and specify the deductions they wish to use for compliance.

The allowance transfer deadline for all programs is March 1st.

Users can specify deductions either interactively within CBS, or by uploading an XML file (for multiple facilities) or CSV file (for a single facility).

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Pre-submitted Questions:

1. This will be my first time submitting compliance reports. Could you review the CSSO2G2 report and the ARP reports and how to access them via CBS? Is there anything else I should be aware of at the start of the year?

Answer: January 30 is the fourth quarter emissions data submission deadline each year. March 1 is the allowance transfer deadline for all programs.

A demonstration was conducted on how to access and use the Reports module.

2. When is final compliance due for each parameter? Why is there an option to run final compliance when it isn't time to do so yet?

Answer: The allowance transfer deadline for all programs (ARP, CSAPR Annual, and CSAPR Ozone Season) is March 1st of the year after the compliance period. The option to run final compliance is not available before March 2. Industry can run draft compliance prior to March 2.

3. On reallocations from the CSAPR new unit set-asides (NUSA), can the EPA do any forecasting of expected allowances to be granted to existing units at least 4-5 weeks before the reconciliation deadline? With the NUSA allowances not available until a few weeks before the reconciliation deadline, it is hard to know how many allowances to transfer/purchase unless you wait until the last minute.

Answer: EPA understands the desire to know the number of allowances sources will receive from the remaining NUSA allowances. Unfortunately, the timing is tight. For the annual programs, EPA must wait until the day after the end of the 4th quarter emissions submission deadline (January 31, 2019) to begin calculating the Final 2nd round NUSA allocations. After the final second round NUSA allocations are done, EPA calculates the plowback allocations for each state. The calculations and spreadsheets must be checked and reviewed internally before making them publicly available. All of this must be done by the February 15 deadline for NODA publication.

However, sources can do their own estimate to get an idea of how many allowances to expect in the plowback. To do so, take the existing unit's allocation for year x, which is the number remaining in the NUSA and Indian Country for the state, and divide by the sum of all existing unit allocations for the year in the state).

Questions from the webinar:

1. During annual reconciliation, if a facility allows EPA to deduct, are the allowances deducted on a First In, First Out (FIFO) basis?

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Answer: If the facility did not specify how they would like the allowances deducted, then EPA will use first in, first out to make deductions starting with earliest vintage allocated to the facility, followed by allowances transferred into the account based on the date of recordation. If the facility wants to deduct specific allowances, then those deductions need to be specified in CBS.

2. If a facility has not been able to submit their fourth quarter emissions data by the reporting deadline, should the DR contact Kenon?

Answer: EPA cannot know if a facility is short on allowances without the fourth quarter emissions data. The DR should work with the monitoring contact within the region. Sources should also contact ECMPS user support.

3. Do allowances continue even after the plant is permanently shut down?

Answer: Allowances are no longer allocated starting in the fifth year after a unit stops reporting emissions data.

4. Does the March 1 transfer deadline date apply for the Acid Rain Program in leap years?

Answer: The Acid Rain Program transfer deadline is 60 days after the end of the fourth quarter reporting period. In leap years, this date is February 29.

IV. Auction

Pre-submitted questions:

1. Could you provide a basic overview of auctions? What resources on how to participate and optimize performance in the auction process are offered to companies new to CAMD or the auction or allowance process?

Answer: CAMD administers one annual auction for Acid Rain Program SO₂ allowances at the end of March each year. To supply the auctions with allowances, EPA sets aside an Auction Allowance Reserve of approximately 2.8 percent of the total annual allowances allocated to all units. Auctions are divided into two segments: (1) a spot allowance auction, in which allowances are sold that can be used in that same year for compliance purposes, and (2) an advance auction for the sale of allowances that will become usable for compliance 7 years after the transaction date (although they can be traded earlier). Bidders must submit bids electronically using EPA's CAMD Business System, and include information on the number and type (spot or advance) of allowances desired and the purchase price to EPA no later than 3 business days prior to the auctions. Each bid must also include a wire transfer, certified check, or letter of credit for the total bid cost.

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The auctions sell allowances based on bid price, starting with the highest priced bid and continuing until all allowances have been sold or the number of bids is exhausted. EPA may not set a minimum price for allowances from the Auction Reserve.

EPA returns proceeds from the auctioning of reserve allowances on a pro rata basis to those units from which EPA originally withheld allowances to create the Auction Reserve. If you are a representative or trading agent for a facility that had allowances withheld for the auction, you will receive an email from EPA around April 1 showing you how much money you will be receiving from the auction and the name of the company on file with EPA to receive the money. Contact EPA if the company name listed is not correct, or if you want to check on the bank information on file since EPA will continue to issue the proceeds to the company and bank account on file unless you update the information.

If a source needs to purchase Acid Rain SO₂ allowances for compliance, the auction is one alternative to going through a broker.

Information about the allowance auction is available on CAMD's website:
<https://www.epa.gov/airmarkets/so2-allowance-auctions#tab-2>

The 'How to Bid in Auctions' brochure is updated annually and can be found here:
<https://www.epa.gov/airmarkets/acid-rain-program-so2-allowance-auction-forms>

Results from past auctions can be found here: <https://www.epa.gov/airmarkets/so2-allowance-auctions#tab-1>

2. Does EPA maintain a list of allowance brokers and if so, where is it located?

Answer: Yes, the list of allowance brokers and their contact information can be found on the CAMD website. EPA reviews and updates this information on a regularly scheduled basis. New brokers and traders can contact Kenon Smith or Paula Branch to be added to the list.

List of Brokers: <https://www.epa.gov/airmarkets/clean-air-markets-allowance-markets#tab-2>

3. Can EPA post updated information on the cost of CSAPR allowances or post a link to brokers that would have this information readily available?

Answer: EPA does not provide current allowance price information. The brokers listed at the link above should be able to provide that information.

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V. Conclusion

CAMD plans to offer another Ask CAMD session at the EPRI CEMS User Group Conference in May.

CAMD is working with the agency 18F to collect stakeholder input on the AMPD and ECMPS systems. Users that are interested in participating in workgroups to discuss updates to these systems should email Andrew Reighart (Reighart.Andrew@epa.gov).

All past Ask CAMD notes can be found on the [ECMPS Support Site](#).

Other Submitted Questions:

1. Some active agents did not get an invite for this webinar. How is the invite list compiled?

Answer: EPA invited all users related to auction, compliance, and allowances. Users should ensure that their emails are up to date in the CAMD Business System and that their company email systems allow email from EPA. Users who did not indicate interest in the initial email did not receive any follow-up emails from EPA.

2. Is there a way to query the Air Market Program Database (AMPD) without going through the webpage menus? For example, does an application program interface (API) exist?

Answer: Currently, AMPD does not have that capability but CAMD is looking at developing an API for AMPD in the future. There is, however, an API available through CAMD's [Field Audit Checklist Tool \(FACT\)](#), which provides similar emissions and facility information data as AMPD, although some data fields may be limited.