South Coast
Air Quality Management District
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June 14, 2007

To: Interested Parties
Subject: Third Working Group Meeting to Support Evaluation and Review of RECLAIM's Compliance and Enforcement Aspects and Reassessment of the Program

The South Coast Air Quality Management District (AQMD) Governing Board found that the average annual price of compliance year 2010 NOx RECLAIM Trading Credits (RTCs) traded in calendar year 2006 exceeded $15,000 per ton. Therefore, consistent with Rule 2015(b)(6), the Governing Board directed staff to conduct an evaluation and review of the compliance and enforcement aspects of the RECLAIM program, and to assess the existing methodology for determining average annual RTC prices and develop a new methodology for determining average prices for infinite-year blocks of RTCs. In addition, the Governing Board also directed staff to reassess to RECLAIM pursuant to Health & Safety Code §39616(f) and recommend any necessary amendments to the program. A Working Group was formed to participate in the execution of these items and two Working Group meetings were held on April 17, 2007 and May 17, 2007 at AQMD's Diamond Bar headquarters.

You are invited to the third and final scheduled Working Group meeting to be held on Friday, June 29, 2007 from 9:00 a.m. to 12:00 noon at AQMD's Diamond Bar headquarters, Conference Room GB. We look forward to your participation in this Working Group meeting. A draft of the program review report will be posted on AQMD's RECLAIM website (http://www.aqmd.gov/reclaim/reclaim_meetings.htm) by June 21, 2007. Please find enclosed an agenda containing the issues to be discussed in this meeting and a summary of the issues discussed in the previous meeting. Please also carefully consider the draft report and the agenda items and be prepared to provide any specific comments or suggestions you may have.

Feel free to contact Mitch Haimov (909/396-3129, mhaimov@aqmd.gov) if you have any questions regarding the Working Group meeting or the program review. If you are unable to download the draft report, please send a request for a copy to mhaimov@aqmd.gov.

Sincerely,

Danny Luong, P.E.
Senior Enforcement Manager
Compliance Assessment

DL:MH:ST
Enclosure

RECLAIM Working Group

Third Meeting

South Coast Air Quality Management District Headquarters

June 29, 2007

9:00 AM, Conference Room GB

A G E N D A

- Summary of Second Meeting—May 17
- Evaluation Criteria For Candidate Reporting Methods
- Evaluation of Candidate Reporting Methods
- Rule 2015(b)(6) Evaluation and Review
- California Health and Safety Code Section 39616(f) Reassessment
- Impact of Investor on the RTC Market
- Impact of Swap Trades on the RTC Market
- Discussion
- Schedule