

Attachment to Industry 1

September 28, 2004

Elements of RFG Proposal

1. Reductions in RECLAIM Trading Credits:

A. Commencing in 2007, 2 tons per day of NOx RTCs would be removed from the program on an across-the-board basis;

B. Commencing in 2008, an additional 2 tons per day of NOx RTCs would be removed from the program on an across-the-board basis;

C. Commencing mid-2009 (i.e., after both RECLAIM cycles have implemented the second-phase shave), the District shall determine whether the current program end of cycle RTC credit prices over the preceding 18 months remained significantly below \$15,000 per ton (or such other cost benchmark as the Board may establish). Upon such determination, subject to the considerations of paragraph 1(D) below, staff may propose further reductions. No further reductions would be proposed if the RTC price had reached or was projected soon to reach the established benchmark. This evaluation would occur no later than the AQMP cycle following the implementation of the second-phase shave (i.e., 2010) and could occur as early as mid-2009. Thereafter, the District would evaluate the RECLAIM program for additional adjustment in either direction every AQMP cycle.

D. During each evaluation, the SCAQMD would consider the full range of factors relevant to the overall performance of the RECLAIM program, including, but not limited to, RTC price trends, trading volume, anticipated growth or decline in levels of economic activity among sources subject to RECLAIM and technology development and implementation.

2. Mobile and Area Source Credits

The District would continue to develop rules and protocols authorizing the generation of RTCs from the reduction in emissions from mobile and area sources, by extending the sunset dates in existing rules and adopting appropriate additional rules.