

# Emission Reduction Credits (ERCs) and Offsets – Cotton's Experience



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# ERCs

- Great as long as there is demand!
- \$12k per ton to \$50k per ton in less than 6 months

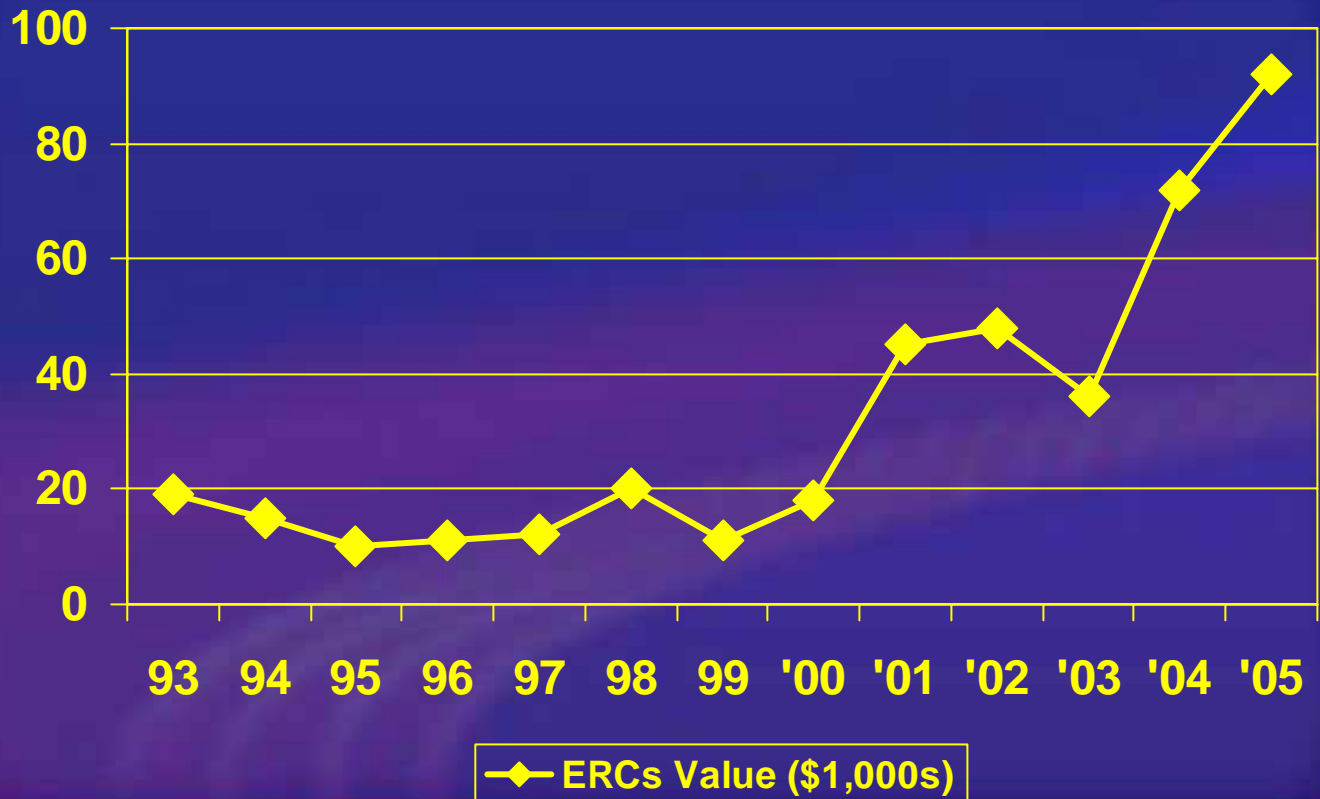


# Are ERCs saleable?

- San Joaquin Valley -
  - # of PM10 sales in 2005 = 5
  - # of PM10 sales in 2006 = 67



# ERC Cost per Transaction



# ERCs

- Great if you're selling, bad if you're buying
- Double-edged sword



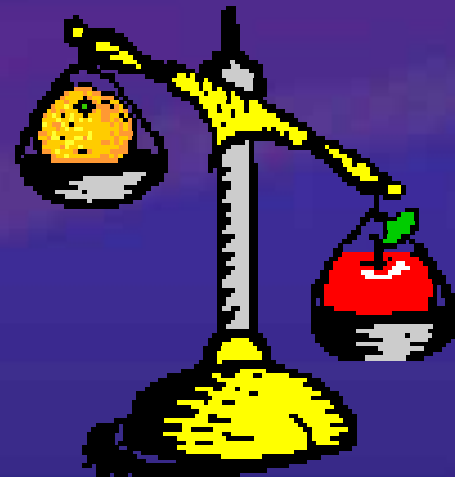
# Selling ERCs

- Only 2 times in last 15 years have PM10 ERCs really sold!
  - Power plants in the early '02
  - Dairies in late '06
- Some cotton gins have held ERCs for 15 years
- Cost more than revenue



# ERCs

- Be careful what you ask for... You might just get it!
- Weigh your options



# ERC Types

- Retrofit
  - Installation of equipment that is not required
  - “early implementation”
- Shutdown
  - Closure of facility or operation



# BACT & BARCT

- Controls that create ERCs become BACT and BARCT
- Most cotton gin ERCs are shutdown ERCs, not retrofit ERCs



# Issues

- Is there demand?
- Are we setting the standard if voluntary approach doesn't work?



