

**(5) Expanding small-scale CHP opportunities through the more efficient use of trading programs: an analysis of market opportunities and regulatory issues.**

The project team proposes and multi-faceted study to examine procedures and protocols for facilitating participation by clean efficient CHP projects in the Northeast Region (Mid-Atlantic and new England States) ERC markets, as well as in the markets for NOX Emission Allowances (EA's). Through the review of the environmental permitting records and other sources, the Project Team will determine the scope of the opportunity for replacement of aged and inefficiency oil-and coal-fired boilers with high efficiency CHP, and recommend a regulatory and administrative framework for ERC/EA creation through small-scale CHP. The project team will convene a high-level Advisory Committee to provide feedback on research and dissemination plans.

Total project cost: \$324,711

Funding request: \$137,105

Project Lead: New York State Energy Research and Development Authority

Project Participants: Connecticut Department of Environmental Protection; Pace Law School Project; Energy and Environmental Analysis, Inc.

Start Date: March 24, 2006

End Date: March 24, 2008

Presentations/Publications

None.

Patents

None.

Progress in Past Quarter and Current Status

On Monday March 19th NYSERDA staff and the Project Team held a kick-off meeting. In attendance for the Project Team was Dr. Joel Bluestein, ICF Consulting in Washington D.C., Tom Bourgeois, Research Director at Pace Energy Project, Greg Shoyen, P.E. of Spectra Environmental and Fred Zalcman, Executive Director of the Pace Energy Project. On the phone the Project Team was represented by Chris James, Director of Air Planning and Standards Division – CT DEP and Art Fossa, P.E. principal at Spectra Environmental Inc.

The project team presented the methods and procedures proposed for meeting the project's objectives and provided an update on early progress.

The Team covered the six main issue areas that will be addressed

- I. Quantify the scope of the ERC/EA opportunity for small-scale CHP
- II. Describe the administrative, technical and institutional Impediments to ERC creation confronting developers of small-scale CHP projects.
- III. Evaluate the role of CHP in emission allowance based-programs.
- IV. Examine the feasibility and desirability of broadening trading markets for ERCs across states.
- V. Assess the financial impact of ERCs and EAs on project economics.
- VI. Convene Advisory Board

The Team has secured the Boiler Registration Database from the New York City Department of Environmental Protection (NYC DEP) The Team has identified key people in each of the State Environmental agencies. We have initiated conversations with them and begun to create a matrix identifying similarities and differences in program methods and protocols across the States in our study region.

NYSERDA staff asked that to the extent possible, the analysis cover opportunities for smaller-scale CHP. The Team agreed to make every effort within the scope of our resources to identify and address the opportunities for smaller-scale CHP participating in existing trading markets.

Sensitivity to identifying opportunities among smaller-sized projects was the motivation for the Team's efforts to seek out and secure access to the Boiler Registration database, which many smaller sources (multi-family buildings, commercial buildings and so on). The Team noted that the coverage will not be comprehensive, but we hope to obtain information on Synthetic Minors and other sources capped below Title V level NO<sub>x</sub> emissions in the major metro areas (in Boston area, New York, CT metro areas). The NYSERDA staff offered some suggestions for the composition and the duties of the Advisory Board. It was decided that the next logical step would be to prepare some background materials, then approach prospective Advisory Board members. The Team and NYSERDA felt that an initial Advisory Board Meeting could take place within 6 weeks or so, prior to the Memorial Day holiday in May.

NYSERDA staff raised other concerns that were noted and will be addressed. There was a discussion about the "nuances" of the programs in New York State and a recognition that the Team will have to inventory different methods, procedures and protocols across the states

With respect to another expressed concern, the Project Team agreed that it was very important to be clear on the environmental benefits. With these types of market-based emissions trading programs the quantifiable, real, surplus reduction in emissions by a clean onsite generator may bring an economic benefit to the generator when a certified credit is sold, but in the selling of the credit, the net environmental benefits are reduced - as that sale permits use at another site.

***Plans for Next Quarter:***

The kick-off meeting concluded with consensus on the following next steps. The work on data acquisition will continue and efforts will be made to secure administrative records on minor sources (a few tons to 20+ tons of NO<sub>x</sub> PTE annually). The Team will continue work on a matrix that identifies key program attributes and compares how these attributes are similar (or distinct) across the states. Finally, we will begin preparations to identify members for a high-level Advisor Board and make preparations for an Advisory Board meeting that will occur within about 6 weeks time