HOUSE
RESEARCH
ORGANIZATION bill digest | 5/3/2021

HB 2468 (2nd reading)
E. Thompson
(CSHB 2468 by Kuempel)

SUBJECT: Expanding projects funded under Texas Emissions Reduction Plan

COMMITTEE: Environmental Regulation — committee substitute recommended

VOTE: 8 ayes — Landgraf, Dominguez, Goodwin, Kacal, Kuempel, Morales Shaw, Morrison, Reynolds

0 nays

1 absent — Dean

WITNESSES: For — Michael Lozano, Permian Basin Petroleum Association; Adrian Shelley, Public Citizen; Sam Gammage, Texas Chemical Council; (*Registered, but did not testify*: Marshall Kenderdine, Advanced Environmental Group LLC; Mike Meroney, BASF Corporation; Greg Macksood, Devon Energy; Daniel Womack, Dow Inc.; Cyrus Reed, Lone Star Chapter Sierra Club; William Stevens, Panhandle Producers and Royalty Owners Association; Brian Yarbrough, Port of Corpus Christi Authority; Mark Vickery, Texas Association of Manufacturers; Ryan Paylor, Texas Independent Producers & Royalty Owners Association (TIPRO); Shana Joyce, Texas Oil and Gas Association)

Against — None

On — (*Registered, but did not testify*: Mike Wilson, Texas Commission on Environmental Quality)

BACKGROUND: In 2001, the 77th Legislature created the Texas Emissions Reduction Plan (TERP) to provide financial incentives to eligible individuals, businesses, and government entities to reduce emissions from vehicles and equipment and help the state achieve federal Environmental Protection Agency air quality standards, or "attainment."

Health and Safety Code ch. 386 provides for the establishment of TERP, the programs that may receive funding under the plan, and the allocation of the TERP fund to different programs. Under sec. 386.055, a project receiving funding under TERP may not be used for credit under any state or federal emissions reduction credit averaging, banking, or trading program.

Some have suggested that existing TERP funds could be used for air monitoring equipment and to enter into contracts for certain emissions control systems to bring nonattainment areas closer to attainment status.

DIGEST:

CSHB 2468 would expand the items receiving grants or funding under the Texas Emissions Reduction Plan (TERP) to include air monitoring equipment and fee-based contracts for the purchase of reductions in nitrogen oxides (NOx) emissions.

TCEQ would have to establish a program to enter into fee-based contracts for the purchase of reductions in NOx emissions that would:

- specify the types of projects that were eligible, such as marine emission capture systems;
- measure NOx emissions input and output on a continuous basis;
- require reduced NOx emissions to be verified and certified;
- assign a dollar per ton fee based solely on the cost of the reduction in NOx emissions;
- require payments under the contract to be made only for actual emissions reductions; and
- authorize TCEQ to enter into multiyear contracts.

TCEQ could enter into such a contract for a project involving a new emissions reduction measure that would otherwise generate marketable credits under a state or federal emissions reduction credit averaging, banking, or trading program if the project was not used for such credit during the term of the contract. A project could be used for the credit if the fee-based contract under this bill had expired or been terminated.

The bill would amend allocations from the TERP fund and account such that:

- the amount that could be used each year to support research related to air quality would be increased from $750,000 to $1 million;
- up to $10 million could be used for air monitoring equipment to be used in nonattainment areas and affected counties; and
- the balance could be used by TCEQ for fee-based contracts for NOx emissions reductions.

The bill would increase from $2.5 million to $5 million the amount that could be used to make necessary demonstrations to the U.S. Environmental Protection Agency to account for the impact of foreign emissions or an exceptional event.

The bill would take effect September 1, 2021.