



Reprinted  
March 4, 1999

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## HOUSE BILL No. 1561

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DIGEST OF HB 1561 (Updated March 3, 1999 2:53 pm - DI 69)

**Citations Affected:** Noncode.

**Synopsis:** Air emissions reduction credit program. Requires the environmental quality service council to conduct a study to advise the department of environmental management concerning the feasibility of establishing an air emissions reduction credit program that provides economic incentives to achieve air quality goals and objectives in Indiana. Requires the environmental quality service council to make a recommendation to the legislative council before January 1, 2000, that: (1) suggests legislation to require the air pollution control board to adopt rules to establish an air emissions reduction credit program before July 1, 2001; (2) advises the department of environmental management to adopt guidance or nonrule policy documents before July 1, 2001, to implement air emissions reduction credit trading or other economic incentives to meet air quality goals and objectives; or (3) recommends that the environmental quality service council or a  
(Continued next page)

**Effective:** Upon passage.

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### Kuzman, Bosma

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January 19, 1999, read first time and referred to Committee on Environmental Affairs.  
February 18, 1999, amended, reported — Do Pass.  
March 3, 1999, read second time, amended, ordered engrossed.

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HB 1561—LS 7682/DI 69+



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workgroup established by the environmental quality service council should continue to study the feasibility of establishing an air emissions reduction credit program in Indiana.

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HB 1561—LS 7682/DI 69+



Reprinted  
March 4, 1999

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

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## HOUSE BILL No. 1561

A BILL FOR AN ACT concerning the environment.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. [EFFECTIVE UPON PASSAGE] (a) The  
2 environmental quality service council shall conduct a study to  
3 advise the department of environmental management concerning  
4 the feasibility of establishing an air emissions reduction credit  
5 program that provides economic incentives to achieve air quality  
6 goals and objectives in Indiana.  
7 (b) The environmental quality service council shall consider the  
8 following items in its study:  
9 (1) Cost effective ways to achieve air emissions reductions.  
10 (2) The economic and environmental benefits of an air  
11 emissions reduction credit program that would allow credits  
12 to be earned, banked, and traded on an exchange.  
13 (3) The benefits of an air emissions reduction credit trading  
14 program in:  
15 (A) areas classified as nonattainment for ozone;  
16 (B) areas classified as transitional for ozone attainment;

HB 1561—LS 7682/DI 69+



- 1                   **and**  
 2                   **(C) areas unclassified under the federal Clean Air Act (42**  
 3                   **U.S.C. 7401 et seq.).**  
 4                   **(4) The establishment of a formal process for the**  
 5                   **identification of emission offsets for use in nonattainment**  
 6                   **areas.**  
 7                   **(5) Existing federal and state air emissions reduction credit**  
 8                   **programs.**  
 9                   **(6) Use of set-asides to achieve net reduction of air emissions**  
 10                   **and maximum environmental benefit.**  
 11                   **(7) The establishment of a central registry or clearinghouse**  
 12                   **where air emissions reduction credit program information**  
 13                   **may be published.**  
 14                   **(8) Existing federal regulations that might affect a state**  
 15                   **operated air emissions reduction credit program.**  
 16                   **(9) Guidelines determining use and value of an earned air**  
 17                   **emissions reduction credit.**  
 18                   **(10) Locally transported pollutants and long range**  
 19                   **transported pollutants.**  
 20                   **(11) The benefits of interpollutant trading.**  
 21                   **(12) The duration of an earned air emissions reduction credit.**  
 22                   **(13) Any other information the environmental quality service**  
 23                   **council considers appropriate.**  
 24                   **(c) Before January 1, 2000, the environmental quality service**  
 25                   **council shall make a recommendation to the legislative council that**  
 26                   **does at least one (1) of the following:**  
 27                   **(1) Suggests legislation that would require the air pollution**  
 28                   **control board to adopt rules to establish an air emissions**  
 29                   **reduction credit program before July 1, 2001.**  
 30                   **(2) Advises the department of environmental management to**  
 31                   **adopt guidance or nonrule policy documents before July 1,**  
 32                   **2001, to implement air emissions reduction credit trading or**  
 33                   **other economic incentives to meet air quality goals and**  
 34                   **objectives.**  
 35                   **(3) Recommends that the environmental quality service**  
 36                   **council or a workgroup established by the environmental**  
 37                   **quality service council should continue to study the feasibility**  
 38                   **of establishing an air emissions reduction credit program in**  
 39                   **Indiana.**  
 40                   **(d) A recommendation made under subsection (c) by the**  
 41                   **environmental quality service council may not interfere with**  
 42                   **federal acid rain programs or the state implementation plan**



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1 **concerning nitrogen oxides.**  
2 **(e) This SECTION expires July 1, 2001.**  
3 **SECTION 2. An emergency is declared for this act.**

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Environmental Affairs, to which was referred House Bill 1561, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, delete lines 1 through 7.

Page 1, line 12, delete "authority and the".

Page 1, line 15, delete "to reduce or prevent emissions of air" and insert "**that minimize the costs associated with required air emission reductions and encourage economic development in a manner that protects human health and the environment.**".

Page 2, delete line 1.

Page 2, line 5, delete "at least the following air" and insert "**the following criteria air pollutants and their precursor emissions:**".

Page 2, delete line 6.

Page 2, line 7, delete "oxide." and insert "**oxides.**".

Page 2, delete lines 12 through 14.

Page 2, delete line 16.

Page 2, line 17, delete "(B)" and insert "(A)".

Page 2, line 18, delete "(C)" and insert "(B)".

Page 2, line 19, delete "(D)" and insert "(C)".

Page 2, line 27, delete "environmental".

Page 2, delete lines 29 through 42.

Page 3, delete lines 1 through 15, begin a new paragraph and insert: "**Sec. 3. The air emissions reduction credit program:**

- (1) may not interfere with federal acid rain programs or the state implementation plan concerning nitrogen oxides; and
- (2) must defer to and facilitate federal air emissions credit trading programs to the extent that it is reasonable for the state to defer to and facilitate the federal programs.

**Sec. 4. (a) Air emissions reduction credits may only be revoked or discounted following a hearing conducted in accordance with IC 4-21.5.**

**(b) Air emissions reduction credits earned:**

- (1) reflect air emissions reduced by the use of additional emissions controls, shutting down facilities or equipment, or any other means; and
- (2) may not be subject to any test of financial loss or gain associated with the air emission reduction action.

**(c) Air emissions reduction credits may be:**

- (1) held for future use; or
- (2) traded on an exchange;

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by the owner of the credits.

(d) Air emissions reduction credits may be bought or sold within air quality control areas that have been classified as attainment, transitional, or unclassified areas under the federal Clean Air Act (42 U.S.C. 7401 et seq.).

(e) Air emissions reduction credits may be bought or sold within air quality control areas that have been classified as nonattainment areas under the federal Clean Air Act (42 U.S.C. 7401 et seq.). However, the credits may only be purchased from:

- (1) within the nonattainment area; or
- (2) air emissions sources that affect the air quality within the nonattainment area.

(f) Air emissions reduction credits that have not been used or traded on an exchange expire fifteen (15) years after the date the credits are first registered with the registry program described in section 5 of this chapter.

(g) The board shall adopt rules that facilitate interpollutant trading between volatile organic compounds and nitrogen oxides to:

- (1) control ozone; and
- (2) facilitate permitting of sources."

Page 3, line 16, delete "4." and insert "5."

Page 3, line 16, delete "authority" and insert "department".

Page 3, line 18, delete "Identify and register" and insert "Register".

Page 3, delete lines 22 through 27, begin a new paragraph and insert:

"(b) Air emissions reductions that have not been used to comply with any applicable federal or state law may be registered with the registry program established in subsection (a) regardless of when the air emission reductions occurred."

Page 3, line 33, delete "authority" and insert "department".

Page 3, line 35, delete "5." and insert "6."

Page 4, line 2, delete "Indiana".

Page 4, line 3, delete "development finance authority and the".

Page 4, line 5, delete "January 15," and insert "July 1,".

Page 4, line 6, delete "January 31," and insert "July 31,"

Page 4, after line 6, begin a new paragraph and insert:

"SECTION 3. [EFFECTIVE JULY 1, 1999] (a) Before July 1, 2000, the department of environmental management shall present proposed rules from the air pollution control board to implement IC 13-17-15, as added by this act, to the environmental quality service council.



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**(b) Before December 31, 2000, the environmental quality service council shall do at least one (1) of the following:**

**(1) Recommend to the air pollution control board that the proposed rules should be adopted as final rules.**

**(2) Recommend to the air pollution control board that the proposed rules should be modified before the proposed rules are adopted as final rules.**

**(3) Recommend to the general assembly additional legislation that is necessary to implement IC 13-17-15, as added by this act.**

**(c) This SECTION expires January 1, 2001."**

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1561 as introduced.)

STURTZ, Chair

Committee Vote: yeas 13, nays 1.

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HOUSE MOTION

Mr. Speaker: I move that House Bill 1561 be amended to read as follows:

Delete the title and insert the following:

A BILL FOR AN ACT concerning the environment.

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

(Reference is to HB 1561 as printed February 19, 1999.)

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