§ 97.42 NO\textsubscript{X} allowance allocations.

(a)(1) The heat input (in mmBtu) used for calculating NO\textsubscript{X} allowance allocations for each NO\textsubscript{X} Budget unit under §97.4(a) will be:

(i) For a NO\textsubscript{X} allowance allocation under §97.41(a):

(A) For a unit under §97.4(a)(1), the average of the two highest amounts of the unit’s heat input for the control periods in 1995 through 1998; or

(B) For a unit under §97.4(a)(2), the control period in 1995 or, if the Administrator determines that reasonably reliable data are available for control periods in 1996 through 1998, the average of the two highest amounts of the unit’s heat input for the control periods in 1995 through 1998.

(ii) For a NO\textsubscript{X} allowance allocation under §97.41(b), the unit’s average heat input for the control periods in 2002 through 2004.

(iii) For a NO\textsubscript{X} allowance allocation under §97.41(c), the unit’s average heat input for the control period in the years that are 4, 5, 6, 7, and 8 years before the first year for which the allocation is being calculated.

(2) The unit’s heat input for the control period in each year specified under paragraph (a)(1) of this section will be determined in accordance with part 75 of this chapter. Notwithstanding the first sentence of this paragraph (a)(2):

(i) For a NO\textsubscript{X} allowance allocation under §97.41(a), such heat input will be determined using the best available data reported to the Administrator for the unit if the unit was not otherwise subject to the requirements of part 75 of this chapter for the control period.

(ii) For a NO\textsubscript{X} allowance allocation under §97.41(b) or (c) for a unit exempt under §97.4(b), such heat input shall be treated as zero if the unit is exempt under §97.4(b) during the control period.

(b) For each group of control periods specified in §97.41(a) through (c), the Administrator will allocate to all NO\textsubscript{X} Budget units in a given State under §97.4(a)(1) that commenced operation before May 1, 1997 for allocations under §97.41(a), May 1, 2003 for allocations under §97.41(b), and May 1 of the year 5 years before the first year for which the allocation under §97.41(c) is being calculated, a total number of NO\textsubscript{X} allowances equal to 95 percent of the portion of the State’s trading program budget under §97.40 covering such units. The Administrator will allocate in accordance with the following procedures:

(1) The Administrator will allocate NO\textsubscript{X} allowances to each NO\textsubscript{X} Budget unit under §97.4(a)(1) for each control period in an amount equaling 0.15 lb/mmBtu multiplied by the heat input determined under paragraph (a) of this section, divided by 2,000 lb/ton, and rounded to the nearest whole number of NO\textsubscript{X} allowances as appropriate.

(2) If the initial total number of NO\textsubscript{X} allowances allocated to all NO\textsubscript{X} Budget units under §97.4(a)(1) in the State for a control period under paragraph (b)(1) of this section does not equal 95 percent of the portion of the State’s trading program budget under §97.40 covering such units, the Administrator will adjust the total number of NO\textsubscript{X} allowances allocated to all such NO\textsubscript{X} Budget units for the control period under paragraph (b)(1) of this section so that the total number of NO\textsubscript{X} allowances allocated equals 95 percent of such portion of the State’s trading program budget. This adjustment will be made by: multiplying each unit’s allocation by 95 percent of such portion of the State’s trading program budget; dividing by the total number of NO\textsubscript{X} allowances allocated under paragraph (b)(1) of this section for the control period; and rounding to the nearest whole number of NO\textsubscript{X} allowances as appropriate.

(c) For each group of control periods specified in §97.41(a) through (c), the Administrator will allocate to all NO\textsubscript{X} Budget units in a given State under §97.4(a)(2) that commenced operation before May 1, 1997 for allocations under §97.41(a), May 1, 2003 for allocations under §97.41(b), and May 1 of the year 5 years before the first year for which the allocation under §97.41(c) is being calculated, a total number of NO\textsubscript{X} allowances equal to 95 percent of the portion of the State’s trading program budget under §97.40 covering such units. The Administrator will allocate in accordance with the following procedures:

(1) The Administrator will allocate NO\textsubscript{X} allowances to each NO\textsubscript{X} Budget


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unit under §97.4(a)(2) for each control period in an amount equaling 0.17 lb/mmBtu multiplied by the heat input determined under paragraph (a) of this section, divided by 2,000 lb/ton, and rounded to the nearest whole number of NOx allowances as appropriate.

(2) If the initial total number of NOx allowances allocated to all NOx Budget units under §97.4(a)(2) in the State for a control period under paragraph (c)(1) of this section does not equal 95 percent of the portion of the State’s trading program budget under §97.40 covering such units, the Administrator will adjust the total number of NOx allowances allocated to all such NOx Budget units for the control period under paragraph (a)(1) of this section so that the total number of NOx allowances allocated equals 95 percent of the portion of the State’s trading program budget under §97.40 covering such units. This adjustment will be made by: multiplying each unit’s allocation by 95 percent of the portion of the State’s trading program budget under §97.40 covering such units; dividing by the total number of NOx allowances allocated under paragraph (c)(1) of this section for the control period; and rounding to the nearest whole number of NOx allowances as appropriate.

(d) For each control period specified in §97.41(d), the Administrator will allocate NOx allowances to NOx Budget units in a given State under §97.4(a) (except for units exempt under §97.4(b)) that commence operation, or are projected to commence operation, on or after: May 1, 1997 (for control periods under §97.41(a)); May 1, 2003, (for control periods under §97.41(b)); and May 1 of the year 5 years before the beginning of the group of 5 years that includes the control period (for control periods under §97.41(c)). The Administrator will make the allocations under this paragraph (d) in accordance with the following procedures:

(1) The Administrator will establish one allocation set-aside for each control period. Each allocation set-aside will be allocated NOx allowances equal to 5 percent of the tons of NOx emission in the State’s trading program budget under §97.40, rounded to the nearest whole number of NOx allowances as appropriate.

(2) The NOx authorized account representative of a NOx Budget unit specified in this paragraph (d) may submit to the Administrator a request, in a format specified by the Administrator, to be allocated NOx allowances for the control period. The NOx allowance allocation request must be received by the Administrator on or after the date on which the State permitting authority issues a permit to construct the unit and by January 1 before the control period for which NOx allowances are requested.

(3) In a NOx allowance allocation request under paragraph (d)(2) of this section, the NOx authorized account representative for a NOx Budget unit under §97.4(a)(1) may request for the control period NOx allowances in an amount that does not exceed the lesser of:

(i) 0.15 lb/mmBtu multiplied by the unit’s maximum design heat input, multiplied by the lesser of 3,672 hours or the number of hours remaining in the control period starting with the day in the control period on which the unit commences operation or is projected to commence operation, divided by 2,000 lb/ton, and rounded to the nearest whole number of NOx allowances as appropriate; or

(ii) The unit’s most stringent State or Federal NOx emission limitation multiplied by the unit’s maximum design heat input, multiplied by the lesser of 3,672 hours or the number of hours remaining in the control period starting with the day in the control period on which the unit commences operation or is projected to commence operation, divided by 2,000 lb/ton, and rounded to the nearest whole number of NOx allowances as appropriate; or

(4) In a NOx allowance allocation request under paragraph (d)(2) of this section, the NOx authorized account representative for a NOx Budget unit under §97.4(a)(2) may request for the control period NOx allowances in an amount that does not exceed the lesser of:

(i) 0.17 lb/mmBtu multiplied by the unit’s maximum design heat input, multiplied by the lesser of 3,672 hours or the number of hours remaining in the control period starting with the day in the control period on which the
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unit commences operation or is projected to commence operation, divided by 2,000 lb/ton, and rounded to the nearest whole number of NOx allowances as appropriate; or

(ii) The unit’s most stringent State or Federal NOx emission limitation multiplied by the unit’s maximum design heat input, multiplied by the lesser of 3,672 hours or the number of hours remaining in the control period starting with the day in the control period on which the unit commences operation or is projected to commence operation, divided by 2,000 lb/ton, and rounded to the nearest whole number of NOx allowances as appropriate.

(5) The Administrator will review each NOx allowance allocation request submitted in accordance with paragraph (d)(2) of this section and will allocate NOx allowances pursuant to such request as follows:

(i) Upon receipt of the NOx allowance allocation request, the Administrator will make any necessary adjustments to the request to ensure that the requirements of paragraphs (d) introductory text, (d)(2), (d)(3), and (d)(4) are met.

(ii) The Administrator will determine the following amounts:

(A) The sum of the NOx allowances requested (as adjusted under paragraph (d)(5)(i) of this section) in all NOx allowance allocation requests under paragraph (d)(2) of this section for the control period; and

(B) For units exempt under §97.4(b) in the State that commenced operation, or are projected to commence operation, on or after May 1, 1997 (for control periods under §97.41(a)); May 1, 2003, (for control periods under §97.41(b)); and May 1 of the year 5 years before beginning of the group of 5 years that includes the control period (for control periods under §97.41(c)), the sum of the NOx emission limitations (in tons of NOx) on which each unit’s exemption under §97.4(b) is based.

(iii) If the number of NOx allowances in the allocation set-aside for the control period less the amount under paragraph (d)(5)(i)(B) of this section is not less than the amount determined under paragraph (d)(5)(i)(A) of this section, the Administrator will allocate the amount of the NOx allowances requested (as adjusted under paragraph (d)(5)(i) of this section) to the NOx Budget unit for which the allocation request was submitted.

(iv) If the number of NOx allowances in the allocation set-aside for the control period less the amount under paragraph (d)(5)(i)(B) of this section is less than the amount determined under paragraph (d)(5)(i)(A) of this section, the Administrator will allocate, to the NOx Budget unit for which the allocation request was submitted, the amount of NOx allowances requested (as adjusted under paragraph (d)(5)(i) of this section) multiplied by the number of NOx allowances in the allocation set-aside for the control period less the amount determined under paragraph (d)(5)(i)(A) of this section, and rounded to the nearest whole number of NOx allowances as appropriate.

(e)(1) For a NOx Budget unit that is allocated NOx allowances under paragraph (d) of this section for a control period, the Administrator will deduct NOx allowances under §97.54(b), (e), or (f) to account for the actual heat input of the unit during the control period. The Administrator will calculate the number of NOx allowances to be deducted to account for the unit’s actual heat input using the following formulas and rounding to the nearest whole number of NOx allowances as appropriate, provided that the number of NOx allowances to be deducted shall be zero if the number calculated is less than zero:

\[
\text{NOx allowances deducted for actual heat input for a unit under §97.4(a)(1)} = \text{Unit’s NOx allowances allocated for control period} - (\text{Unit’s actual control period heat input} \times \text{the lesser of 0.15 lb/mmBtu the unit’s most stringent State or Federal emission limitation} \times 2,000 \text{ lb/ton})
\]

Where:

\[
\text{Unit’s actual control period heat input} = \text{Unit’s actual heat input} \times \text{the lesser of 0.17 lb/mmBtu the unit’s most stringent State or Federal emission limitation} \times 2,000 \text{ lb/ton}
\]
“Unit’s NOx allowances allocated for control period” is the number of NOx allowances allocated to the unit for the control period under paragraph (d) of this section; and “Unit’s actual control period heat input” is the heat input (in mmBtu) of the unit during the control period.

(2) The Administrator will transfer any NOx allowances deducted under paragraph (e)(1) of this section to the allocation set-aside for the control period for which they were allocated.

(f) After making the deductions for compliance under §97.54(b), (e), or (f) for a control period, the Administrator will determine whether any NOx allowances remain in the allocation set-aside for the control period. The Administrator will allocate any such NOx allowances to the NOx Budget units in the State using the following formula and rounding to the nearest whole number of NOx allowances as appropriate:

Unit’s share of NOx allowances remaining in allocation set-aside = Total NOx allowances remaining in allocation set-aside × (Unit’s NOx allowance allocation ÷ State’s trading program budget excluding allocation set-aside)

Where:
“Total NOx allowances remaining in allocation set-aside” is the total number of NOx allowances remaining in the allocation set-aside for the control period;
“Unit’s NOx allowance allocation” is the number of NOx allowances allocated under paragraph (b) or (c) of this section to the unit for the control period to which the allocation set-aside applies; and “State’s trading program budget excluding allocation set-aside” is the State’s trading program budget under §97.40 for the control period to which the allocation set-aside applies multiplied by 95 percent, rounded to the nearest whole number of NOx allowances as appropriate.

(g) If the Administrator determines that NOx allowances were allocated under paragraph (b), (c), or (d) of this section for a control period and the recipient of the allocation is not actually a NOx Budget unit under §97.4(a), the Administrator will notify the NOx authorized account representative and then will act in accordance with the following procedures:

(1)(i) The Administrator will not record such NOx allowances for the control period in an account under §97.53;

(ii) If the Administrator already recorded such NOx allowances for the control period in an account under §97.53 and if the Administrator makes such determination before making all deductions pursuant to §97.54 (except deductions pursuant to §97.54(d)(2)) for the control period, then the Administrator will deduct from the account NOx allowances equal in number to and allocated for the same or a prior control period as the NOx allowances allocated to such recipient for the control period. The NOx authorized account representative shall ensure that the account contains the NOx allowances necessary for completion of such deduction. If account does not contain the necessary NOx allowances, the Administrator will deduct the required number of NOx allowances, regardless of the control period for which they were allocated, whenever NOx allowances are recorded in the account; or

(iii) If the Administrator already recorded such NOx allowances for the control period in an account under §97.53 and if the Administrator makes such determination after making all deductions pursuant to §97.54 (except deductions pursuant to §97.54(d)(2)) for the control period, then the Administrator will apply paragraph (g)(1)(ii) of this section to any subsequent control period for which NOx allowances were allocated to such recipient.

(2) The Administrator will transfer the NOx allowances that are not recorded, or that are deducted, pursuant to paragraph (g)(1) of this section to an allocation set-aside for the State in which such source is located.

[65 FR 2727, Jan. 18, 2000, as amended at 67 FR 21529, Apr. 30, 2002; 69 FR 21646, Apr. 21, 2004]

§97.43 Compliance Supplement Pool.

(a) For any NOx Budget unit that reduces its NOx emission rate in the 2001 through 2003 control period, the owners and operators may request early reduction credits in accordance with the following requirements:

(1) Each NOx Budget unit for which the owners and operators intend to request, or request, any early reduction credits in accordance with paragraph