

**Environmental Protection Agency**

**§ 80.275**

ALLOTMENT TRADING PROGRAM

**§ 80.275 How are allotments generated and used?**

(a) *Generation of allotments and credits in 2003.* (1) During 2003 only, any domestic or foreign refiner may have the option to generate credits in accordance with the provisions of §80.305 or generate allotments and credits under paragraph (a)(2) of this section.

(2) If the average sulfur content of the gasoline produced at a refinery is less than the refinery's baseline as determined under §80.295 and is 60 ppm or less, allotments and credits may be generated using the following procedures. This paragraph (a) does not apply to importers.

(i) If the average sulfur content of the gasoline produced at a refinery is less than or equal to 30, and the refinery's sulfur baseline is greater than 120, the following procedures apply:

$$SA_{TypeB} = (30 - S_{a_a}) \times V$$

$$SA_{TypeA} = (V \times 90) \times 0.8$$

$$CR = (S_{Base} - 120) \times V$$

(ii) If the average sulfur content of the gasoline produced at a refinery is less than or equal to 30, and the refinery's sulfur baseline is greater than 30 but less than or equal to 120, the following procedures apply:

$$SA_{TypeB} = (30 - S_a) \times V$$

$$SA_{TypeA} = ((S_{Base} - 30) \times V) \times 0.8$$

(iii) If the average sulfur content of the gasoline produced at a refinery is less than or equal to 30, and the refinery's sulfur baseline is less than or equal to 30, the following procedures apply:

$$SA_{TypeB} = (S_{Base} - S_a) \times V$$

(iv) If the average sulfur content of the gasoline produced at a refinery is greater than 30, and the refinery's sulfur baseline is greater than 120, the following procedures apply:

$$SA_{TypeA} = ((120 - S_a) \times V) \times 0.8$$

$$CR = (S_{Base} - 120) \times V$$

(v) If the average sulfur content of the gasoline produced at a refinery is greater than 30, and the refinery's sulfur baseline is less than or equal to 120, the following procedures apply:

$$SA_{TypeA} = ((S_{Base} - S_a) \times V) \times 0.8$$

(vi) For purposes of the equations under paragraphs (a)(2)(i) through (v)

of this section, the following definitions apply:

$SA_{TypeB}$  = Type B sulfur allotments generated.

$SA_{TypeA}$  = Type A sulfur allotments generated.

CR = Credits generated.

$S_{Base}$  = Refinery's sulfur baseline value under §80.295.

$S_a$  = Average sulfur content of the gasoline produced at the refinery during 2003 (or for a foreign refinery, all gasoline produced during 2003 that was imported into the U.S.).

V = Volume of gasoline produced at the refinery during 2003 (or for a foreign refinery, all gasoline produced during 2003 that was imported into the U.S.).

(b) *Generation of allotments in 2004 and 2005.* During 2004 and 2005 only, refiners and importers that have corporate pool average sulfur levels below the corporate pool average standards under §80.195 may generate sulfur allotments separately for each year using the following procedures.

(1) If the average sulfur content of the gasoline produced or imported is less than 30 the following procedures apply:

$$SA_{TypeB} = (30 - S_a) \times V_a$$

$$SA_{TypeA} = (S_{PS} - 30) \times V_a$$

(2) If the average sulfur content of the gasoline produced or imported is equal to or greater than 30 the following procedures apply:

$$SA_{TypeA} = (S_{PS} - S_a) \times V_a$$

(3) For purposes of the equations under paragraphs (b)(1) and (2) of this section, the following definitions apply:

$SA_{TypeB}$  = Type B sulfur allotments generated.

$SA_{TypeA}$  = Type A sulfur allotments generated.

$S_a$  = Corporate pool average sulfur level for the year.

$S_{PS}$  = Corporate pool average standard (120 in 2004; 90 in 2005).

$V_a$  = Total volume of gasoline produced and/or imported during the year.

(c) *Use of sulfur allotments to meet standards.* (1) Refiners and importers may use Type A and Type B sulfur allotments to meet the corporate pool average standards under §80.195, except that if allotments generated in 2003 or

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2004 are used to meet the corporate pool standard in 2005 the allotments generated in 2003 or 2004 shall be reduced in value by 50%.

(2) Small refiners subject to the standards under § 80.240, and refiners and importers of gasoline designated as GPA gasoline under § 80.219(a), may use sulfur allotments to meet their annual average refinery or importer standards.

(d) *Transfers of sulfur allotments.* Sulfur allotments generated under this section may be transferred, provided that:

(1) No allotment may be transferred more than twice: The first transfer by the refiner or importer who generated the allotment may only be made to a refiner or importer who intends to use the allotment; if the transferee cannot use the allotment, it may make the second, and final, transfer only to a refiner or importer who intends to use the allotment. In no case may an allotment be transferred more than twice before being used or terminated.

(2) The allotment transferor must apply any allotments necessary to meet the transferor's corporate pool average standard before transferring allotments to any other refiner or importer or before converting allotments into credits.

(3) The transferor must supply to the transferee records indicating the year of generation and type of the allotments, the identity of the refiner or importer who generated the allotments, and the identity of the transferring party, if it is not the same part that generated the allotments.

(4) The transferor must inform the transferee whether any transferred allotments are Type A allotments or Type B allotments, as defined in paragraphs (a) and (b) of this section.

(5) In the case of allotments that have been calculated or created improperly, or are otherwise determined to be invalid, the following provisions apply:

(i) Invalid allotments cannot be used to achieve compliance with the transferee's corporate pool average standard or be converted to credits, regardless of the transferee's good faith belief that the allotments were valid.

(ii) The refiner or importer who used the allotments, and any transferor of

the allotments, must adjust their allotment records and reports and sulfur calculations as necessary to reflect the proper allotments.

(iii) Any allotments remaining after correcting for the improperly created allotments must first be applied to correct the invalid transfers before the transferor may transfer any other allotments or before converting allotments into credits.

(e) *Conversion of allotments into credits.* A refiner or importer may convert allotments into credits using the following procedures:

(1) Type A allotments may be converted into credits with the same requirements and limitations on use that apply under § 80.315 to credits generated in 2000 through 2003.

(2) Type B allotments may be converted into credits with the same requirements and limitations on use that apply under § 80.315 to credits generated in 2004 and later, based on the year of creation of the allotment.

(f) *Small refiners.* Small refiners subject to the standards under § 80.240 may not generate sulfur allotments under paragraph (b) of this section.

(g) *GPA gasoline.* GPA gasoline that is included in the refiner's or importer's corporate pool average under § 80.216(f)(2) must be included in the calculations under paragraph (b) of this section. No refiner or importer may generate allotments in 2004 or 2005 who is not required to meet the corporate pool average standards.

**AVERAGING, BANKING AND TRADING (ABT) PROGRAM—GENERAL INFORMATION**

**§ 80.280 [Reserved]**

**§ 80.285 Who may generate credits under the ABT program?**

(a) *Credit generation in 2000 through 2003.* (1) Credits may be generated in 2000 through 2003 under § 80.305 by refiners who produce gasoline from crude oil, and are:

(i) Refiners who establish a sulfur baseline under § 80.295;

(ii) Foreign refiners with approved baselines under § 80.94, or baselines established in accordance with § 80.410; or

(iii) Small refiners for any refinery subject to the standards under § 80.240,