**340-224-0050**

**Requirements for Sources in Nonattainment Areas**

(2) Offsets and Net Air Quality Benefit. The owner or operator must obtain offsets and demonstrate that a net air quality benefit will be achieved as specified in OAR 340-225-0090.

**340-224-0060**

**Requirements for Sources in Maintenance Areas**

(2) Air Quality Protection:

(a) Offsets and Net Air Quality Benefit. Except as provided in subsections (b), (c), (d) and (e) of this section, the owner or operator must obtain offsets and demonstrate that a net air quality benefit will be achieved in the area as specified in OAR 340-225-0090.

(3) The owner or operator of a source subject to this rule must provide an air quality analysis in accordance with OAR 340-225-0050(1) and (2), and 340-225-0060.

**340-224-0070**

**Prevention of Significant Deterioration Requirements for Sources in Attainment or Unclassified Areas**

(2) Air Quality Analysis: The owner or operator of a source subject to this rule must provide an analysis of the air quality impacts of each pollutant for which emissions will exceed the netting basis by the SER or more due to the proposed source or modification in accordance with OAR 340-225-0050 through 340-225-0070.

(a) For increases of direct PM2.5 or PM2.5 precursors equal to or greater than the significant emission rate, the owner or operator must provide an analysis of PM2.5 air quality impacts based on all increases of direct PM2.5 and PM2.5 precursors.

(b)The owner or operator of any source subject to this rule that significantly impacts air quality in a designated nonattainment or maintenance area must meet the requirements of net air quality benefit in 340-225-0090.

**340-225-0090**

**Requirements for Demonstrating a Net Air Quality Benefit**

Demonstrations of net air quality benefit for offsets must include the following:

 (2) Non-Ozone areas (PM2.5, PM10, SO2, CO, NOx, and Lead emissions):

(a) For a source locating within a designated nonattainment area, the owner or operator must comply with paragraphs (A) through (E) of this subsection:

(A) Obtain offsets from within the same designated nonattainment area for the nonattainment pollutant(s);

(B) Except as provided in paragraphs (C) of this subsection, provide a minimum of 1:1 offsets for each nonattainment pollutant and precursor with emission increases over the Netting Basis;

(C) For PM2.5; inter-pollutant offsets are allowed as follows:

(i) 1 ton of direct PM2.5 may be used to offset 40 tons of SO2;

(ii) 1 ton of direct PM2.5 may be used to offset 100 tons of NOx;

(iii) 40 tons of SO2 may be used to offset 1 ton of direct PM2.5;

(iv) 100 tons of NOx may be used to offset 1 ton of direct PM2.5.

(D) Except as provided in section (7) of this rule, provide a net air quality benefit within the designated nonattainment area. "Net Air Quality Benefit" means:

(i) Offsets obtained result in a reduction in concentration at a majority of the modeled receptors and the emission increases from the proposed source or modification will result in less than a significant impact level increase at all modeled receptors; or

(ii) For a small scale local energy project and any infrastructure related to that project located in the same area, a reduction of the nonattainment pollutant emissions equal to the ratio specified in this subsection, provided that the proposed major source or major modification would not cause or contribute to a violation of the national ambient air quality standard or otherwise pose a material threat to compliance with air quality standards in the nonattainment area.

(E) Provide offsets sufficient to demonstrate reasonable further progress toward achieving the NAAQS.

(b) For a source locating outside a designated nonattainment area but causing a significant air quality impact on the area, the owner or operator must provide offsets sufficient to reduce the modeled impacts below the significant air quality impact level (OAR 340-200-0020) at all receptors within the designated nonattainment area. These offsets may come from within or outside the designated nonattainment area. This requirement only applies to the emissions remaining after first deducting the offsets obtained in accordance with section (7) of this rule.

(c) For a source locating inside or causing a significant air quality impact on a designated maintenance area, the owner or operator must either provide offsets sufficient to reduce modeled impacts below the significant air quality impact level (OAR 340-200-0020) at all receptors within the designated maintenance area or obtain an allocation from an available growth allowance as allowed by an applicable maintenance plan. These offsets may come from within or outside the designated maintenance area. This requirement only applies to the emissions remaining after first deducting the offsets obtained in accordance with section (7) of this rule.

(A) Medford-Ashland AQMA: Proposed new major PM10 sources or major PM10 modifications locating within the AQMA that are required to provide emission offsets under OAR 340-224-0060(2)(a) must provide reductions in PM10 emissions equal to 1.2 times the emissions increase over the netting basis from the new or modified source, and must provide a net air quality benefit within the AQMA. "Net Air Quality Benefit" means:

(i) A reduction in concentration at a majority of the modeled receptors and less than a significant impact level increase at all modeled receptors; or

(ii) For a small scale local energy project and any infrastructure related to that project located in the same area, a reduction of the maintenance pollutant emissions equal to the ratio specified in this paragraph, provided that the proposed major source or major modification would not cause or contribute to a violation of the national ambient air quality standard or otherwise pose a material threat to compliance with air quality standards in the maintenance area.

(B) Medford-Ashland AQMA: Proposed new major PM10 sources or major PM10 modifications located outside the Medford-Ashland AQMA that cause a significant air quality impact on the AQMA must provide reductions in PM10 emissions sufficient to reduce modeled impacts below the significant air quality impact level (OAR 340-200-0020) at all receptors within the AQMA.

(3) Except as provided in paragraph (2)(a)(C) of this rule, the emission reductions used as offsets must be of the same type of pollutant as the emissions from the new source or modification. Sources of PM10 must be offset with particulate in the same size range.

(4) The emission reductions used as offsets must be contemporaneous, that is, the reductions must take effect before the time of startup but not more than two years before the submittal of a complete permit application for the new source or modification. This time limitation may be extended through banking, as provided for in OAR 340 division 268, Emission Reduction Credit Banking. In the case of replacement facilities, the DEQ may allow simultaneous operation of the old and new facilities during the startup period of the new facility, if net emissions are not increased during that time period. Any emission reductions must be federally enforceable at the time of the issuance of the permit.

(5) Offsets required under this rule must meet the requirements of Emissions Reduction Credits in OAR 340 division 268.

(6) Emission reductions used as offsets must be equivalent in terms of short term, seasonal, and yearly time periods to mitigate the effects of the proposed emissions.

(7) Offsets obtained in accordance with OAR 340-240-0550 and 340-240-0560 for sources locating within or causing significant air quality impact on the Klamath Falls PM2.5 nonattainment or PM10 maintenance areas are exempt from the requirements of paragraph (2)(a)(E) and sub-sections (2)(b) and (2)(c) of this rule provided that the proposed major source or major modification would not cause or contribute to a new violation of the national ambient air quality standard. This exemption only applies to the direct PM2.5 or PM10 offsets obtained from residential wood-fired devices in accordance with 340-240-0550 and 340-240-0560. Any remaining emissions from the source that are offset by emission reductions from other sources are subject to the requirements of paragraph (2)(a)(E) or sub-sections (2)(b) or (2)(c) of this rule, as applicable.