

**FACT SHEET**  
**Final Rule:**  
**Revised Cross-State Air Pollution Rule Update**  
**for the 2008 Ozone NAAQS**

**The Safety Valve: An Opportunity to Convert Additional Banked Allowances**

Both the 2016 CSAPR Update and the 2021 Revised CSAPR Update address states' obligations under the Clean Air Act's good neighbor provision with regard to the 2008 ozone National Ambient Air Quality Standards (NAAQS). The CSAPR Update established budgets for emissions of nitrogen oxides (NO<sub>x</sub>) from electricity generating units in 22 states during the May-September ozone season, implemented through requirements for the sources to participate in the CSAPR NO<sub>x</sub> Ozone Season Group 2 Trading Program starting in 2017. The Revised CSAPR Update establishes more stringent NO<sub>x</sub> emission budgets for sources in 12 of the states,<sup>1</sup> implemented through requirements for these sources to instead participate in the new CSAPR NO<sub>x</sub> Ozone Season Group 3 Trading Program starting in 2021. Sources in the remaining 10 states will continue to participate in the Group 2 trading program.

EPA is creating a limited initial bank of allowances for use in the new Group 3 trading program ("Group 3 allowances") by converting allowances banked in 2017-2020 under the existing Group 2 trading program ("Group 2 allowances") (see Fact Sheet on Creation of Group 3 Allowance Bank). To provide further compliance flexibility, EPA is also establishing a voluntary "safety valve" mechanism that will allow Group 3 sources to access additional Group 3 allowances by converting banked Group 2 allowances that remain after creation of the initial bank. The 18:1 safety valve conversion ratio reflects the relationship of the control costs used in developing the new state emission budgets to the average market price of Group 2 allowances from March 2020 through January 2021. Use of this ratio ensures that the safety valve mechanism will not undermine the ability of the trading program to address states' good neighbor obligations with respect to the 2008 ozone air quality standards.

The main elements of the safety valve provisions are summarized below:<sup>2</sup>

- Throughout the month of February 2022, the designated representative for any Group 3 source may submit a request to [csapr@epa.gov](mailto:csapr@epa.gov) for allocations of additional Group 3 allowances under the safety valve mechanism.
- On or after March 1, 2022, EPA will deduct 2017-2020 Group 2 allowances in sets of 18 from the compliance account of each Group 3 source for which a timely request was received (on a first-in, first-out basis) and will record one Group 3 allowance in the account for each set of Group 2 allowances deducted.

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<sup>1</sup> The 12 "Group 3 states" are Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Pennsylvania, Virginia, and West Virginia.

<sup>2</sup> For a more complete description of the safety valve mechanism, refer to section VII.C.4.c. of the preamble for the final Revised CSAPR Update. For the official regulatory text, refer to 40 CFR 97.826(d)(2).

- Group 3 sources are responsible for obtaining any Group 2 allowances used for the conversion. Holders of Group 2 allowances are not obligated to sell or transfer their allowances if they prefer to retain them for use in the Group 2 trading program.

For questions concerning the safety valve mechanism, please contact Garrett Powers at 202-564-2300 or [powers.jamesg@epa.gov](mailto:powers.jamesg@epa.gov).