

FACT SHEET
Good Neighbor Plan for the 2015 Ozone NAAQS

**Prorating Emissions Budgets, Assurance Levels, and Unit-Level Allowance Allocations in the Event of
an Effective Date After May 1, 2023**

Updated June 2023

Note: Some courts have issued preliminary orders temporarily staying the effectiveness of EPA's Good Neighbor SIP disapproval action (88 FR 9336) with respect to several states, and EPA is taking measures to comply with those orders. The description of the Good Neighbor Plan in this Fact Sheet reflects the rule as published, without regard to the stay orders and the measures EPA will be taking to comply with them.

On March 15, 2023, the U.S. Environmental Protection Agency (EPA) issued its final Good Neighbor Plan, locking in significant reductions in ozone-forming emissions of nitrogen oxides (NO_x), and benefitting millions of people living in downwind communities. The Good Neighbor Plan ensures that 23 states meet the Clean Air Act's "Good Neighbor" requirements by reducing pollution that significantly contributes to problems attaining and maintaining the 2015 Ozone National Ambient Air Quality Standards (NAAQS) in downwind states. Beginning in the 2023 ozone season, EPA will include power plant sources in 22 states in a revised and strengthened CSAPR NO_x Ozone Season Group 3 Trading Program.¹ The 22 states include 12 states already covered by the Group 3 trading program, seven states transitioning from the CSAPR NO_x Ozone Season Group 2 trading program, and three states not currently covered by any CSAPR trading program for seasonal NO_x emissions. The Good Neighbor Plan was published in the Federal Register on June 5, 2023 (88 FR 36654) and will take effect 60 days later on August 4, 2023.

The Good Neighbor Plan's August 4, 2023, effective date falls after the May 1, 2023, start of the Group 3 trading program's 2023 control period. The EPA is addressing this circumstance by prorating the amounts of the full-season emissions budgets for the 2023 control period determined in the rulemaking as needed to ensure that no sources become subject to new or more stringent regulatory requirements before the final rule's effective date. Variability limits, assurance levels, and unit-level allocations for the 2023 control period will all be computed using the appropriately prorated emissions budgets amounts.

¹ The 22 "Group 3 states" are Alabama, Arkansas, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wisconsin.

The main elements of the prorating provisions are summarized below:²

In the case of the states (and Indian country within the states' borders) whose sources currently do not participate in any CSAPR trading program for seasonal NO_x emissions – Minnesota, Nevada, and Utah – the sources will begin to participate in the Group 3 trading program as of the rule's August 4, 2023, effective date.

- For these states, in the rulemaking the EPA computed the full-season emissions budgets that would have applied for the entire 2023 control period as if the final rule was in effect for the entire 153-day control period from May 1, 2023, through September 30, 2023. To prorate the budgets to reflect the portion of the 2023 ozone season after the rule's August 4, 2023, effective date, the EPA will multiply each full-season emissions budget by 58 days (the number of days from August 4, 2023, through September 30, 2023), divide by 153 days, and round to the nearest allowance.

In the case of the states (and Indian country within the states' borders) whose sources currently participate in the Group 3 trading program – Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Pennsylvania, Virginia, and West Virginia – the sources will continue to participate in the Group 3 trading program for the 2023 control period, with prorated emissions budgets designed to ensure that the changes in 2023 emissions budgets and assurance levels will not substantively affect the sources' requirements prior to the rule's August 4, 2023, effective date.

- For these states, in the rulemaking the EPA computed the full-season emissions budgets that would have applied for the entire 2023 control period if the final rule had become effective no later than May 1, 2023, but also retained in the regulations the full-season emissions budgets for the 2023 control period that were established in the Revised CSAPR Update rulemaking. The emissions budgets promulgated in the Revised CSAPR Update will apply on a prorated basis for the portion of the 2023 control period before August 4, 2023, and the emissions budgets promulgated in this rulemaking will apply on a prorated basis for the portion of the 2023 control period on and after August 4, 2023. The EPA will determine a blended emissions budget for each state for the 2023 control period, computed as the sum of the appropriately prorated amounts of the state's previous and revised emissions budgets, computed as the sum of 95/153 times the previous emissions budget plus 58/153 times the revised emissions budget, rounded to the nearest allowance.

In the case of the states (and Indian country within the states' borders) whose sources currently participate in the Group 2 trading program – Alabama, Arkansas, Mississippi, Missouri, Oklahoma, Texas, and Wisconsin – the sources will begin to participate in the Group 3 trading program as of May 1, 2023, with prorated emissions budgets designed to ensure that the transition from the Group 2 trading program to the Group 3 trading program will not substantively affect the sources' requirements prior to the rule's August 4, 2023, effective date.

² For a complete description of the prorating provisions, refer to section VI.B.12.a. of the preamble for the final Good Neighbor Plan (88 FR 36811-13). For the official regulatory text on prorating state emission budgets, variability limits, and assurance levels, refer to 40 CFR 97.1010.

- The prorating procedures for these states mirror the procedures for the states currently in the Group 3 trading program, except that because no emissions budgets previously appeared in the Group 3 trading program regulations for the states that are currently covered by the Group 2 trading program, in the rulemaking the EPA added two sets of emissions budgets for these states to the Group 3 trading program regulations: first, the states' emissions budgets for the 2023 control period that currently appear in the Group 2 trading program regulations, which are being included in the revised Group 3 trading program regulations to represent the states' emissions budgets for the portion of the 2023 control period before the rule's effective date, and second, the emissions budgets for the 2023 control period established for the states in this rulemaking, which are being included in the revised Group 3 trading program regulations to represent the state's emissions budgets for the portion of the 2023 control period on and after the rule's effective date.

An updated version of the "Unit-level allocations and underlying data for the final rule" spreadsheet showing the prorated emissions budgets and the calculations of unit-level allocations of allowances from the prorated emissions budgets is available on the Good Neighbor Plan website. EPA will also provide public notice of the updated spreadsheet's availability.

For questions concerning the prorating of emissions budgets for the 2023 control period, please contact csapr@epa.gov.