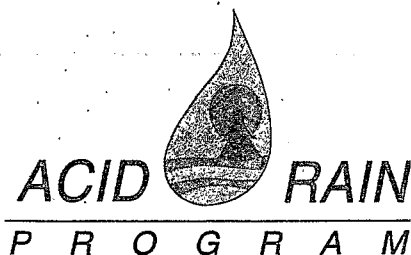


## How can I get more information about the ATS and the Acid Rain Program?

All information stored in the ATS is publicly available. To obtain a list of the information available in the ATS and guidelines for making your request, or to request forms to open accounts or transfer allowances, call the Acid Rain Hotline at (202) 233-9620 or write to:

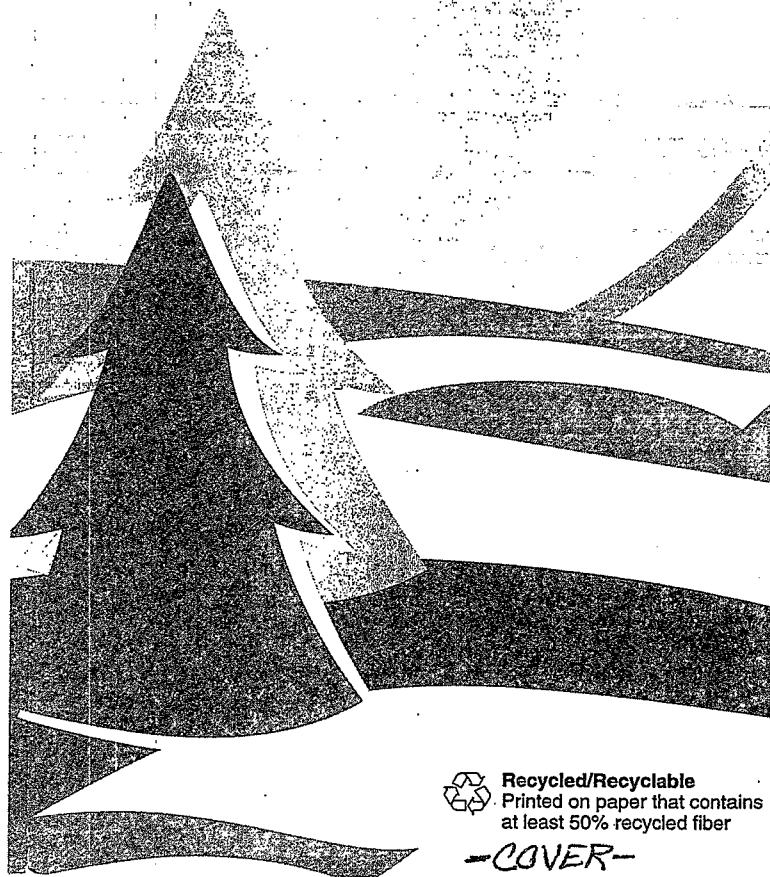
U.S. Environmental Protection Agency  
Acid Rain Program (6204J)  
Attn: Allowance Tracking System  
401 M Street, SW.  
Washington, DC 20460

Additional information on the management of ATS accounts is available in the EPA brochure *The Allowance Tracking System: An Introduction for Authorized Account Representatives* (EPA430-F-94-001) and other EPA Acid Rain Program materials. Specific requirements related to the ATS are found in Title 40 of the Code of Federal Regulations, Part 73.



## The Allowance Tracking System

### Accounting for SO<sub>2</sub> Allowances Under the Acid Rain Program





**E**PA's Acid Rain Program was established by Title IV of the Clean Air Act Amendments of 1990 (CAAA) to reduce acid rain in the United States. The Acid Rain Program achieves a 50-percent reduction in sulfur dioxide (SO<sub>2</sub>) emissions from electric power plants using a flexible, market-based approach to environmental management. As part of this approach, EPA issues utilities limited authorizations to emit SO<sub>2</sub> in the form of "allowances," each of which is equal to 1 ton of SO<sub>2</sub>. At the end of each calendar year, a utility must hold allowances in an amount equal to or greater than its annual SO<sub>2</sub> emissions. To meet this goal, allowances may be bought, sold, or transferred between utilities and other interested parties. Those utilities whose annual emissions are likely to exceed their allotment of allowances could either install pollution control technologies or switch to cleaner fuels to reduce their emissions, or obtain additional allowances.

In order to ensure the 50-percent reduction in sulfur dioxide emissions, utilities must continuously monitor their emissions and report these levels to EPA. At the end of the year, EPA deducts allowances from a utility's holdings in an amount equal to its yearly emissions. Utilities whose emissions exceed their allowances must purchase additional allowances or face fines and emissions offset requirements. The deduction of allowances, as well as the issuance, transfer, and tracking of allowances, is conducted through EPA's Allowance Tracking System (ATS). This brochure describes the ATS and its role in the Acid Rain Program.

## **Who is authorized to manage a unit or general account?**

Whenever a unit or general account is opened, the owners or operators of the affected utility unit, or persons or companies that have an ownership interest in the allowances held in a general account, must select an **authorized account representative (AAR)** to act on their behalf. Designated representatives that are responsible for a utility's permitting and monitoring requirements automatically become AARs for unit accounts within the ATS. AARs and their appointed alternates are the official contact persons for EPA's Acid Rain Program. They are the only persons able to authorize the transfer of allowances, surrender allowances for compliance purposes, and change information associated with their particular unit or general accounts. AARs may represent more than one account, including both unit and general accounts.

## **How should AARs report allowance transfers to the ATS?**

Allowance transfers are reported to the ATS through the submittal of an Allowance Transfer form. This form must list the serial numbers of the allowances to be transferred and include the signatures of both the transferor (the party selling or transferring the allowances) and the transferee (the party buying or receiving the allowances). EPA will record the trade within 5 business days of receiving the form and will notify both AARs of the transaction within 5 business days of recording the trade.



## What is the Allowance Tracking System?

Functioning much like a bank, the ATS is an automated system used to track the allowances held by utilities, other affected companies, and other organizations or individuals. These allowances may be bought, sold, or transferred at any time. Specifically, the ATS tracks:

- The issuance of all allowances.
- The holdings of allowances in accounts.
- The holdings of allowances in various allowance reserves, such as the EPA Auction and Sale Reserve and the Conservation and Renewable Energy Reserve.
- The deduction of allowances for compliance purposes.
- The transfer of allowances between accounts.

Each allowance within the ATS is identified by a 12-digit serial number consisting of 4 digits signifying the first year in which the allowance can be used for compliance and a unique 8-digit identifier. For example, an allowance that becomes eligible for use in compliance during 1995 could be numbered 1995-04875234. Only EPA can create emission allowances, and the ATS is the only official record of their creation, transfer, and use for compliance purposes.

## What is the role of the ATS in the allowance market?

The primary role of the ATS is to provide an efficient, automated means of monitoring compliance with the Acid Rain Program. The ATS also provides the allowance market with a record of who is holding allowances, the date of allowance transfers, and the allowances transferred. The ATS does not, however, record the price or other terms associated with allowance trades; such information is better collected and reported by the private sector

through established exchanges or other trade information brokers. Transfers to be executed at some future date also are not recorded in the ATS. Although submitting allowance transfers to EPA is voluntary, EPA expects most transfers to be recorded in the ATS.

## How is the ATS organized?

The ATS contains two types of accounts: **unit accounts** and **general accounts**. As part of the implementation of the Acid Rain Program, EPA established unit accounts for all utilities governed by the Acid Rain Program. EPA uses unit accounts in determining compliance with the Acid Rain Program.

General accounts are used to hold or trade allowances but are not subject to allowance deductions to cover emissions. Any individual or group, including a utility, can open a general account by submitting an Allowance Account Information form. General accounts can be used for a variety of purposes:

- Utilities may pool their emission allowances in general accounts.
- Brokers may use general accounts to hold allowances that they buy or sell for customers.
- Investors may use general accounts to hold allowances they have acquired for eventual resale.
- Public interest groups wishing to remove a portion of the available allowances from the market may purchase allowances and place them in general accounts.

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