

**FACT SHEET**  
**Good Neighbor Plan for the 2015 Ozone NAAQS**

**Creation of an Additional Group 3 Allowance Bank for the 2023 Control Period**

**\*Updated June 2023\***

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*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.*

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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<sub>x</sub>), 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<sub>x</sub> Ozone Season Group 3 Trading Program.<sup>1</sup> The 22 states include 12 states already covered by the Group 3 trading program, seven states transitioning from the CSAPR NO<sub>x</sub> Ozone Season Group 2 trading program, and three states not currently covered by any CSAPR trading program for seasonal NO<sub>x</sub> 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.

In accordance with the Good Neighbor Plan, the EPA will convert allowances banked for control periods before 2023 under the Group 2 trading program into allowances usable in the Group 3 trading program in control periods in 2023 and later years. The conversion will apply to vintage 2017-2022 Group 2 allowances held in all compliance and all general accounts, except for those held in the compliance accounts of sources in the states remaining in the Group 2 trading program. The EPA will execute the conversion by September 18, 2023.

The main elements of the creation of an additional Group 3 allowance bank are summarized below:<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> For a complete description of the creation of the additional Group 3 allowance bank, refer to section VI.B.12.b. of the preamble for the final Good Neighbor Plan (88 FR 36813-14). For the official regulatory text, refer to 40 CFR 97.826(e).

- The conversion ratio will be determined as of the conversion date and will be the ratio of the total amount of vintage 2017-2022 Group 2 allowances held in the identified types of accounts prior to the conversion to the total amount of Group 3 allowances being created.
- The numerator of the conversion ratio (or the total amount of vintage 2017-2022 Group 2 allowances being converted) will be computed as the quantity of vintage 2017-2022 Group 2 allowances held in the following: (1) the facility accounts of all sources in the states transitioning from the Group 2 trading program to the Group 3 trading program, (2) the facility accounts of all sources in the states already participating in the Group 3 trading program, (3) the facility accounts of all sources in any other states not covered by the Group 2 trading program that happen to hold Group 2 allowances as of the conversion date, and (4) all general accounts.
- The denominator of the conversion ratio (or the target amount of the Group 3 allowances that will be created in the conversion process) will be computed by prorating a full-season initial bank target amount to reflect the portion of the 2023 ozone season for which sources will be subject to the new emissions budgets established in the Good Neighbor Plan. The full-season bank target amount will be the sum of the minimum 21 percent variability limits for the 2024 control period established for the states being added to the Group 3 trading program. The prorated initial bank target amount will be determined by multiplying the full-season bank target amount by 58 days (the number of days from August 4, 2023, through September 30, 2023), dividing by 153 days, and rounding to the nearest allowance.
- The conversion ratio will be applied to each eligible account holding vintage 2017-2022 Group 2 allowances to determine the quantity of vintage 2023 Group 3 allowances to be recorded in each eligible account.

For questions concerning the creation of an additional Group 3 allowance bank, please contact [csapr@epa.gov](mailto:csapr@epa.gov).