Phasing in Credit Purchasing for Debit Projects

Conflict

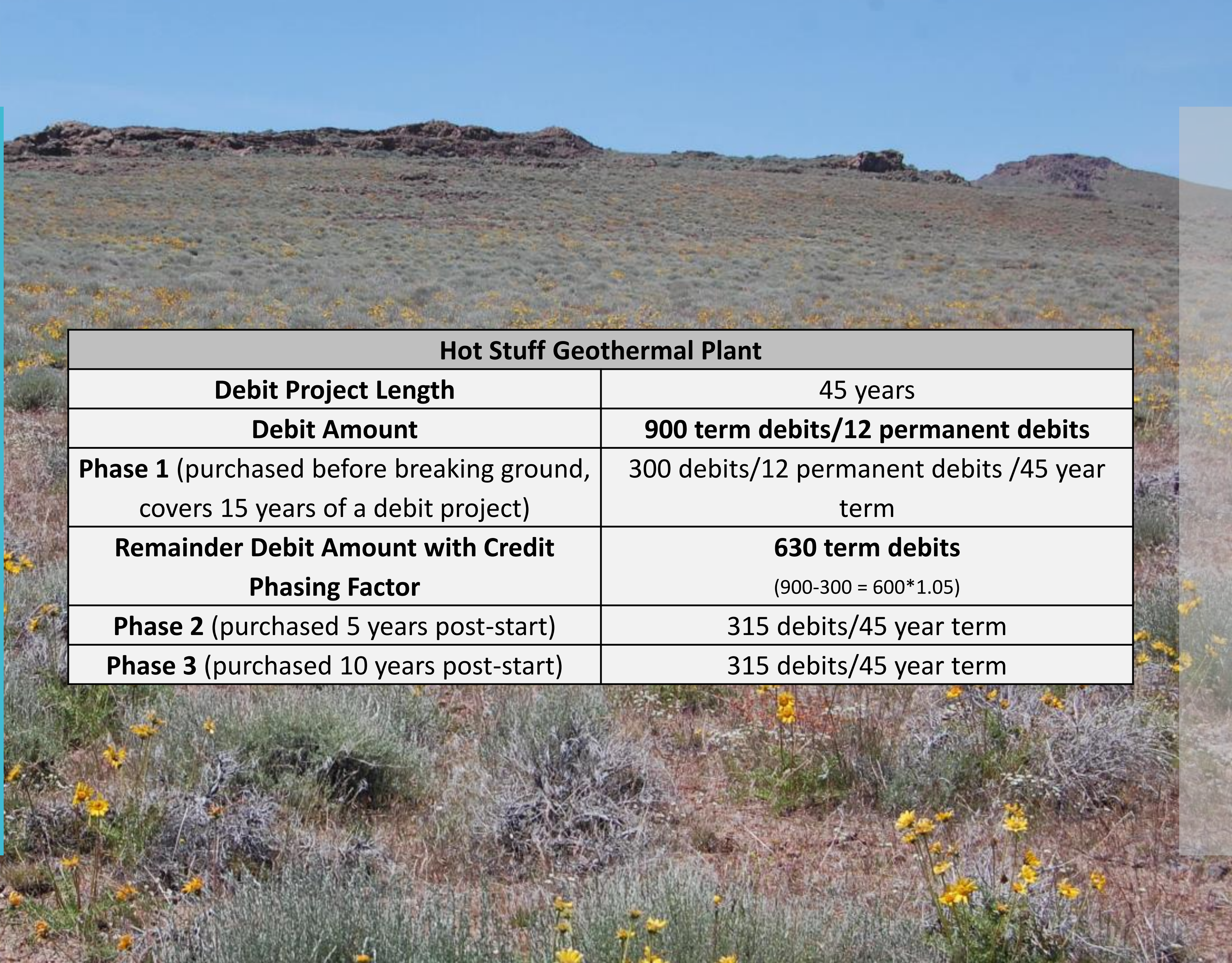
- The CCS Manual (Section 2.5.3)
  - "Pursuant to Nevada Administrative Code, debit projects permitted through federal and state agencies will use the CCS to purchase credits that fulfill their compensatory mitigation obligations prior to development of the debit project."
- Regulation LCB File No. R024-19
  - Allows for the development of a mitigation plan which may include phasing credits over time under certain conditions

Recommendation

Debit Projects 30+ years

- Credit Phasing Factor of 1.05 applied to balance (Phase 2 and 3)
- Minimum of 1/3 of total term debits and all permanent debits must be acquired prior to breaking ground (Phase 1)
- No more than 3 Phases total
- All credits must cover the entire term
- Balance (Phase 2 and 3) must be acquired within 10 years

Example



Hot Stuff Geothermal Plant	
Debit Project Length	45 years
Debit Amount	**900 term debits/12 permanent debits**
Phase 1 (purchased before breaking ground, covers 15 years of a debit project)	300 debits/12 permanent debits /45 year term
Remainder Debit Amount with Credit Phasing Factor	**630 term debits** (900-300 = 600*1.05)
Phase 2 (purchased 5 years post-start)	315 debits/45 year term
Phase 3 (purchased 10 years post-start)	315 debits/45 year term

Recommendation

Debit Projects <30 years (Exploration)

- Credit Phasing Factor of 1.05 applied to balance (Phase 2 and 3)
- Minimum of 1/3 of total term debits and all permanent debits must be acquired prior to breaking ground (Phase 1)
- No more than 3 Phases total
- All credits must cover the entire term
- Balance (Phase 2 and 3) must be acquired within 1/3 of the term length

Example

Peek-a-Boo Exploration	
Debit Project Length	10 years
Debit Amount	**15 term debits/0 permanent debits**
Phase 1 (purchased before breaking ground, covers 3.33 years of a debit project)	5 debits/10 year term
Remainder Debit Amount with Credit Phasing Factor	**11 term debits** (15-5 = 10*1.05)
Phase 2 (purchased 1 year post-start)	5 debits/10 year term
Phase 3 (purchased 3 years post-start)	6 debits/10 year term

Credit Phasing Plans and Future Use

<u>Phasing Plans will Describe</u>

- Amount of Debits, with the Factor added
- Each Phase and when they will be completed
- Plans for acquisition: Purchase (Private Credit Phasing Plan) or Creation (Mitigation Plan)
- Other necessary terms and conditions to create a binding contract to ensure further mitigation after Phase 1 should the disturbance also continue

<u>Hope to phase out as project proponents have time to plan</u>

- By 2029

Manual Update

The manual will be updated with the following (*new*, ~~removed~~):

2.5.3 MITIGATION HIERARCHY AND PERMIT REQUIREMENTS

The CCS is intended to be used in the context of state and federal policies that require the full mitigation hierarchy sequence (e.g. avoidance, minimization, compensatory mitigation). Credits are used to offset debits that occur when disturbances are proven unavoidable, and minimization does not provide for complete direct or indirect impact avoidance. Pursuant to Nevada Administrative Code , debit projects permitted through federal and state agencies will use the CCS to purchase credits that fulfill their compensatory mitigation obligations prior to development of the debit project, *unless pursuing phasing in credit purchasing (see 2.2.2 Mitigation and Proximity Ratios - Credit Phasing).*

Manual Update

The manual will be updated with the following (*new*, ~~removed~~):

2.2.2 MITIGATION*,* ~~AND~~ PROXIMITY RATIOS*, AND CREDIT PHASING*

Phasing in Credit Purchasing: Anticipated be discontinued by 2029

Debit Project Proponents have the option to phase their credit purchasing in order to allow for the beginning of production; but there will be a credit phasing factor of 1.05 applied to any balance remaining following the initial offset to the credit obligation. Prior to breaking ground, one-third of the total term debits (rounded up) and all of the permanent debits will be required to be purchased or transferred (Phase I). No more than two additional phases of credit acquisition will be allowed (Phase II and Phase III), and all credits acquired must cover the entire term of the project, regardless of when they become effective. The remaining amount of credits must be acquired within 10 years of the first transaction. For project terms under 30 years (e.g., exploration) the remaining credits must be acquired by 1/3 of the term length. The project proponent is required to comply with a Phased Credit Purchasing Agreement. The SEC may revise this phasing methodology periodically, but it is anticipated to be discontinued in 2029.

Manual Update

The manual will be updated where else is necessary should the public lands improvement be adopted.