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Part II

# Environmental Protection Agency

40 CFR Parts 260, 261, and 270
Revisions to the Definition of Solid Waste; Final Rule

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**ENVIRONMENTAL PROTECTION AGENCY**

**40 CFR Parts 260, 261, and 270**

**[EPA–HQ–RCRA–2002–0031; FRL–8728–9]**

**RIN 2050–AG31**

## Revisions to the Definition of Solid Waste

**AGENCY:** Environmental Protection Agency.

**ACTION:** Final rule.

**SUMMARY:** The Environmental Protection Agency (EPA) is publishing a final rule that revises the definition of solid waste to exclude certain hazardous secondary materials from regulation under Subtitle C of the Resource Conservation and Recovery Act (RCRA). The purpose of this final rule is to encourage safe, environmentally sound recycling and resource conservation and to respond to several court decisions concerning the definition of solid waste.

**DATES:** This final rule is effective on December 29, 2008.

**ADDRESSES:** EPA has established a docket for this action under Docket ID No. EPA–HQ–RCRA–2002–0031. All documents in the docket are listed on the *http://www.regulations.gov* Web site. Although listed in the index, some information is not publicly available, e.g., Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically in *http://www.regulations.gov* or in hard copy at the OSWER Docket, EPA/DC, EPA West, Room 3334, 1301 Constitution Ave., NW., Washington, DC. The Public Reading Room is open from 8:30 a.m. to 4:30 p.m., Monday through Friday, excluding legal holidays. The telephone number for the Public Reading Room is (202) 566–1744, and the telephone number for the OSWER Docket is 202–566–0270.

**FOR FURTHER INFORMATION CONTACT:** For more detailed information on specific aspects of this rulemaking, contact Marilyn Goode, Office of Solid Waste, Hazardous Waste Identification Division, MC 5304P, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460, (703) 308–8800 (*goode.marilyn@epa.gov*) or Tracy Atagi, Office of Solid Waste, Hazardous Waste Identification Division, MC 5304P, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460, at (703) 308–8672 (*atagi.tracy@epa.gov*).

**SUPPLEMENTARY INFORMATION:**

### A. Does This Action Apply to Me?

Entities potentially affected by today's action include approximately 5,600 facilities in 280 industries in 21 economic sectors that generate or recycle hazardous secondary materials that are currently regulated as RCRA Subtitle C hazardous wastes (e.g., secondary materials, such as industrial co-products, by-products, residues, and unreacted feedstocks). Approximately 60% of these affected facilities are classified in NAICS code economic sectors 31, 32, and 33 (manufacturing). The remaining economic sectors, which have more than ten affected industries each, are in NAICS codes 48 (transportation), 42 (wholesale trade), and 56 (administrative support, waste management and remediation). About 1.5 million tons per year of hazardous secondary materials generated and handled by these entities may be affected, of which the most common types are metal-bearing hazardous secondary materials (e.g., sludges and spent catalysts) for commodity metals recovery and organic chemical liquid hazardous secondary materials for recovery as solvents. Today's action is expected to result in regulatory and materials recovery cost savings to these industries of approximately $95 million per year. Taking into account impact estimation uncertainty factors, today's action could result in cost savings ranging from $19 million to $333 million per year to these industries in any future year. More detailed information on the potentially affected entities, industries, and industrial materials, as well as the economic impacts of this rule (with impact uncertainty factors), is presented in section XXI.A of this preamble and in the "Regulatory Impact Analysis" available in the docket for this final rule.

### B. Why Is EPA Taking This Action?

There are two primary purposes of this action. One purpose is to respond to a series of seven decisions by the U.S. Court of Appeals for the DC Circuit (1987 to 2000), which, taken together, have provided EPA with additional direction regarding the proper formulation of the RCRA regulatory definition of solid wastes for purposes of Subtitle C. A second purpose is to clarify the RCRA concept of "legitimate recycling," which is a key component of EPA's approach to recycling hazardous secondary materials.

This action is not intended to bring new wastes into the RCRA hazardous waste regulatory system and it does not do so. By removing unnecessary controls over certain hazardous secondary materials, and by providing more explicit and consistent factors for determining the legitimacy of recycling practices, EPA expects that today's action will encourage and expand the safe, beneficial recycling of additional hazardous secondary materials. Today's action is consistent with EPA's longstanding policy of encouraging the recovery, recycling, and reuse of valuable resources as an alternative to disposal (i.e., landfilling and incineration), while at the same time maintaining protection of human health and the environment. It also is consistent with the resource conservation goal of the Congress in enacting the RCRA statute (as evidenced by the statute's name), and with EPA's vision of how the RCRA program could evolve over the long term to promote economic sustainability and more efficient use of resources. EPA's long-term vision of the future of the RCRA waste management program is discussed in the document "Beyond RCRA: Prospects for Waste and Materials Management in the Year 2020," which is available on EPA's Web site at: *http://www.epa.gov/epaoswer/osw/vision.htm.*

**Preamble Outline**

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## I. Statutory Authority

These regulations are promulgated under the authority of sections 2002, 3001, 3002, 3003, 3004, 3007, 3010, and 3017 of the Solid Waste Disposal Act of 1970, as amended by the Resource Conservation and Recovery Act of 1976 (RCRA), as amended by the Hazardous and Solid Waste Amendments of 1984 (HSWA), 42 U.S.C. 6912, 6921, 6922, 6923, 6924, 6927, 6930, and 6938. These statutes, combined, are commonly referred to as "RCRA."

## II. Which Revisions to the Regulations Is EPA Finalizing?

In today's rule, EPA is revising the definition of solid waste to exclude from regulation under Subtitle C of RCRA (42 U.S.C. 6921 through 6939(e)) certain hazardous secondary materials which are being reclaimed. We have defined hazardous secondary materials as those which would be classified as hazardous wastes if discarded. We are also promulgating regulatory factors for determining when recycling is legitimate. The Agency first proposed changes reflecting the court decisions on the definition of solid waste rules on October 28, 2003 (68 FR 61558). We then published a supplemental proposal on March 26, 2007 (72 FR 14172).

Today's preamble is organized as follows: This section of the preamble (Section II) describes the three principal regulatory revisions that are finalized in this rule: (1) An exclusion for certain hazardous secondary materials legitimately reclaimed under the control of the generator within the United States or its territories; (2) a conditional exclusion for hazardous secondary materials that are transferred for the purpose of legitimate reclamation; and (3) a case-by-case non-waste determination procedure. Section II also discusses EPA's treatment of legitimacy in the final rule. Section III describes the history of these revisions, including relevant court cases and the original proposal (October 28, 2003, 68 FR 61558). Section III also describes the Agency's independent analyses of successful recycling practices, environmental problems associated with recycling of hazardous secondary materials, and potential effects of market forces on the management of such materials, and provides an overview of the March 26, 2007, supplemental proposal (72 FR 14172). Section IV explains the ways in which the March 2007 supplemental proposal differs from today's rule. Section V discusses how this rule is related to the concept of "discard," and section VI indicates the effective date of the rule. Sections VII–X contain detailed descriptions of all regulatory provisions promulgated today. Sections XI–XIV describe the effect of this rule on other exclusions, permitted and interim status facilities, Superfund, and imports/exports. Sections XV–XIX contain a discussion of all major public comments received on the March 26, 2007, supplemental proposal, along with the Agency's responses to these comments. Section XX describes how this rule will be administered and enforced in the states, and section XXI describes the administrative requirements for this rulemaking.

Below is a summary of the principal regulatory revisions promulgated today.

### *A. Exclusion for Hazardous Secondary Materials That Are Legitimately Reclaimed Under the Control of the Generator in Non-Land-Based Units*

This provision—40 CFR 261.2(a)(2)(ii)—would exclude certain hazardous secondary materials (i.e., listed sludges, listed by-products, and spent materials) that are generated and legitimately reclaimed within the United States or its territories under the control of the generator, when such materials are handled only in non-land-based units (e.g., tanks, containers, or containment buildings). This provision applies to hazardous secondary materials that are not spent lead-acid batteries or listed wastes K171 or K172, or otherwise subject to the specific management conditions under 40 CFR 261.4(a). Under this provision, the hazardous secondary materials must be contained in such units and are subject to the speculative accumulation requirements of 40 CFR 261.1(c)(8), as well as the provisions for legitimate recycling at 40 CFR 260.43. In addition, under 40 CFR 260.42, the generator (and the reclaimer, if the generator and reclaimer are located at different facilities) must send a notification prior to operating under the exclusion and by March 1 of each even numbered year thereafter to the EPA Regional Administrator or, in an authorized state, to the state director.

Hazardous secondary materials would be considered "under the control of the generator" under the following circumstances:

(1) They are generated and then reclaimed at the generating facility; or

(2) They are generated and reclaimed at different facilities, if the generator certifies that the hazardous secondary materials are sent either to a facility controlled by the generator or to a facility under common control with the generator, and that either the generator or the reclaimer has acknowledged responsibility for the safe management of the hazardous secondary materials; or

(3) They are generated and reclaimed pursuant to a written agreement between a tolling contractor and toll manufacturer, if the tolling contractor certifies that it has entered into a tolling contract with a toll manufacturer and that the tolling contractor retains ownership of, and responsibility for, the hazardous secondary materials generated during the course of the manufacture, including any releases of hazardous secondary materials that occur during the manufacturing process.

This exclusion does not include the recycling of hazardous secondary materials that are inherently waste-like under 40 CFR 261.2(d), hazardous secondary materials that are used in a manner constituting disposal or used to produce products that are applied to or placed on the land (40 CFR 261.2(c)(1)), or hazardous secondary materials burned to recover energy or used to produce a fuel or otherwise contained in fuels (40 CFR 261.2(c)(2)).

### *B. Exclusion for Hazardous Secondary Materials That Are Legitimately Reclaimed Under the Control of the Generator in Land-Based Units*

This provision—40 CFR 261.4(a)(23)—contains requirements that are identical to those that apply to hazardous secondary materials generated and legitimately reclaimed under the control of the generator within the United States or its territories and are handled in non-land-based units in 40 CFR 261.2(a)(2)(ii), described above. Land-based units are defined in 40 CFR 260.10 as an area where hazardous secondary materials are placed in or on the land before recycling, but this definition does not include land-based production units. Examples of land-based units are surface impoundments and piles. This provision applies to hazardous secondary materials that are not spent lead-acid batteries or listed wastes K171 or K172, or otherwise subject to the specific management conditions under 40 CFR 261.4(a).

### *C. Exclusion for Hazardous Secondary Materials That Are Transferred for the Purpose of Legitimate Reclamation*

This conditional exclusion—40 CFR 261.4(a)(24), hereinafter referred to as

the "transfer-based exclusion"—applies to hazardous secondary materials (i.e., spent materials, listed sludges, and listed by-products) that are generated and subsequently transferred to a different person or company for the purpose of reclamation. As long as the conditions and restrictions to the exclusion are satisfied, the hazardous secondary materials would not be subject to Subtitle C regulation.

Hazardous secondary material generators, reclaimers, and intermediate facilities (i.e., other facilities storing hazardous secondary materials for more than 10 days) must all submit a notification prior to operating under the exclusion and by March 1 of each even numbered year thereafter to the EPA Regional Administrator or, in an authorized state, to the state director (see 40 CFR 260.42). In addition, hazardous secondary materials managed at such facilities may not be speculatively accumulated as defined in § 262.1(c)(8) (*see* 40 CFR 261.4(a)(24)(i)) and must be legitimately recycled as specified in § 260.43 (*see* 40 CFR 261.4(a)(24)(iv)).

Conditions applicable to generators of hazardous secondary materials are found at 40 CFR 261.4(a)(24)(v) and include containment of such materials, reasonable efforts to ensure that the intermediate facility or reclaimer intends to manage or recycle the hazardous secondary material properly and legitimately, and retention of records of off-site shipments for three years. Conditions applicable to intermediate facilities and reclaimers of hazardous secondary materials are found at 40 CFR 261.4(a)(24)(vi) and include containment of such materials, transmittal of confirmations of receipt to generators, maintenance of records for hazardous secondary materials received and sent off-site, financial assurance, and (for reclaimers) proper management of residuals. In addition, if any of the hazardous secondary materials excluded under 40 CFR 261.4(a)(24) are generated and then exported to another country for reclamation, the exporter must notify and obtain consent from the receiving country, and file an annual report. This requirement is codified in 40 CFR 261.4(a)(25).

Like the previously discussed exclusion for hazardous secondary materials reclaimed under the control of the generator, this exclusion would not apply to hazardous secondary materials that are inherently waste-like under 40 CFR 261.2(d), hazardous secondary materials that are used in a manner constituting disposal or used to produce products that are applied to or placed on the land (40 CFR 261.2(c)(1)), or hazardous secondary materials burned to recover energy or used to produce a fuel or are otherwise contained in fuels (40 CFR 261.2(c)(2)).

*D. Codification of Legitimacy*

Under the RCRA Subtitle C definition of solid waste, certain hazardous secondary materials, if recycled, are not solid wastes and, therefore, are not subject to RCRA's "cradle to grave" management system. The basic idea behind this principle is that recycling of these materials often closely resembles industrial manufacturing rather than waste management. However, due to economic incentives for managing hazardous secondary materials outside the RCRA regulatory system, there is a potential for some handlers to claim that they are recycling the hazardous secondary materials when, in fact, they are conducting waste treatment and/or disposal. To guard against this, EPA has long articulated the need to distinguish between "legitimate" (i.e., true) recycling and "sham" recycling, beginning with the preamble to the 1985 regulations that discussed the definition of solid waste (50 FR 638, January 4, 1985) and continuing through today's final rule.

In the October 28, 2003, proposed rule (68 FR 61581–61588) on the definition of solid waste, we proposed codifying four criteria (called "factors" in today's rule) to determine when recycling of hazardous secondary materials is legitimate. In the March 26, 2007, supplemental proposal in section XI of the preamble (72 FR 14197), we refined our original proposal in response to public comments. In today's final rule, we are codifying the factors to be used in determining whether recycling under the provisions finalized in this rule is legitimate, applying the structure basically as proposed in March 2007 (proposed at 40 CFR 261.2(g)). The legitimacy provision is finalized in 40 CFR 260.43.

*E. Non-Waste Determinations*

Today's rule establishes a non-waste determination process that provides persons with an administrative process for receiving a formal determination that their hazardous secondary materials are not discarded and, therefore, not solid wastes when legitimately reclaimed. This process is voluntary and is available in addition to the two self-implementing exclusions included in today's rule. There are two types of non-waste determinations: (1) A determination for hazardous secondary materials reclaimed in a continuous industrial process; and (2) a determination for hazardous secondary materials indistinguishable in all relevant aspects from a product or intermediate.

For hazardous secondary materials reclaimed in a continuous industrial process, the non-waste determination will be based on the following four criteria: (1) The extent that the management of the hazardous secondary material is part of the continuous primary production process; (2) whether the capacity of the production process would use the hazardous secondary material in a reasonable time frame; (3) whether the hazardous constituents in the hazardous secondary material are reclaimed rather than discarded to the air, water, or land at significantly higher levels from either a statistical or from a health and environmental risk perspective than would otherwise be released by the production process; and (4) other relevant factors that demonstrate the hazardous secondary material is not discarded.

For hazardous secondary materials which are indistinguishable in all relevant aspects from a product or intermediate, the non-waste determination will be based on the following five criteria: (1) Whether market participants treat the hazardous secondary material as a product or intermediate rather than a waste; (2) whether the chemical and physical identity of the hazardous secondary material is comparable to commercial products or intermediates; (3) whether the capacity of the market would use the hazardous secondary material in a reasonable time frame; (4) whether the hazardous constituents in the hazardous secondary material are reclaimed rather than discarded to the air, water, or land at significantly higher levels from either a statistical or from a health and environmental risk perspective than would otherwise be released by the production process; and (5) other relevant factors that demonstrate the hazardous secondary material is not discarded.

The process for the non-waste determination is the same as that for the solid waste variances found in 40 CFR 260.30.

## III. What Is the History of These Rules?

*A. Background*

RCRA gives EPA the authority to regulate hazardous wastes (*see, e.g.*, RCRA sections 3001–3004). The original statutory designation of the subtitle for the hazardous waste program was Subtitle C and the national hazardous waste program is referred to as the RCRA Subtitle C program. Subtitle C is codified at 42 U.S.C. 6921 through

6939e. "Subtitle C" regulations are found at 40 CFR Parts 260 through 279. "Hazardous wastes" are the subset of solid wastes that present threats to human health and the environment (*see* RCRA section 1004(5)). EPA also may address solid and hazardous wastes under its endangerment authorities in section 7003. (Similar authorities are available for citizen suits under section 7002.)

Materials that are not solid wastes are not subject to regulation as hazardous wastes under RCRA Subtitle C. Thus, the definition of "solid waste" plays a key role in defining the scope of EPA's authorities under Subtitle C of RCRA. The statute defines "solid waste" as "* * * any garbage, refuse, sludge from a waste treatment plant, water supply treatment plant, or air pollution control facility and *other discarded material* * * * resulting from industrial, commercial, mining, and agricultural operations, and from community activities * * *" (RCRA Section 1004 (27) (emphasis added)).

Since 1980, EPA has interpreted "solid waste" under its Subtitle C regulations to encompass both materials that are destined for final, permanent treatment and placement in disposal units, as well as certain materials that are destined for recycling (45 FR 33090–95, May 19, 1980; 50 FR 604–656, Jan. 4, 1985 (*see* in particular pages 616–618)). EPA has offered three arguments in support of this approach:

- The statute and the legislative history suggest that Congress expected EPA to regulate as solid and hazardous wastes certain materials that are destined for recycling (*see* 45 FR 33091, citing numerous sections of the statute and *U.S. Brewers' Association* v. *EPA,* 600 F. 2d 974 (DC Cir. 1979); 48 FR 14502–04, April 3, 1983; and 50 FR 616–618).
- Hazardous secondary materials stored or transported prior to recycling have the potential to present the same types of threats to human health and the environment as hazardous wastes stored or transported prior to disposal. In fact, EPA found that recycling operations have accounted for a number of significant damage incidents. For example, hazardous secondary materials destined for recycling were involved in one-third of the first 60 filings under RCRA's imminent and substantial endangerment authority, and in 20 of the initial sites listed under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (48 FR 14474, April 4, 1983). Congress also cited some damage cases which involve recycling (H.R. Rep. 94–1491, 94th Cong., 2d Sess., at 17, 18, 22). More recent data (i.e., information on damage incidents occurring after 1982) included in the rulemaking docket for today's final rule corroborate the fact that recycling operations can result in significant damage incidents.
- Excluding all hazardous secondary materials destined for recycling would allow materials to move in and out of the hazardous waste management system depending on what any person handling the hazardous secondary material intended to do with them. This seems inconsistent with the mandate to track hazardous wastes and control them from "cradle to grave."

Hence, EPA has interpreted the statute to confer jurisdiction over at least certain hazardous secondary materials destined for recycling. The Agency has therefore developed in part 261 of 40 CFR a definition of "solid waste" for Subtitle C regulatory purposes. (**Note:** This definition is narrower than the definition of "solid waste" for RCRA endangerment and information-gathering authorities. (*See* 40 CFR 261.1(b)). Also *Connecticut Coastal Fishermen's Association* v. *Remington Arms Co.*, 989 F.2d 1305, 1315 (2d Cir. 1993) holds that EPA's use of a narrower and more specific definition of solid waste for Subtitle C purposes is a reasonable interpretation of the statute. *See also Military Toxics Project* v. *EPA,* 146 F.3d 948 (DC Cir. 1998).)

EPA has always asserted that hazardous secondary materials are not excluded from its jurisdiction simply because someone claims that they will be recycled. EPA has consistently considered hazardous secondary materials destined for "sham recycling" to be discarded and, hence, to be solid wastes for Subtitle C purposes (*see* 45 FR 33093, May 19, 1980; 50 FR 638–39, Jan. 4, 1985). The U.S. Court of Appeals for the DC Circuit has agreed that materials undergoing sham recycling are discarded and, consequently, are solid wastes under RCRA (*see American Petroleum Institute* v. *EPA,* 216 F.3d 50, 58–59 (DC Cir. 2000)).

*B. A Series of DC Circuit Court Decisions on the Definition of Solid Waste*

Trade associations representing mining and oil refining interests challenged EPA's 1985 regulatory definition of solid waste. In 1987, the DC Circuit held that EPA exceeded its authority "in seeking to bring materials that are not discarded or otherwise disposed of within the compass of 'waste' " (*American Mining Congress* v. *EPA ("AMC I"),* 824 F.2d 1177, 1178 (DC Cir. 1987)).

The Court held that certain of the materials EPA was seeking to regulate were not "discarded materials" under RCRA section 1004(27). The Court also held that Congress used the term "discarded" in its ordinary sense, to mean "disposed of" or "abandoned" (824 F.2d at 1188–89). The Court further held that the term "discarded materials" could not include materials "* * * destined for beneficial reuse or recycling in a continuous process by the generating industry itself (because they) are not yet part of the waste disposal problem" (824 F.2d at 1190). The Court held that Congress had directly spoken to this issue, so that EPA's definition was not entitled to deference under *Chevron U.S.A., Inc.* v. *NRDC,* 467 U.S. 837 (1984) (824 F.2d at 1183, 1189–90, 1193).

At the same time, the Court did *not* hold that recycled materials could not be discarded. The Court mentioned at least two examples of recycled materials that EPA properly considered within its statutory jurisdiction, noting that used oil can be considered a solid waste (824 F.3d at 1187 (fn 14)). Also, the Court suggested that materials disposed of and recycled as part of a waste management program are within EPA's jurisdiction (824 F. 2d at 1179).

Subsequent decisions by the DC Circuit also indicate that some materials destined for recycling are "discarded" and therefore within EPA's jurisdiction. In particular, the Court held that emission control dust from steelmaking operations listed as hazardous waste "K061" is a solid waste, even when sent to a metals reclamation facility, at least where that is the treatment method required under EPA's land disposal restrictions program (*American Petroleum Institute* v. *EPA ("API I"),* 906 F.2d 729 (DC Cir. 1990)). In addition, the Court held that it is reasonable for EPA to consider as discarded (and solid wastes) listed wastes managed in units that are in part wastewater treatment units, especially where it is not clear that the industry actually reuses the materials (*AMC II,* 907 F. 2d 1179 (DC Cir. 1990)).

It also is worth noting that two other Circuits also have held that EPA has authority over at least some materials destined for reclamation rather than final discard. The U.S. Court of Appeals for the 11th Circuit found that "[i]t is unnecessary to read into the term 'discarded' a congressional intent that the waste in question must finally and forever be discarded" (*U.S.* v. *ILCO,* 996 F.2d 1126, 1132 (11th Cir. 1993) (finding that used lead batteries sent to

a reclaimer have been "discarded once" by the entity that sent the battery to the reclaimer)). In addition, the Fourth Circuit found that slag held on the ground untouched for six months before sale for use as road bed could be a solid waste (*Owen Electric Steel Co.* v. *EPA*, 37 F.3d 146, 150 (4th Cir. 1994)).

In 1998, EPA promulgated a rule in which EPA claimed Subtitle C jurisdiction over hazardous secondary materials recycled by reclamation within the mineral processing industry, the "LDR Phase IV rule" (63 FR 28556, May 26, 1998). In that rule, EPA promulgated a conditional exclusion for all types of mineral processing hazardous secondary materials destined for reclamation. EPA imposed a condition prohibiting land-based storage prior to reclamation because it considered hazardous secondary materials from the mineral processing industry that were stored on the land to be part of the waste disposal problem (63 FR 28581). The conditional exclusion decreased regulation over spent materials stored prior to reclamation, but increased regulation over by-products and sludges that exhibit a hazardous characteristic, and that are stored prior to reclamation. EPA noted that the statute does not authorize it to regulate "materials that are destined for immediate reuse in another phase of the industry's ongoing production process." EPA, however, took the position that materials that are removed from a production process for storage are not "immediately reused," and therefore are "discarded" (63 FR 28580).

The mining industry challenged the rule, and the DC Circuit vacated the provisions that expanded jurisdiction over characteristic by-products and sludges destined for reclamation (*Association of Battery Recyclers* v. *EPA ("ABR")*, 208 F.3d 1047 (DC Cir. 2000)). The Court held that it had already resolved the issue presented in ABR in its opinion in *AMC I*, where it found that "* * * Congress unambiguously expressed its intent that 'solid waste' (and therefore EPA's regulatory authority) be limited to materials that are 'discarded' by virtue of being disposed of, abandoned, or thrown away" (208 F.2d at 1051). It repeated that materials reused within an ongoing industrial process are neither disposed of nor abandoned (208 F.3d at 1051–52). It explained that the intervening *API I* and *AMC II* decisions had not narrowed the holding in *AMC I* (208 F.3d at 1054–1056).

Notably, the Court did *not* hold that storage before reclamation automatically makes materials "discarded." Rather, it held that "* * * at least some of the secondary material EPA seeks to regulate as solid waste (in the mineral processing rule) is destined for reuse as part of a continuous industrial process and thus is not abandoned or thrown away" (208 F.3d at 1056).

In its most recent opinion dealing with the definition of solid waste, *Safe Food and Fertilizer* v. *EPA ("Safe Food")*, 350 F.3d 1263 (DC Cir. 2003), the Court upheld an EPA rule that excludes from the definition of solid waste hazardous secondary materials used to make zinc fertilizers, and the fertilizers themselves, so long as the recycled materials meet certain handling, storage and reporting conditions and the resulting fertilizers have concentration levels for lead, arsenic, mercury, cadmium, chromium, and dioxins that fall below specified thresholds (Final Rule, "Zinc Fertilizers Made From Recycled Hazardous Secondary Materials" ("Fertilizer Rule"), 67 FR 48393, July 24, 2002). EPA determined that if these conditions are met, the hazardous secondary materials used to make the fertilizer have not been discarded. The conditions apply to a number of recycled materials not produced in the fertilizer production industry, including certain zinc-bearing hazardous secondary materials, such as brass foundry dusts.

EPA's reasoning was that market participants, consistent with the EPA-required conditions in the rule, would treat the exempted materials more like valuable products than like negatively-valued wastes and, thus, would manage them in ways inconsistent with discard. In addition, the fertilizers derived from these recycled feedstocks are chemically indistinguishable from analogous commercial products made from raw materials (350 F.3d at 1269). The Court upheld the rule based on EPA's explanation that market participants manage materials in ways inconsistent with discard, and the fact that the levels of contaminants in the recycled fertilizers were "identical" to the fertilizers made with virgin raw materials. The Court held that this interpretation of "discard" was reasonable and consistent with the statutory purpose. The Court noted that the identity principle was defensible because the differences in health and environmental risks between the two types of fertilizers are so slight as to be substantively meaningless.

However, the Court specifically stated that it "need not consider whether a material could be classified as a non-discard exclusively on the basis of the market-participation theory" (350 F.3d at 1269). The Court only determined that the combination of market participants' treatment of the materials, EPA required management standards, and the "identity principle" are a reasonable set of tools to establish that the recycled hazardous secondary materials and fertilizers are not discarded.

*C. October 2003 Proposal To Revise the Definition of Solid Waste*

Prompted by concerns articulated in various Court opinions decided up to that point, in October 2003, EPA proposed a rule that material generated and reclaimed in a continuous process within the same industry is not discarded for purposes of Subtitle C, provided the recycling process is legitimate (68 FR 61558, October 28, 2003). "Same industry" was defined as industries sharing the same 4-digit North American Industry Classification System (NAICS) code.

In the same notice, EPA also solicited comment on several different alternatives to the proposed exclusion. The first alternative was whether to exclude from the definition of solid waste those hazardous secondary materials that are generated and reclaimed in a continuous process on-site (as defined in 40 CFR 260.10), even if different industries were involved. This exclusion would be based on the premise that materials recycled on-site in a continuous process are unlikely to be discarded because they would be closely managed and monitored by a single entity that is intimately familiar with both the generation and reclamation of the hazardous secondary material. In addition, no off-site transport of the hazardous secondary material (with its attendant risks) would occur, and there would be few questions about potential liability in the event of mismanagement or mishap.

The second alternative was an exclusion for certain situations within the chemical manufacturing industry that might present unique recycling situations. Specifically, within the chemical manufacturing industry, the first manufacturer contracts out production of certain chemicals to another manufacturer (referred to as batch or tolling operations). The second manufacturer may generate hazardous secondary materials that could be returned to the first chemical manufacturer for reclamation.

The third alternative would have provided a broader conditional exclusion from the RCRA hazardous waste regulations for essentially all hazardous secondary materials that are legitimately recycled by reclamation. The purpose of this broader exclusion

would have been to encourage reclamation by lowering costs of recycling, while still protecting human health and the environment. The Agency suggested that additional requirements or conditions might be appropriate to protect human health and the environment for this broader exclusion, compared to the same-industry exclusion that we proposed. Examples of such additional conditions could include recordkeeping and reporting requirements, along with safeguards on storage or handling.

In response to the October 2003 proposal, a number of commenters criticized the Agency specifically for not having conducted a study of the potential impacts of the proposed regulatory changes. These commenters expressed the general concern that deregulating hazardous secondary materials that are reclaimed in the manner proposed could result in mismanagement of these materials and, thus, could create new cases of environmental damage that would require remedial action under federal or state authorities. Some of the commenters further cited a number of examples of environmental damage that were attributed to hazardous secondary material recycling, including a number of sites listed on the Superfund National Priorities List (NPL).

However, other commenters to the October 2003 proposal expressed the view that the great majority of these cases of recycling-related environmental problems occurred before RCRA, CERCLA, or other environmental programs were established in the early 1980s. These commenters further argued that these environmental programs—most notably, RCRA's hazardous waste regulations and the liability provisions of CERCLA—have created strong incentives for proper management of recyclable hazardous secondary materials and recycling residuals. Several commenters further noted that, because of these developments, industrial recycling practices have changed substantially since the early 1980s and present day generators and recyclers are much better environmental stewards than in the pre-RCRA/CERCLA era. Thus, they argued, cases of "historical" recycling-related environmental damage are not particularly relevant or instructive with regard to modifying the current RCRA hazardous waste regulations for hazardous secondary materials recycling.

*D. Recycling Studies*

In light of these comments on the October 2003 proposal, and in deliberating on how to proceed with this rulemaking effort, the Agency decided that additional information on hazardous secondary material recycling would benefit the regulatory decision-making process, and would provide stakeholders with a clearer picture of the hazardous secondary material recycling industry in this country. Accordingly, the Agency examined three basic issues that we believed were of particular importance to informing this rulemaking effort:

- How do responsible generators and recyclers of hazardous secondary materials ensure that recycling is done in an environmentally safe manner?
- To what extent have hazardous secondary material recycling practices resulted in environmental problems in recent years, and why?
- Are there certain economic forces or incentives specific to hazardous secondary material recycling that can explain why environmental problems can sometimes originate from such recycling activities?

Reports documenting these studies have been available for comment in the docket for this rulemaking, under the following titles:

- *An Assessment of Good Current Practices for Recycling of Hazardous Secondary Materials* (EPA–HQ–RCRA–2002–0031–0354 ) ("successful recycling study").
- *An Assessment of Environmental Problems Associated With Recycling of Hazardous Secondary Materials* (EPA–HQ–RCRA–2002–0031–0355) ("environmental problems study").
- *A Study of Potential Effects of Market Forces on the Management of Hazardous Secondary Materials Intended for Recycling* (EPA–HQ–RCRA–2002–0031–0358) ("market forces study").

The results of these three studies have informed and supported EPA's decision making in today's final rule.

The successful recycling study has provided information to the Agency that has helped us determine what types of controls would be appropriate for hazardous secondary materials sent for reclamation to determine that they are handled as commodities rather than wastes. EPA found that responsible recycling practices used by generators and recyclers to manage hazardous secondary materials fall into two general categories. The first category includes the audit activities and inquiries performed by a generator of a hazardous secondary material to determine whether the entity to which it is sending such material is equipped to responsibly manage it without the risk of releases or other environmental damage. These recycling and waste audits of other companies' facilities form a backbone of many of the transactions in the hazardous secondary materials market. The second category of responsible recycling practices consists of the control practices that ensure responsible management of any given shipment of hazardous secondary material, such as the contracts under which the transaction takes place and the tracking systems in place that can inform a generator that its hazardous secondary material has been properly managed.

As discussed later in today's preamble, these findings helped inform EPA's decision to require that a hazardous secondary material generator conduct reasonable efforts to ensure its materials are properly and legitimately recycled, and to require certain recordkeeping requirements.

The goal of the environmental problems study was to identify and characterize environmental problems that have been attributed to some types of hazardous secondary material recycling activity that are relevant for the purpose of this rulemaking effort. To address commenters' concerns that historic damages are irrelevant to current practices, EPA only included cases where damages occurred after 1982 (post-RCRA and -CERCLA implementation). The study identifies 208 cases in which environmental damages of some kind occurred from some type of recycling activity and that otherwise fit the scope of the study. The Agency believes that the occurrence of certain types of environmental problems associated with current recycling practices shows that discard has occurred. In particular, instances where materials were abandoned (e.g., in warehouses) and which required removal overseen by a government agency and expenditure of public funds clearly demonstrate that the hazardous secondary material was discarded. Of the 208 damage cases, 69 cases (33%) involve abandoned materials. The relatively high incidence of abandoned materials likely reflects the fact that bankruptcies or other types of business failures were associated with 138 (66%) of the cases.

In addition, the pattern of environmental damages that resulted from the mismanagement of recyclable materials (including contamination of soils, groundwater, surface water and air) is a strong indication that the hazardous secondary materials were generally not managed as valuable commodities and were discarded. Of the 208 damage cases, 81 cases (40%) primarily resulted from the

mismanagement of recyclable hazardous secondary materials. Mismanagement of recycling residuals was the primary cause in 71 cases (34%). Often, in the case of mismanagement of recycling residues, reclamation processes generated residuals in which the toxic components of the recycled materials were separated from the non-toxic components, and these portions of the hazardous secondary material were then mismanaged and discarded. Examples of this include a number of drum reconditioning facilities, where large numbers of used drums were cleaned out to remove small amounts of remaining product such as solvent, and these wastes were then improperly stored or disposed.

As discussed later in today's preamble, these findings helped inform EPA's decision to require that the hazardous secondary material be contained in the unit and managed in a manner that is at least as protective as an analogous raw material (where there is an analogous material), that the recycling residuals be properly managed, and that the reclamation facility and any intermediate facilities have financial assurance. In addition, the relatively small proportion of cases of damages from on-site recycling (13 of the 208 cases (6%)) lends support for EPA's decision to include fewer limitations on the exclusion for hazardous secondary materials recycled under the control of the generator.

The market forces study uses accepted economic theory to describe how various market incentives can influence a firm's decision-making process when the recycling of hazardous secondary materials is involved. This study helps explain some of the possible fundamental economic drivers of both the successful and unsuccessful recycling practices, which, in turn, helped the Agency to design the exclusions being finalized today.

As pointed out by some commenters to the October 2003 proposed rule, the economic forces shaping the behavior of firms that recycle hazardous secondary materials are often different from those at play in manufacturing processes using virgin materials. The market forces study uses economic theory to provide information on how certain characteristics can influence three different recycling models to encourage or discourage an optimal outcome. The three recycling models examined are: (1) Commercial recycling, where the primary business of the firms is recycling hazardous secondary materials that are accepted for recycling from off-site industrial sources (which usually pay a fee); (2) industrial intra-company recycling, where firms generate hazardous secondary materials as by-products of their main production processes and recycle the hazardous secondary materials for sale or for their own reuse in production; and (3) industrial inter-company recycling, where firms whose primary business is not recycling, but either use or recycle hazardous secondary materials obtained from other firms, with the objective of reducing the cost of their production inputs. The report looks at how the outcome from each model is potentially affected by three market characteristics: (1) Value of the recycled product, (2) price stability of recycling output or inputs, and (3) net worth of the firm.

While an individual firm's decision-making process is based on many factors and attempting to extrapolate a firm's likely behavior from a few factors could be an over-simplification, when used in conjunction with other pieces of information, the economic theory can be quite illuminating. For example, according to the market forces study, the industrial intra- and inter-company recyclers have more flexibility in adjusting to unstable recycling markets (e.g., during price fluctuations, these companies can more easily switch from recycling to disposal or from recycled inputs to virgin inputs). Therefore, they would be expected to be less likely to have environmental problems from over-accumulated materials. On the other hand, certain specific types of commercial recycling, where the product has low value, the prices are unstable, and/or the firm has a low net worth, could be more susceptible to environmental problems from the over-accumulation of hazardous secondary materials, especially when compared to recycling by a well-capitalized firm that yields a product with high value. In both cases, these predicted outcomes appear to be supported by the results of the environmental problems study, which show the majority of problems occur at off-site commercial recyclers.

However, as shown by the successful recycling study, generators who might otherwise bear a large liability from poorly managed recycling at other companies have addressed this issue by carefully examining the recyclers to which they send their hazardous secondary materials to ensure that they are technically and financially capable of performing the recycling. In addition, we have seen that successful recyclers (both commercial and industrial) have often taken advantage of mechanisms, such as long-term contracts to help stabilize price fluctuations, allowing recyclers to plan their operations better.

Further discussion of the recycling studies, including the methodology and limitations of the studies, can be found in the March 2007 supplemental proposal (72 FR 14178–83), and the studies themselves can be found in the docket for today's rulemaking.

*E. March 2007 Supplemental Proposal To Revise the Definition of Solid Waste*

To provide public notice on the recycling studies discussed above, in March 2007, EPA published a supplemental proposal (72 FR 14172, March 26, 2007). In addition, based on the comments received on the October 2003 proposal, EPA also decided to restructure our approach to revising the definition of solid waste to more directly consider whether particular materials are not considered "discarded" and thus are not solid and hazardous wastes subject to regulation under Subtitle C of RCRA. We agreed with the many commenters on the October 2003 proposal who said that whether materials are recycled within the same NAICS code is not an appropriate indication of whether they are discarded. NAICS designations are designed to be consistent only with product lines, so that the effect of our October 2003 proposal would be that hazardous secondary materials generated and reclaimed under the control of the generator would not be excluded, even though the generator has not abandoned the material and has every opportunity and incentive to maintain oversight of, and responsibility for, the material that is reclaimed (*see* ABR, 208 F.2d at 1051 (noting that discard has not taken place where the producer saves and reuses secondary materials)).

Instead, in March 2007, EPA proposed two exclusions for hazardous secondary materials recycled under the control of the generator (one exclusion would apply to hazardous secondary materials managed in non-land-based units, whereas the other exclusion would apply to hazardous secondary materials managed in land-based units) and an additional exclusion for hazardous secondary materials transferred to another party for reclamation.

For the exclusions for hazardous secondary materials reclaimed under the control of the generator, EPA described three circumstances under which we believe that discard does not take place and where the potential for environmental releases is low to non-existent. The three situations involve legitimate recycling of hazardous secondary materials that are generated and reclaimed at the generating facility, at a different facility within the same

company, or through a tolling arrangement. Under all three circumstances, the hazardous secondary materials must be generated and reclaimed within the United States or its territories. Because the hazardous secondary material generator in these situations still finds value in the hazardous secondary materials, has retained control over them, and intends to use them, EPA proposed to exclude these materials from being a solid waste and, thus, from regulation under Subtitle C of RCRA if the recycling is legitimate and if the hazardous secondary materials are not speculatively accumulated.

In those cases, however, where generators of hazardous secondary materials do not reclaim the materials themselves, it often may be a sound business decision to ship the hazardous secondary materials to a commercial facility or another manufacturer for reclamation in order to avoid the costs of disposing of the material. In such situations, the generator has relinquished control of the hazardous secondary materials and the entity receiving such materials may not have the same incentives to manage the hazardous secondary materials as a useful product, especially if they are paid a fee for managing the hazardous secondary materials.

Accordingly, for the exclusion for hazardous secondary materials transferred to another party for reclamation, the Agency proposed conditions that, when met, would indicate that these hazardous secondary materials are not discarded. One of the conditions would require the generator to make reasonable efforts to determine that its hazardous secondary materials will be properly and legitimately recycled (thus demonstrating the hazardous secondary material is not being discarded). Another condition would require the reclamation facility to have adequate financial assurance (thus demonstrating that the hazardous secondary material will not be abandoned). In addition, EPA proposed that both the generator and reclaimer would need to maintain shipping records (to demonstrate that the hazardous secondary material was sent for reclamation and was received by the reclaimer), and the reclaimer would be subject to additional storage and residual management standards (to address the instances of discard observed at off-site reclamation facilities in the damage cases).

In addition, in March 2007, EPA's supplemental proposal included a case-by-case petition process to allow applicants to demonstrate that their hazardous secondary materials are not discarded and therefore are not solid wastes.

Finally, in EPA's March 2007 supplemental proposal, EPA proposed a definition of legitimate recycling that restructured the legitimacy factors originally proposed in October 2003. The proposed legitimacy factors would be used to determine whether the recycling of hazardous secondary materials is legitimate.

## IV. How Do the Provisions in the Final Rule Compare to Those Proposed on March 26, 2007?

EPA is finalizing the exclusions largely as proposed in March 2007, with some revisions and clarifications. The following is a brief overview of the revisions to the proposal, with references to additional preamble discussions for more detail.

For the exclusion for hazardous secondary materials that are legitimately reclaimed under the control of the generator, we are clarifying the scope of the exclusion, including addressing issues with defining "on-site," "same company," and "tolling arrangement." We have also added additional data elements to the notification requirement, clarified that the hazardous secondary materials must be contained when managed in non-land-based units, as well as in land-based units, because hazardous secondary materials that are released to the environment and not immediately recovered are discarded, and added a reference to the new legitimacy provision in § 260.43. We have also revised the definition of land-based unit to be "an area where hazardous secondary materials are placed in or on the land before recycling," while also clarifying that the definition does not include production units. For further discussion of the generator-controlled exclusion, see section VII of this preamble.

For the exclusion for hazardous secondary materials that are transferred for the purpose of reclamation, we are clarifying that hazardous secondary materials held at a transfer facility for less than 10 days will be considered to be in transport. We are also allowing the use of intermediate facilities that store hazardous secondary materials for more than 10 days, provided the facilities comply with the same conditions applicable to reclamation facilities. In addition, the hazardous secondary material generator must select the reclamation facility (or facilities) that can be used and must perform reasonable efforts on both the intermediate facility and reclamation facility (or facilities), and the intermediate facility must send the hazardous secondary material to the reclamation facility that the generator selected. For the reasonable efforts condition, we have included specific questions in the regulatory language, and are requiring both documentation and certification. We are also clarifying how the financial assurance condition applies to reclamation and intermediate facilities excluded under the transfer-based exclusion, including tailored regulatory language for financial assurance specific to these types of facilities. We have also added a reference to the new legitimacy provision in § 260.43. For further discussion, see section VIII of this preamble.

Regarding legitimacy, we are adding legitimacy as a condition of the exclusions and the non-waste determinations in this rule, but are not finalizing the language proposed in § 261.2(g) for all recycling. The new legitimacy provision can be found at § 260.43. For further discussion, see section IX of this preamble.

Finally, for the non-waste determination process, we have limited the categories for non-waste determinations to materials reclaimed in a continuous industrial process and materials indistinguishable from products and we have revised the criteria to make them more consistent across the two categories of non-waste determinations. Furthermore, we are not finalizing the non-waste determination for materials reclaimed under the control of the generator via a tolling arrangement or similar contractual arrangement. For further discussion, see sections X and XIX of this preamble.

## V. How Does the Concept of Discard Relate to the Final Rule?

In the March 2007 supplemental proposal, EPA explained how the concept of "discard" is the central organizing idea behind the revisions to the definition of solid waste being finalized today (72 FR 14178). Basing the revisions on "discard" reflects the fundamental logic of the RCRA statute. As stated in RCRA Section 1004(27), "solid waste" is defined as "* * * any garbage, refuse, sludge from a waste treatment plant, or air pollution control facility and other discarded material * * * resulting from industrial, commercial, mining and agricultural activities. * * *" Therefore, in the context of this final rule, a key issue is the circumstances under which a hazardous secondary material that is recycled by reclamation is or is not discarded.

The March 2007 supplemental proposal represented a shift from the approach taken in the October 2003 proposal, which proposed to exclude from the definition of solid waste any hazardous secondary material generated and reclaimed in a continuous process within the same industry, provided the reclamation was legitimate. "Same industry" was defined as industries sharing the same 4-digit NAICS code. The basis for that proposed exclusion was the holding in *American Mining Congress* v. *EPA ("AMC I")*, 824 F.2d 1177 (DC Cir. 1987) that materials destined for beneficial reuse in a continuous process by the generating industry are not discarded (68 FR 61563, 61564–61567).

Commenters critical of the October 2003 proposal argued, among other things, that EPA failed to present a reasoned analysis of the indicia of discard (72 FR 14184–14185). In evaluating these comments, EPA determined that the effect of our October 2003 proposal would be that some hazardous secondary materials generated and reclaimed under the control of the generator would not be excluded, even though the generator had not abandoned the material and had every opportunity and incentive to maintain oversight of, and responsibility for, the hazardous secondary material being reclaimed. Under these circumstances, we determined in March 2007 that discard has generally not occurred (72 FR 14185). Therefore, in the March 2007 supplemental proposal, EPA decided to examine the concept of discard, which is the driving principle behind the court's holdings on the definition of solid waste, rather than trying to fit materials into specific fact patterns addressed by the court (*see* 72 FR 14175).

EPA continues to believe that the concept of discard is the most important organizing principle governing the determinations we have made in today's final rule. In the series of decisions discussed above relating to the RCRA definition of solid waste, the Court of Appeals for the DC Circuit has consistently cited a plain language definition of discard, as meaning "disposing, abandoning or throwing away." Today's final rule is consistent with that definition. Below is a discussion of each provision of the final rule with an explanation of how it relates to discard. Further discussion of the concept of discard and its relationship to specific provisions and ways of implementing this rule is found in sections V.A through V.D, below.

The Agency also incorporates in this preamble to the final rule all determinations in the March 2007 supplemental proposal, except to the extent they are inconsistent with the determinations in this preamble, regarding the conditions for the solid waste exclusions. In addition, EPA notes that it did not reopen the specific details of the speculative accumulation regulation regarding the time periods under which materials are to be recycled, since these periods have been part of the Agency's regulations for many years and are familiar to persons who are affected by the regulations.

*A. Discard and the Generator-Controlled Exclusions*

In the March 2007 supplemental proposal, EPA determined that if the generator maintains control over the recycled hazardous secondary material, the material is legitimately recycled under the standards established in the proposal, and the material is not speculatively accumulated within the meaning of EPA's regulations, then the hazardous secondary material is not discarded. This is because the hazardous secondary material is being treated as a valuable commodity rather than as a waste. By maintaining control over, and potential liability for, the recycling process, the generator ensures that the hazardous secondary materials are not discarded (*see* ABR 208 F.3d 1051 ("Rather than throwing these materials [destined for recycling] away, the producer saves them; rather than abandoning them, the producer reuses them.")) (72 FR 14178).

EPA continues to believe that when a generator legitimately recycles hazardous secondary material under its control, the generator has not abandoned the material and has every opportunity and incentive to maintain oversight of, and responsibility for, the hazardous secondary material that is reclaimed.

In determining when recycling occurs "under the control" of the generator, EPA looked at three scenarios: Recycling performed on-site, recycling performed within the same company, and recycling performed under certain specific tolling arrangements.

In the March 2007 supplemental proposal, EPA noted that, of the 208 recycling cases that caused environmental damage, only 13 (approximately 6%) occurred as a result of on-site recycling. We also agreed with commenters on the October 2003 proposal who asserted that "generators who recycle materials on-site (even if the reclamation takes place in a different NAICS code) are likely to be familiar with the material and more likely to maintain responsibility for the materials" (72 FR 14185).

EPA also determined that this rationale applies to legitimate reclamation taking place within the same company. In the case of same-company recycling, both the generating facility and the reclamation facility (if they are different) would be familiar with the hazardous secondary materials and the company would be ultimately liable for any mismanagement of the hazardous secondary materials. Under these circumstances, the incentive to avoid such mismanagement would be so strong that mismanagement also would be unlikely.

In the case of certain tolling operations, EPA determined in the March 2007 supplemental proposal that a certain specific type of tolling arrangement provides equivalent assurance that recycling is performed "under the control of the generator" and does not constitute discard. Under this type of arrangement, one company (the tolling contractor) contracts with a second company (the toll manufacturer) to produce a specialty chemical from specified unused materials identified in the tolling contract. The toll manufacturer produces the chemical and the production process generates a hazardous secondary material (such as a spent solvent) which is routinely reclaimed at the tolling contractor's facility. The typical toll manufacturing contract contains detailed specifications about the product to be manufactured, including management of any hazardous secondary materials that are produced and returned to the tolling contractor for reclamation. Under this scenario, the hazardous secondary material continues to be managed as a valuable product, so discard has not occurred. Moreover, because the contract specifies that the tolling contractor retains ownership of, and responsibility for, the hazardous secondary materials, there is a strong incentive to avoid any mismanagement or release. In essence, the tolling contractor has outsourced a step in its manufacturing process, but continues to take responsibility and maintain control of the process as a whole, including both the unused materials going into the process and the product and hazardous secondary materials resulting from the process.

For all three of these generator-controlled exclusions—reclamation performed on-site, within the same company, and via certain tolling arrangements—EPA continues to find that the facility owner still finds value in the hazardous secondary materials, has retained control over them, and intends to reclaim them. Therefore, EPA

is finalizing an exclusion for these materials, with certain restrictions discussed below.

In the March 2007 supplemental proposal, EPA also noted that management in a land-based unit does not automatically indicate a hazardous secondary material is being discarded. As long as the hazardous secondary material is contained and is destined for recycling under the control of the generator, it would still meet the terms of the exclusion. However, if the hazardous secondary material is not managed as a valuable product and, as a result, a significant release to the environment from the unit occurs and is not immediately recovered, the hazardous secondary material in the land-based unit would be considered discarded (72 FR 14186). Thus, EPA proposed that the hazardous secondary material must be contained in the land-based unit in order for the exclusion to be applicable.

However, in making this finding that hazardous secondary materials managed in a land-based unit must be contained in order to retain the exclusion, EPA did not intend to imply that hazardous secondary materials managed in non-land-based units do not need to be contained. Hazardous secondary materials released to the environment are not destined for recycling and are clearly discarded whether they originated from a land-based unit or not. Because non-land-based units do not involve direct contact with the land, in the March 2007 supplemental proposal, EPA did not include an explicit "contained" restriction for these units. However, as commenters noted, it is still possible for non-land-based units to leak or otherwise release significant amounts of hazardous secondary materials to the environment, even if they are not in direct contact with the land, resulting in those materials being discarded. Thus, for today's final rule, EPA is requiring that hazardous secondary materials must be contained (whether it is managed in land-based units or non-land-based units) in order to identify the hazardous secondary materials that are not being discarded and, therefore, are not solid wastes.

Another restriction on the generator-controlled exclusions is the prohibition against speculative accumulation. As noted in the March 2007 supplemental proposal, restrictions on speculative accumulation (40 CFR 261.1(c)(8)) have been an important element of the RCRA hazardous waste recycling regulations since they were promulgated on January 4, 1985. Historically, hazardous secondary materials excluded from the definition of solid waste generally become wastes when they are speculatively accumulated, because, at that point, they are considered to be unlikely to be recycled and therefore discarded. According to this regulatory provision, a hazardous secondary material is accumulated speculatively if the person accumulating it cannot show that the material is potentially recyclable; further, the person accumulating the hazardous secondary material must show that during a calendar year (beginning January 1) the amount of such material that is recycled, or transferred to a different site for recycling, must equal at least 75% by weight or volume of the amount of that material at the beginning of the period. As noted in the March 2007 supplemental proposal, this provision already applies to hazardous secondary materials that are not otherwise considered to be wastes when recycled, such as materials used as ingredients or commercial product substitutes, materials that are recycled in a closed-loop production process, or unlisted sludges and by-products being reclaimed (72 FR 14188). Given that a significant portion of the damage cases stemmed from over-accumulation of hazardous secondary materials, EPA continues to believe that a restriction on speculative accumulation is needed to determine that the hazardous secondary material is being recycled and is not discarded.

In addition, as with all recycling exclusions under RCRA, the excluded hazardous secondary materials must be recycled legitimately. As discussed in section IX of this preamble, EPA has long articulated the need to distinguish between "legitimate" (i.e., true) recycling and "sham" recycling, beginning with the preamble to the 1985 regulations that established the definition of solid waste (50 FR 638, January 4, 1985) and continuing with the October 2003 proposed codification of criteria for identifying legitimate recycling. Because there can be a significant economic incentive to manage hazardous secondary materials outside the RCRA regulatory system, there is a potential for some handlers to claim that they are recycling, when, in fact, they are conducting waste treatment and/or disposal in the guise of recycling. While the legitimacy construct applies to both excluded recycling and the recycling of regulated hazardous wastes, hazardous secondary materials that are not legitimately recycled (i.e., that are being treated and/or disposed in the guise of recycling) are discarded materials and, therefore, are solid wastes.

A final restriction on the generator-controlled exclusion from the definition of solid waste is that the hazardous secondary material must be generated and recycled within the United States.[1] Because hazardous secondary materials that are exported for recycling passes out of the regulatory control of the federal government, making it difficult to determine if these activities are "under the control of the generator" and because, as noted in the March 2007 supplemental proposal, we do not have sufficient information about most recycling activities outside of the United States to decide whether discard is likely or unlikely (72 FR 14187), EPA continues to find that this restriction is needed to properly define when the hazardous secondary material is not being discarded.

*B. Discard and the Transfer-Based Exclusion*

As EPA noted in the March 2007 supplemental proposal, in cases where generators of hazardous secondary materials do not reclaim the materials themselves, it often may be a sound business decision to ship the hazardous secondary materials to be reclaimed to a commercial facility or another manufacturer in order to avoid the costs of disposing of the material.

In such situations, EPA determined that the generator has relinquished control of the hazardous secondary materials and the entity receiving such materials may not have the same incentives to manage them as a useful product (72 FR 14178). This is evidenced by the results of the environmental problems study, found in the docket of today's final rule. Of the 208 damage cases EPA identified for the March 2007 supplemental proposal, 195 (about 94%) were from off-site third-party recyclers, with clear instances of discard resulting in risk to human health and the environment, including cases of large-scale soil and ground water contamination with remediation costs in some instances in the tens of millions of dollars.

In addition, the market forces study in the docket for today's rulemaking supports the conclusion that the pattern of discard at off-site, third party reclaimers is a result of inherent differences between commercial

[1] As discussed in section VII.C., persons taking advantage of the generator-controlled option must also notify the regulatory authority. This notification requirement is needed to enable credible evaluation of the status of hazardous secondary materials under RCRA and to ensure the terms of the exclusions are being met by generators and reclaimers. These types of notification requirements in this rule are being promulgated under the authority of RCRA section 3007.

recycling and normal manufacturing. As opposed to manufacturing, where the cost of raw materials or intermediates (or inputs) is greater than zero and revenue is generated primarily from the sale of the output, hazardous secondary materials recycling can involve generating revenue primarily from receipt of the hazardous secondary materials (72 FR 14182). Recyclers of hazardous secondary materials in this situation may thus respond differently from traditional manufacturers to economic forces and incentives, accumulating more inputs (hazardous secondary materials) than can be processed (reclaimed). In addition, commercial recyclers appear to have less flexibility than in-house recyclers (e.g., during price fluctuations, in-house recyclers can more easily switch from recycling to disposal or from recycled inputs to virgin inputs, which commercial recyclers cannot) (72 FR 14183).

After reviewing public comments on the recycling studies (see section XV.D. of today's preamble), EPA continues to believe that conditions are needed under the transfer-based exclusion for the Agency to determine that these hazardous secondary materials are not discarded.[2]

One key condition that reflects the basic premise underlying the exclusion is the condition that the hazardous secondary material generator perform and document reasonable efforts to ensure that its hazardous secondary material will be properly and legitimately recycled. As EPA explained in the March 2007 supplemental proposal, in order to demonstrate that hazardous secondary materials will not be discarded, generators who transfer their hazardous secondary materials to a third party must have a reasonable understanding of who will be reclaiming the materials and how they will be managed and reclaimed and a reasonable assurance that the recycling practice is safe and legitimate (72 FR 14194). In order for a generator to determine whether its hazardous secondary materials are not solid wastes because they are not discarded, the generator must make a reasonable effort to ensure that the reclaimer intends to legitimately recycle the material and not discard it, and that the reclaimer (and any intermediate facility) will properly manage the material.

EPA continues to find that the reasonable efforts condition is critical in determining when hazardous secondary materials sent to another party for reclamation are not discarded. According to the successful recycling study found in the docket for today's rulemaking, generators of hazardous secondary materials frequently perform audit activities and inquiries to determine whether the entity to which they are sending hazardous secondary materials is equipped to responsibly and legitimately reclaim and manage those materials without the risk of releases or other environmental damage. These recycling and waste audits of other companies' facilities form a backbone of many of the transactions in the hazardous secondary materials markets. As noted in the March 2007 supplemental proposal, EPA's successful recycling study quotes one large recycling and disposal vendor as stating that of its new customers, 60% of the large customers and 30–50% of the smaller customers now perform audits on them (72 FR 14191). Thus, although these practices are not universal, they do indicate that there are currently many generators who recognize the risk of third-party recyclers discarding their hazardous secondary materials and who take responsibility to ensure that this discard does not occur. By codifying the reasonable efforts condition of the transfer-based exclusion, EPA believes that hazardous secondary materials generated by companies who take this type of responsibility are not being discarded.

EPA has developed a reasonable efforts condition that is objective and is based on the types of information that are typically gathered in environmental audits currently performed by generators. However, one piece of information that is not included under the reasonable efforts provision being finalized today is the financial health of the reclamation facility. While EPA agrees with comments received that state that evaluating the financial health of a company can be a useful exercise, and encourages companies to do so, it is not an activity that lends itself to an objective standard that would be workable in a solid waste identification regulation.

However, the financial health of a reclamation facility can still be a crucial consideration in determining whether discard is taking place. According to the successful recycling study, an examination of a company's finances is an important part of many environmental audits. In addition, the environmental problems study showed that bankruptcies or other types of business failures were associated with 138 (66%) of the damage cases, and the market forces study identified a low net worth of a firm as a strong indication of a sub-optimal outcome of recycling.

To address the issue of the correlation of financial health with the absence of discard, EPA proposed in the March 2007 supplemental proposal to require that reclamation facilities obtain financial assurance. The financial assurance requirements are designed to help EPA determine that the hazardous secondary material generator is not discarding the hazardous secondary material by sending it to a reclamation facility that is financially unsound.

In addition, by obtaining financial assurance, the owner/operator of the reclamation facility (or intermediate facility) is making a direct demonstration that it will not abandon the hazardous secondary material. Discard through abandonment was a major cause of damages identified in the environmental problems study. Of the 208 damage cases, 69 (33%) cases involved abandoned materials. By obtaining financial assurance, a reclaimer (or intermediate facility) is demonstrating that even if events beyond its control make its operations uneconomical, the hazardous secondary material will not be abandoned.

Another major cause of damages identified in the environmental problems study was mismanagement of recyclable materials, constituting the primary cause of damage in 81 (40%) of the 208 cases. Accordingly, in the March 2007 supplemental proposal, EPA proposed a condition for reclaimers that they must manage the hazardous secondary materials in at least as protective a manner as they would an analogous raw material, and in such a way that the hazardous secondary materials would not be released into the environment (72 FR 14195). After reviewing the comments, EPA continues to find that such a condition is needed for the Agency to determine that the hazardous secondary materials are not discarded.

The third major source of damages identified in the environmental problems study was mismanagement of residuals generated from the reclamation activity, constituting the primary cause of damage in 71 (34%) of the 208 cases. As discussed in the March 2007 supplemental proposal, EPA found that in many cases, the

[2] These are conditions beyond the prohibition on speculative accumulation, the requirement that the hazardous secondary material be contained, and the requirement that the materials be legitimately recycled, as described in section VII.C., which would also apply to the transfer-based exclusion. The transfer-based exclusion also includes a notification requirement, which is needed to enable credible evaluation of the status of hazardous secondary materials under section 3007 of RCRA and to ensure the terms of the exclusions are being met by generators, intermediate facilities, and reclaimers.

residuals were comprised of the most hazardous components of the hazardous secondary materials (e.g., polychlorinated biphenyls (PCBs) from transformers) and were simply disposed of in on-site landfills or piles, with little regard for the environmental consequences of such mismanagement or possible CERCLA liabilities associated with cleanup of these releases. Therefore, EPA proposed that "any residuals that are generated from reclamation processes will be properly managed. If any residuals exhibit a hazardous characteristic according to subpart C of 40 CFR part 261, or themselves are listed hazardous wastes, they are hazardous wastes (if discarded) and must be managed according to the applicable requirements of 40 CFR parts 260 through 272" (72 FR 17195). EPA continues to find that this condition is important to clarify the regulatory status of these waste materials, and to emphasize in explicit terms that the residuals generated from reclamation operations must be managed properly (i.e., consistent with federal and state requirements).

Finally, other provisions of the transfer-based exclusion help ensure that the hazardous secondary material is properly transferred to the reclamation facility for recycling. Only the hazardous secondary material generator, transporter, intermediate facility and reclaimer can handle the material. (Note that, as with hazardous waste, a hazardous secondary material can be held up to 10 days at a transfer facility and still be considered as being in transport.) The hazardous secondary material generators, intermediate, and reclamation facilities claiming the exclusion must keep records of the hazardous secondary material shipments, and reclamation and intermediate facilities must send confirmations of receipt back to the hazardous secondary material generator. Thus, all parties responsible for the excluded hazardous secondary materials will be able to demonstrate that the materials were in fact sent for reclamation and arrived at the intended facility and were not discarded in transit. For hazardous secondary material generators who are exporting to other countries for reclamation, notice and consent must be obtained, thus facilitating oversight of the hazardous secondary material when sent beyond the borders of the United States, helping to ensure that it is recycled rather than discarded.

*C. Discard and Non-Waste Determinations*

In addition to the exclusions discussed above, the Agency is also finalizing a process for obtaining a case-specific non-waste determination for certain hazardous secondary materials that are recycled. This process allows a petitioner to receive a formal determination from EPA (or the state, if the state is authorized for this provision) that its hazardous secondary material is not discarded and therefore is not a solid waste. The procedure allows EPA or the authorized state to take into account the particular fact pattern of the reclamation operation to determine that the hazardous secondary material in question is not a solid waste.

The determination is available to applicants who demonstrate (1) that their hazardous secondary materials are reclaimed in a continuous industrial process, or (2) that the materials are indistinguishable in all relevant aspects from a product or intermediate.

As discussed earlier, court decisions have made it clear that hazardous secondary materials reclaimed in a continuous industrial process are not discarded and, therefore, are not solid waste. As discussed in the March 2007 supplemental proposal, EPA believes that the generator-controlled exclusion also excludes from the definition of solid waste hazardous secondary materials recycled in a continuous industrial process (72 FR 14202). In effect, hazardous secondary materials reclaimed in a continuous process are a subset of the hazardous secondary materials reclaimed under the control of the generator that are excluded under today's rule.

However, EPA also recognized in the March 2007 supplemental proposal that production processes can vary widely from industry to industry. Thus, in some cases, EPA may need to evaluate case-specific fact patterns to determine whether an individual hazardous secondary material is reclaimed in a continuous industrial process, and therefore not a solid waste.[3] EPA continues to believe that this is best done through a case-by-case procedure and is, therefore, finalizing the non-waste determination process today.

In addition to ruling that hazardous secondary materials recycled within a continuous industrial process are not discarded and therefore not solid waste, the courts have also said that hazardous secondary materials destined for recycling in another industry are not automatically discarded. In the *Safe Food* decision, the Court stated, "[n]obody questions that virgin * * * feedstocks are products rather than wastes. Once one accepts that premise, it seems eminently reasonable to treat [recycled] materials that are indistinguishable in the relevant respects as products as well" (350 F.3d at 1269). In *Safe Food,* the court accepted EPA's determination that the "relevant respects" were that "market participants treat the * * * materials more like valuable products rather than like negatively-valued wastes managing them in ways inconsistent with discard, and that the fertilizers derived from these recycled feedstocks are chemically indistinguishable from analogous commercial products made from virgin materials." *Id.* As a result, EPA recognized in the March 2007 supplemental proposal, and continues to believe today, that there may be some instances that would benefit from a non-waste determination (72 FR 14203). Thus, we are also finalizing the non-waste determination process for hazardous secondary materials indistinguishable in all relevant aspects from a product or intermediate.

## VI. When Will the Final Rules Become Effective?

This final rule is effective on December 29, 2008. Section 3010(b) of RCRA allows EPA to promulgate a rule with a period for the effective date shorter than six months where the Administrator finds that the regulated community does not need additional time to come into compliance with the rule. This rule does not impose any requirements on the regulated

[3] *See,* for example the ABR decision, where the Court acknowledged that the term "discard" could be "ambiguous as applied to some situations, but not as applied to others," and particularly cited the difficulty in examining the details of the many processes in the mineral processing industry (208 F.3d at 1056). While the court overturned EPA's regulations for casting too wide a net over continuous industrial processes, it acknowledged that there are a large number of processes, some of which may be continuous and some of which may not. Determining what is a continuous process in the mineral processing industry, according to the Court, would require examination of the details of the processes and does not lend itself, well, to broad abstraction. Specifically, the Court stated, "Some mineral processing secondary materials covered under the Phase IV Rule may not proceed directly to an ongoing recycling process and may be analogous to the sludge in AMC II. The parties have presented this aspect of the case in broad abstraction, providing little detail about the many processes throughout the industry that generate residual material of the sort EPA is attempting to regulate under RCRA, * * *" 208 F.3d at 1056.

In the case of today's final rule, which applies across industries, there are far larger and more diverse processes. While EPA believes it is establishing a reasonable set of principles, they must still be applied to the details of the industrial processes in question.

community; rather, the rule provides flexibility in the regulations with which the regulatory community is required to comply. The Agency finds that the regulatory community does not need six months to come into compliance.

## VII. Exclusion for Hazardous Secondary Materials That Are Legitimately Reclaimed Under the Control of the Generator

### *A. What Is the Purpose of This Exclusion?*

Sections 261.2(a)(2)(ii) and 261.4(a)(23), being finalized today, excludes from the definition of solid waste those hazardous secondary materials which remain under the control of the generator when legitimately reclaimed. By maintaining control over, and potential liability for, the hazardous secondary materials and the reclamation process, the generator ensures that such materials have not been discarded. When reclaimed under the control of the generator, the hazardous secondary materials are being treated as a valuable commodity rather than a waste. However, if such hazardous secondary materials are released into the environment and are not recovered immediately, they have been discarded and the generator is subject to all applicable federal and state regulations, as well as applicable cleanup authorities.

### *B. Scope and Applicability*

EPA is today excluding from the definition of solid waste those hazardous secondary materials that are legitimately reclaimed under the control of the generator, provided they are not speculatively accumulated and they are reclaimed within the United States or its territories. In addition, the generator must submit a notification of the exclusion to EPA or the authorized state and the hazardous secondary material must be contained in the units in which it is stored. The provision excluding hazardous secondary materials that are under the control of the generator and that are managed in land-based units is found at 40 CFR 261.4(a)(23), while the provision excluding such materials that are managed in non-land-based units is found at 40 CFR 261.2(a)(2)(ii). A land-based unit is defined in 40 CFR 260.10 as an area where hazardous secondary materials are placed in or on the land before recycling, but this definition does not include land-based production units. Examples of land-based units include surface impoundments and piles.

The definition of "hazardous secondary material generated and reclaimed under the control of the generator" is finalized in 40 CFR 260.10 and consists of three parts. The first part applies to hazardous secondary materials generated and legitimately reclaimed at the generating facility. For purposes of this exclusion, "generating facility" means all contiguous property owned, leased, or otherwise controlled by the hazardous secondary material generator, and "hazardous secondary material generator" means any person whose act or process produces hazardous secondary materials at the generating facility. A facility that collects hazardous secondary materials from other persons (for example, when mercury-containing equipment is collected through a special collection program) is not the hazardous secondary material generator of those materials.

Under this definition, if a generator contracts with a different company to reclaim hazardous secondary materials at the generator's facility, either temporarily or permanently, the materials would be considered under the control of the generator. However, generators sometimes contract with a second company to collect hazardous secondary materials at the generating facility and the materials are subsequently reclaimed at the facility of the second company. In that situation, the hazardous secondary materials would no longer be considered "under the control of the generator" and would instead be managed under the exclusion for materials transferred for reclamation.

The second part of the definition applies to hazardous secondary materials generated and legitimately reclaimed at different facilities if the reclaiming facility is controlled by the generator or if a person as defined in § 260.10 controls both the generator and the reclaimer. For purposes of this exclusion, "control" means the power to direct the policies of the facility, whether by the ownership of stock, voting rights, or otherwise, except that contractors who operate facilities on behalf of a different person as defined in § 260.10 shall not be deemed to "control" such facilities. Thus, when a contractor operates two facilities, each of which is owned by a different company, hazardous secondary materials generated at the first facility and reclaimed at the second facility are not considered "under the control of the generator" and must use the exclusion for such materials that are transferred for reclamation.

Under the definition promulgated in today's final rule, the generating facility must provide one of two certifications: (1) That the generating facility will send the indicated hazardous secondary materials to the reclaiming facility, which is controlled by the generating facility, and that either the generating facility or the reclaiming facility has acknowledged full responsibility for the safe management of such hazardous secondary materials; or (2) that the generating facility will send the hazardous secondary materials to the reclaiming facility, that both facilities are under common control, and that either the generating facility or the reclaiming facility has acknowledged full responsibility for the safe management of such hazardous secondary materials. This certification should be made by an official familiar with the corporate structure of both the generating and the reclaiming facilities. The certification should be retained at the site of the generating facility.

The third part of the definition applies to hazardous secondary materials that are generated pursuant to a written contract between a tolling contractor and a toll manufacturer and legitimately reclaimed by the tolling contractor. For purposes of this exclusion, a tolling contractor is a person who arranges for the production of a product or intermediate made from specified unused materials through a written contract with a toll manufacturer. The toll manufacturer is the person who produces a product or intermediate made from specified unused materials pursuant to a written contract with a tolling contractor. Under today's final rule, the tolling contractor must certify that it has a written contract with the toll manufacturer to manufacture a product or intermediate made from specified unused materials, and that the tolling contractor will reclaim the hazardous secondary materials generated during the manufacture of the product or intermediate. The tolling contractor must also certify that it retains ownership of, and liability for, the hazardous secondary materials that are generated during the course of the manufacture, including any releases of hazardous secondary materials that occur during the manufacturing process at the toll manufacturer's facility. This certification should be made by an official familiar with the terms of the written contract and should be retained at the site of the tolling contractor.

### *C. Restrictions and Requirements*

*Hazardous secondary materials must be contained.* The regulations at 40 CFR 261.2(a)(2)(ii) and 40 CFR 261.4(a)(23) apply to hazardous secondary materials that are generated and legitimately reclaimed under the control of the generator in the United States or its

territories. Under these provisions, the hazardous secondary materials must be contained, whether they are stored in land-based units or non-land-based units. Generally, such material is "contained" if it is placed in a unit that controls the movement of the hazardous secondary material out of the unit and into the environment. These restrictions support EPA's determination that materials managed in this manner are not discarded.

In the event of a release from a unit to the environment, the hazardous secondary materials that remain in the unit may or may not meet the terms of the exclusion. They would be considered solid wastes if they are not managed as a valuable raw material, intermediate, or product, and as a result, a "significant" release of hazardous secondary materials from the unit to the environment were to take place and the materials were not immediately recovered. If such a significant release were to occur, the hazardous secondary materials remaining in the unit would be considered solid and hazardous wastes and the unit would be subject to the appropriate hazardous waste regulations. For example, an acidic hazardous secondary material undergoing reclamation could be stored in a tank that experienced a failure. A facility might fail to monitor the structural integrity of the tank, as most product tanks are monitored, or the tank might not be constructed to contain acidic hazardous secondary materials, causing a significant release of such materials into the environment that is not immediately recovered. The unit itself would consequently be considered a hazardous waste management unit because the hazardous secondary materials were not being managed as a valuable raw material, intermediate, or product, as evidenced by the failure to monitor it for structural integrity, resulting in the release. Thus, the unit and any remaining waste would be subject to Subtitle C controls because the hazardous secondary materials in the unit have been discarded. In addition, any of the released materials that were not immediately recovered would also be considered discarded and, if hazardous, subject to appropriate federal or state regulations and applicable authorities. Thus, to be excluded from the definition of solid waste, the facility has an obligation to manage the material as it would any raw material, intermediate or product because of its value. This includes, for example, operating and maintaining storage units in the same manner as product units. In the above example, whether by mismanagement of the hazardous secondary materials or by storing acidic materials in a tank not constructed to handle them or because of the failure to monitor the structural integrity of the unit, the result is that the unit would come under Subtitle C regulation.

Conversely, a tank or a surface impoundment in good condition may experience small releases resulting from normal operations of the facility. Sometimes a material may escape from primary containment and may be captured by secondary containment or some other mechanism that would prevent the material from being released to the environment or would allow immediate recovery of the material. In that case, the unit would retain its exclusion from RCRA hazardous waste regulation and the hazardous secondary materials in the unit would still be excluded from the definition of solid waste, even though any such materials that had been released would be considered discarded if not immediately recovered and would be subject to appropriate regulation. One specific example of "contained" hazardous secondary materials would be furnace bricks collected from production units and stored on the ground in walled bins before being used as feedstocks in the metals production process. If there were very small releases from the walled bins due to precipitation runoff, such releases would not cause the storage bins to be subject to Subtitle C controls.

It should be noted that a "significant" release is not necessarily large in volume. Such a release could include an unaddressed small release to the environment from a unit that, if allowed to continue over time, could cause significant damage. Any one release may not be significant in terms of volume. However, if the cause of such a release remains unaddressed over time and hazardous secondary materials are managed in such a way that the release is likely to continue, the materials in the unit would not be contained. For example, a rusting tank or containers that are deteriorating may have a slow leak that, if unaddressed, could, over time, cause a significant environmental impact. Similarly, a surface impoundment with a slow, unaddressed leak to groundwater could result, over time, in significant damage. Another example would be a large pile of lead-contaminated finely ground dust without any provisions to prevent wind dispersal of the dust. Such releases, if unaddressed over time and likely to continue, would mean that the hazardous secondary materials remaining in the unit were not being managed as a valuable raw material, intermediate, or product and that the materials had been discarded. As a result, the hazardous secondary materials in the unit would be hazardous wastes and these units would be subject to the RCRA hazardous waste regulations.

*Speculative accumulation.* In addition to the containment provision, hazardous secondary materials that are generated and legitimately reclaimed under the control of the generator are subject to the speculative accumulation provisions of 40 CFR 261.1(c)(8). If these materials are speculatively accumulated, they are considered discarded. EPA did not propose changes to the speculative accumulation provisions in its March 26, 2007 proposal.

*Legitimate Recycling.* Under this exclusion, hazardous secondary materials under the control of the generator must be legitimately reclaimed, as specified under 40 CFR 260.43. Legitimate recycling must involve a hazardous secondary material that provides a useful contribution to the recycling process or product and the recycling process must produce a valuable product or intermediate. In addition, as part of a legitimacy determination, persons must consider whether the hazardous secondary material is managed as a valuable product and must consider the levels of toxics in the product of the recycling process as compared to analogous products made from virgin materials. The details of the legitimacy provision are discussed in section IX of this preamble.

*Notification.* Under today's rule, hazardous secondary material generators, tolling contractors, toll manufacturers, and reclaimers (where the generator and reclaimer are part of the same company, but located at different facilities) managing hazardous secondary materials reclaimed under the control of the generator are required to submit a notification prior to operating under this exclusion and by March 1 of each even numbered year thereafter to the EPA Regional Administrator using EPA Form 8700-12. In states authorized by EPA to administer the RCRA Subtitle C hazardous waste program, notifications may be sent to the state Director. The notice must include:

- The name, address and EPA ID number (if applicable) of the facility;
- The name and telephone number of a contact person;
- The NAICS code of the facility;
- The exclusion under which the hazardous secondary materials will be managed (e.g., 40 CFR 261.2(a)(2(ii)

and/or 40 CFR 261.4(a)(23) for hazardous secondary materials managed in a land-based unit);

- When the facility expects to begin managing the hazardous secondary materials in accordance with the exclusion;
- A list of hazardous secondary materials that will be managed according to the exclusion (reported as the EPA hazardous waste numbers that would apply if the hazardous secondary materials were managed as hazardous waste);
- For each hazardous secondary material, whether the material, or any portion thereof, will be managed in a land-based unit;
- The quantity of each hazardous secondary material to be managed annually; and
- The certification (included in EPA Form 8700–12) signed and dated by an authorized representative of the facility.

Generators and reclaimers are required to notify on a per facility basis. In other words, facilities managing hazardous secondary materials will need to submit a notification form in accordance with the exclusion. One notification cannot cover two or more facilities. Furthermore, each facility need only use one notification form to list all of the hazardous secondary materials to be managed under the exclusion (i.e., facilities need not file separate notifications for each hazardous secondary material).

We are also requiring facilities that stop managing hazardous secondary materials in accordance with the exclusion to notify the Regional Administrator within 30 days using the same EPA Form 8700–12. Notification in this instance serves two objectives: (1) It allows states to follow up with the facility to verify that the hazardous secondary material has not been discarded; and (2) it maintains the usability of the database to enable states to monitor compliance and, for today's transfer-based exclusion, to assist generators with performing reasonable efforts on potential reclaimers. We consider a facility to have 'stopped' managing hazardous secondary materials when a facility no longer generates, manages and/or reclaims hazardous secondary materials under the exclusion and does not expect to manage any amount of hazardous secondary material under the exclusion for at least one year. This includes if the facility chooses to manage the hazardous secondary materials as hazardous waste or the facility chooses to temporarily suspend management of hazardous secondary materials and does not expect to manage any amount of hazardous secondary materials for at least one year. For example, a facility that has previously notified it is managing hazardous secondary materials under the exclusion, but then subsequently chooses to stop managing all hazardous secondary materials for a period of at least one year, must notify the Regional Administrator. However, if this same facility only stopped managing one type of hazardous secondary material (but continued to manage another type of hazardous secondary material under the exclusion) it would not need to notify, and could just update its list of hazardous secondary materials during the next periodic re-notification submitted every two years. Additionally, if a reclaimer or intermediate facility managing hazardous secondary materials under the transfer-based exclusion requests release of financial assurance under 40 CFR 261.143(h), it is clear the facility has 'stopped' managing hazardous secondary materials, and, therefore, must notify the Regional Administrator (for additional clarification, notification does not 'trigger' the process for releasing financial assurance; instead, a facility wishing to be released from financial assurance obligations must notify it has 'stopped' managing hazardous secondary materials). Of course, a facility could certainly choose to begin managing hazardous secondary materials again and would simply have to submit a notification in compliance with 40 CFR 260.42.

We note that the requirement to provide this notification is not a condition of the exclusion. Thus, failure to comply with the requirement constitutes a violation of RCRA, but does not affect the excluded status of the hazardous secondary materials.

We believe our authority to request such information is inherent in our authority to determine whether a material is discarded, and we consider this to be the minimum information needed to enable credible evaluation of the status of hazardous secondary materials under section 3007 of RCRA and to ensure that the terms of the exclusions are being met by generators and reclaimers. EPA further believes that RCRA section 3007 allows us to gather information about any material when we have reason to believe that it may be a solid waste and possibly a hazardous waste within the meaning of RCRA section 1004(5). Section 2002 also gives EPA authority to issue regulations necessary to carry out the purposes of RCRA.

We also note that after EPA promulgates regulations listing a material as a hazardous waste or identifying it by its characteristics, section 3010 of RCRA requires generators of such materials to submit a notification to EPA within 90 days. Since the changes finalized today could substantially affect the universe of facilities in the Subtitle C system, we believe the notifications are appropriate.

The intent of this notification requirement is to provide basic information to the regulatory agencies about who will be managing hazardous secondary materials under the exclusion. The specific information included in today's notification requirement will enable regulatory agencies to monitor compliance adequately and to ensure hazardous secondary materials are managed according to the exclusion and not discarded. For example, in the notification, EPA requires facilities to include the quantity of hazardous secondary materials that will be managed according to the exclusion and whether certain types of hazardous secondary materials will be managed in land-based units. This information can be used to assist RCRA inspectors in determining which facilities may warrant greater oversight and provides a basis for setting enforcement priorities. Furthermore, requiring facilities to notify when they have stopped managing hazardous secondary materials allows states to follow-up and ensure that hazardous secondary materials were not discarded. Notification information is collected in EPA's RCRAInfo database, which is the national repository of all RCRA Subtitle C site identification information, whether collected by a state authority or EPA. EPA provides public access to this information through EPA's public Web site at *http://www.epa.gov/enviro/html/rcris/* (or other successor Web site).

This notification requirement is the same as the notification requirement for today's transfer-based exclusion found in section VIII.C. of today's preamble.

*Sending to an intermediate facility.* We note that under this exclusion, hazardous secondary materials may not be sent to an intermediate facility as defined in 40 CFR 260.10 (i.e., a facility, other than a generator or reclaimer, that stores hazardous secondary materials for more than 10 days). If hazardous secondary materials are sent to intermediate facilities, they would not meet the definition of hazardous secondary materials reclaimed under the control of the generator, and they are subject to the conditions of the transfer-based exclusion, discussed below.

*D. Terminating the Exclusion*

Units managing excluded hazardous secondary materials are not subject to the closure regulations in 40 CFR parts 264 and 265 subpart G. However, when the use of these units is ultimately discontinued, all owners and operators must manage any remaining hazardous secondary materials that are not reclaimed and remove or decontaminate all hazardous residues and contaminated containment system components, equipment structures, and soils. These hazardous secondary materials and residues, if no longer intended for reclamation, would also no longer be eligible for the exclusion (which only applies to materials that will be reclaimed). Failure to remove these materials within a reasonable time frame after operations cease could cause the facility to become subject to the full Subtitle C requirements if the Agency determines that recycling is no longer feasible. While this final rule does not set a specific time frame for these activities, the Agency believes that they typically should be completed within the time frames established for analogous activities. For example, the requirements for product tanks under 40 CFR 261.4(c) allow 90 days for removal of hazardous material after the unit ceases to be operated for manufacturing. This time frame should serve as a guideline for regulators in determining on a case-by-case basis whether owners and operators have completed these activities within a reasonable time frame. In any event, these hazardous secondary materials remain subject to the speculative accumulation restrictions in 40 CFR 261.1(a)(8), which includes both a time limitation and a requirement that the facility be able to show there is a feasible means of recycling the hazardous secondary material.

*E. Enforcement*

Under today's rule, hazardous secondary materials generated and legitimately reclaimed within the United States under the control of the generator are excluded from RCRA Subtitle C regulation, but are subject to certain restrictions, principally speculative accumulation, legitimate recycling, and containment. Persons that handle these hazardous secondary materials are responsible for maintaining the exclusion by ensuring that these restrictions are met. If the hazardous secondary materials are not managed pursuant to these restrictions, they are not excluded. They would then be considered solid and hazardous wastes if they were listed or they exhibited a hazardous waste characteristic for Subtitle C purposes from their point of generation. Persons operating under the exclusion are also required to notify EPA or the authorized state.

Persons taking advantage of today's exclusion that fail to meet the requirements may be subject to an enforcement action. EPA could choose to bring an enforcement action under RCRA section 3008(a) for violations of the hazardous waste requirements occurring from the time the hazardous secondary materials are generated through the time they are ultimately disposed of or reclaimed. The Agency affirms in this preamble that § 261.2(f) applies to claims that hazardous secondary materials are not solid waste because they are being legitimately recycled. Respondents in enforcement cases should be prepared to demonstrate that they meet the terms of the exclusion or exemption, which includes demonstrating that the recycling is legitimate. Appropriate documentation must be provided to the enforcing agency to demonstrate that the material is not a solid waste or is exempt from regulation. In addition, the recycler of the hazardous secondary materials should be prepared to show they have the necessary equipment to perform the recycling operation. Furthermore, any release of the hazardous secondary materials to the environment that is not immediately cleaned up would be considered discarded and, thus, the hazardous secondary materials that were released would be a solid waste and potentially subject to the RCRA hazardous waste regulations.

The Agency believes that this approach provides hazardous secondary material generators with an incentive to handle or (in the case of tolling) to ensure that their contractors handle the hazardous secondary materials pursuant to the requirements. It also encourages each hazardous secondary material generator to take appropriate steps to ensure that such materials are properly handled and legitimately reclaimed by others in the management chain. If there is a release of the hazardous secondary materials into the environment, they are considered discarded and subject to all applicable hazardous waste regulations and cleanup authorities.

## VIII. Exclusion for Hazardous Secondary Materials That Are Transferred for the Purpose of Legitimate Reclamation

Today, EPA is also finalizing an exclusion from the definition of solid waste for hazardous secondary materials that are generated and subsequently transferred to another company or person for the purpose of reclamation (i.e., "transfer-based exclusion"), provided that certain conditions are met. Reclamation that conforms to these conditions would not involve discard, and therefore the hazardous secondary materials would not be regulated as solid waste. As with all recycling-related exclusions and exemptions, such excluded hazardous secondary materials would also need to be recycled legitimately. For further discussion on how the transfer-based exclusion relates to the concept of discard, see section V.B. of this preamble.

The conditions that must be met for this exclusion are based on our analysis of how successful third-party recycling currently operates (and, conversely, how unsuccessful third-party recycling practices can result in recyclable hazardous secondary materials being discarded), and are supported by the information contained in the rulemaking record, including the recycling studies found in the public docket for today's rulemaking and discussed previously in section III.D. of today's preamble and in the preamble to the March 2007 supplemental proposal at 72 FR 14178–14183. For example, the successful recycling study indicates that many responsible generators examine the recycler's technical capabilities, business viability, environmental track record, and other relevant questions before sending hazardous secondary materials for recycling. Currently, these recycler audits, which can be thought of as a form of environmental "due diligence," are in essence a precaution to minimize the prospect of incurring CERCLA liability in the event that the recycling, or lack thereof, results in the release of material to the environment. The fact that these companies are willing to incur the expense of auditing recyclers as a business practice is of itself a marketplace affirmation that sending hazardous secondary materials to other companies for recycling involves some degree of risk. Although these risks may be small when the recycler is a well-established, successful enterprise with a good record of environmental stewardship, it also is apparent that not all recyclers fit this profile, as evidenced in the study of environmental problems associated with hazardous secondary materials recycling. Thus, we believe that there is sufficient basis for the Agency to place certain conditions on this exclusion for the generator to determine that the hazardous secondary material is not discarded, particularly since we expect that this rulemaking could encourage

some companies that are currently not involved with hazardous secondary materials recycling to enter the business.

*A. What Is the Purpose of This Exclusion?*

In finalizing this conditional exclusion, EPA's objectives are to encourage the reclamation of hazardous secondary materials and reduce unnecessary regulatory compliance costs to industry, while still maintaining protection of human health and the environment. After considering the entire rulemaking record, including comments submitted by the public, we continue to believe that this exclusion is a workable, common-sense approach to meeting these objectives; is well supported by the record for this rulemaking, including the recycling studies that EPA has conducted; and, in important ways, reflects current good industry practices that are used by responsible generators for recycling hazardous secondary materials.

*B. Scope and Applicability*

The conditional exclusion for the transfer-based approach applies to hazardous secondary materials that are currently regulated as hazardous wastes because their recycling involves reclamation—specifically, spent materials, listed sludges, and listed by-products. It would not be available for hazardous secondary materials that are regulated as hazardous wastes for other reasons, such as "inherently waste-like materials," materials that are "used in a manner constituting disposal," or "materials burned for energy recovery." The conditional exclusion also does not apply to materials that are currently excluded from the definition of solid waste according to other, existing provisions of 40 CFR part 261. For example, the exclusion for broken cathode ray tubes requires them to be transported in closed containers per 40 CFR 261.4(a)(22). Today's exclusion does not supersede or otherwise affect these other exclusions, and such hazardous secondary materials will need to be managed in accordance with those existing exclusions. For a discussion of how this exclusion relates to particular existing exclusions and additional details involving these exclusions, see section XI of today's preamble.

This exclusion is available to hazardous secondary material generators, transporters, intermediate facilities, or reclaimers. In the March 2007 supplemental proposal, EPA proposed that the hazardous secondary material must be transferred directly from the generator to the reclaimer and not be handled by anyone else other than a transporter. Thus, as proposed, a generator that wished to maintain the excluded status of its hazardous secondary materials would not be able to ship those materials to a middleman, such as a broker. We said that we believed that a generator who ships materials to a middleman, such as a broker typically does not know who will ultimately manage and reclaim them, or how they will be reclaimed (72 FR 14189). However, we requested comment on allowing middlemen to participate in the exclusion.

Comments on the proposal disputed the assumption that the generator does not know the final destination when shipping to an intermediate facility, saying, that in certain cases, the generator works with an intermediate facility to choose the reclamation facility and the final destination is arranged by contract before the hazardous secondary materials are shipped. Commenters also asserted that such arrangements allow for consolidation of shipments, making recycling economical for small businesses who generate hazardous secondary materials.

EPA agrees with the comments that some types of intermediate facilities could participate in the exclusion, while still allowing the hazardous secondary material generator to perform reasonable efforts to ensure that the hazardous secondary material is properly and legitimately recycled. Thus, in the final rule, EPA has determined that intermediate facilities will be allowed under the transfer-based exclusion. However, to limit the exclusion to those intermediate facilities where discard will not occur, if the hazardous secondary material will be passing through an intermediate facility, the hazardous secondary material generator must make contractual arrangements with the intermediate facility to ensure that the hazardous secondary material is sent on to the reclamation facility or facilities identified by the generator and must perform reasonable efforts on the intermediate facility, as well as on the reclamation facility. Also, the intermediate facility must send the hazardous secondary material to the reclaimer(s) designated by the generator.

In addition, the intermediate facility must meet the same conditions as the reclamation facility for the same reasons the reclamation facility must meet them. Section VIII.C.4. below discusses additional details as to why these conditions need to apply to the reclamation facilities and this reasoning applies equally to intermediate facilities involved in the process. Of the 208 damage cases in the environmental problems study, 45 (22%) cases were from intermediate facilities. Therefore, EPA believes the record for requiring the conditions for the reclamation facility also supports promulgation of the same conditions for intermediate facilities.

In addition, in the March 2007 supplemental proposal, the Agency recognized that, in some cases, recycling of an excluded hazardous secondary material may involve more than one reclamation step. For example, a recyclable hazardous secondary material, such as an electroplating secondary material, might have a relatively high moisture content and a somewhat variable chemical composition. Such materials might need to be dried and blended to a suitable, consistent specification before they are amenable to a "final" reclamation process (e.g., metals smelting). In this example, the two different reclamation processes might be conducted by different companies and/or at different facilities. The Agency continues to see no reason to discourage this kind of recycling. The transfer-based exclusion finalized today is available for hazardous secondary materials that are recycled by means of one or more reclamation processes, including when they occur at more than one reclamation facility.

The conditions for generators and reclaimers under the terms of this exclusion would apply in the same way, regardless of how many reclamation steps were involved with recycling of an excluded material. For example, if the excluded hazardous secondary material was reclaimed by more than one facility or company, the generator of such material would need to make reasonable efforts to examine each facility or company involved in the reclamation process to ensure that the hazardous secondary materials would be properly and legitimately recycled. We believe that this is a consistent application of the idea of requiring "reasonable efforts" as a condition of this exclusion. Where recycling of a hazardous secondary material involves more than one reclamation step at more than one facility, generators should be well informed as to how the materials will be reclaimed, and by whom, throughout the recycling process. Additionally, each reclaimer (including 'partial reclaimers') managing hazardous secondary materials must meet all the reclaimer conditions listed under 40 CFR 261.4(a)(24), as well as the recordkeeping requirements.

*C. Conditions and Requirements*

1. Provisions Applicable to the Hazardous Secondary Materials Generator, the Reclamation Facility, and Any Intermediate Facility

*Prohibition on speculative accumulation.* As a condition of the transfer-based exclusion, hazardous secondary materials cannot be speculatively accumulated (40 CFR 261.1(c)(8)) at the hazardous secondary material generator, reclamation facility, or intermediate facility. Restrictions on speculative accumulation have been an important element of the RCRA hazardous waste recycling regulations since they were promulgated on January 4, 1985. According to this regulatory provision, hazardous secondary materials are accumulated speculatively if the person accumulating them cannot show that the material is potentially recyclable; further, the person accumulating the hazardous secondary material must show that during a calendar year (beginning January 1) the amount of such material that is recycled or transferred to a different site for recycling is at least 75% by weight or volume of the amount of the hazardous secondary material present at the beginning of the period. It is also the same prohibition that is being promulgated today for the generator-controlled exclusions.

*Legitimate recycling.* Under the transfer-based exclusion, hazardous secondary materials must be legitimately reclaimed, as specified under 40 CFR 260.43. Legitimate recycling must involve a hazardous secondary material that provides a useful contribution to the recycling process or product and the recycling process must produce a valuable product or intermediate. In addition, as part of a legitimacy determination, persons must consider whether the hazardous secondary material is managed as a valuable product and must consider the levels of toxics in the product of the recycling process as compared to analogous products made from virgin materials. The details of the legitimacy provision are discussed in section IX of this preamble.

*Notification.* Under today's transfer-based exclusion, hazardous secondary material generators, reclaimers, and intermediate facilities are required to send a notification prior to operating under this exclusion and by March 1 of each even numbered year thereafter to the EPA Regional Administrator using EPA Form 8700–12. In states authorized by EPA to administer the RCRA Subtitle C hazardous waste program, notifications may be sent to the state Director. The notice must include:

- The name, address, and EPA ID number (if applicable) of the facility;
- The name and telephone number of a contact person;
- The NAICS code of the facility;
- The exclusion under which the hazardous secondary materials will be managed (e.g., whether the hazardous secondary materials are managed under the transfer-based exclusion in 40 CFR 261.4(a)(24) and/or under the exclusion for hazardous secondary materials exported for reclamation in 40 CFR 261.4(a)(25));
- For reclaimers and intermediate facilities managing hazardous secondary materials, whether the reclaimer or intermediate facility has financial assurance for the management of such hazardous secondary materials (not applicable for hazardous secondary material generators);
- When the facility expects to begin managing the hazardous secondary materials in accordance with the exclusion;
- A list of hazardous secondary materials that will be managed according to the exclusion (reported as the EPA hazardous waste numbers that would apply if the hazardous secondary materials were managed as hazardous waste);
- For each hazardous secondary material, whether the material, or any portion thereof, will be managed in a land-based unit;
- The quantity of each hazardous secondary material to be managed annually; and
- The certification (included in EPA Form 8700–12) signed and dated by an authorized representative of the facility.

If a facility has submitted a notification, but then subsequently stops managing hazardous secondary materials in accordance with the exclusion, the facility must re-notify the Regional Administrator within 30 days using the same EPA Form 8700–12. We consider a facility to have 'stopped' managing hazardous secondary materials when a facility no longer generates, manages and/or reclaims hazardous secondary materials under the exclusion and does not expect to manage any amount of hazardous secondary material under the exclusion for at least one year. Of course, a facility could certainly choose to begin managing hazardous secondary materials again and would simply have to submit a notification in compliance with 40 CFR 260.42.

The requirement to provide this notification is not a condition of the exclusion. Thus, failure to comply with the requirement constitutes a violation of RCRA, but does not affect the excluded status of the hazardous secondary materials.

This notification requirement is the same as the notification requirement for the generator-controlled exclusion. For further discussion on the notification, including examples of when a facility must re-notify that it has stopped managing hazardous secondary materials, see section VII.C. of today's preamble.

*Hazardous secondary materials must be contained.* Another condition of the transfer-based exclusion applicable to hazardous secondary material generators, reclamation facilities, and intermediate facilities is that the hazardous secondary materials must be contained in their management units. Hazardous secondary materials released to the environment from any unit are discarded and would be subject to the hazardous waste regulations, unless they are immediately cleaned up. Hazardous secondary materials remaining in a unit that experiences a release may also be considered discarded in certain cases. This is the same as the restriction that is being promulgated for the generator-controlled exclusions. For further discussion on the containment provisions, including examples of how they might be applied in case-specific situations, see section VII.C. of today's preamble.

2. Provisions Applicable to the Hazardous Secondary Material Generator

*Reasonable efforts.* Today's final rule requires generators to make reasonable efforts to ensure that their hazardous secondary materials are properly and legitimately recycled before shipping or otherwise transferring them to a reclamation facility or any intermediate facility. As discussed previously, this condition effectively requires that generators perform a type of environmental "due diligence" on a reclaimer or any intermediate facility to ensure that those facilities intend to properly manage the hazardous secondary materials as commodities and legitimately recycle rather than discard them. We believe that this condition reflects the existing best practices of many responsible generators who audit and assess recyclers to maintain their commitment to sound environmental stewardship, minimize their potential regulatory and liability exposures, and make decisions about with whom they should do business.

Our successful recycling study quotes one large recycling and disposal vendor

as stating that with respect to its new customers, 60% of its large customers and 30%–50% of its smaller customers now perform audits on them. Under current practices, such audits can involve a site visit to the recycling facility and an examination of the company's finances, technical capability, environmental compliance record, and housekeeping practices. (**Note:** Audits that are currently conducted may or may not cover all of these areas.) Through the codification of this condition, we want to reinforce this best practice among all generators who use the transfer-based exclusion to send hazardous secondary materials to reclamation and intermediate facilities. We believe that this condition is critical for generators who currently may not evaluate reclaimers and intermediate facilities because this condition provides these generators with a framework for making reasonable efforts to ensure their hazardous secondary materials are properly managed and reclaimed, and not discarded.

Currently, under 40 CFR part 262, a generator must make a hazardous waste determination and, thus, already has an obligation to determine whether the waste is subject to regulation as a hazardous waste. EPA believes that to make a parallel determination under 40 CFR 261.4(a)(24) that hazardous secondary materials are not solid wastes because they are destined for reclamation and are not discarded, the generator must meet the reasonable efforts condition. A reasonable efforts inquiry by the hazardous secondary material generator ensures that the reclaimer intends to recycle the hazardous secondary material legitimately pursuant to 40 CFR 260.43 and not discard it, and that the reclaimer or any intermediate facility will manage the hazardous secondary materials in compliance with 40 CFR 261.4(a)(24)(vi).

The reasonable efforts condition for generators applies when hazardous secondary materials are transferred to intermediate facilities (as defined in 40 CFR 260.10) and reclamation facilities operating without a RCRA Part B permit or under the interim status standards that extend to management of the hazardous secondary materials in question. If the permit or interim status standards address the units being used to manage the hazardous secondary materials, we do not require generators to conduct reasonable efforts because we believe that a Part B permit or the interim status standards provide some assurance to generators that the facility has a measure of financial stability and that the hazardous secondary materials will be well managed. RCRA permitted or interim status facilities where the permit or interim status standards extend to the management of the hazardous secondary materials being reclaimed are already subject to stringent design and operating standards, must demonstrate financial assurance, and are subject to the corrective action requirements in the event of environmental problems. Not requiring reasonable efforts for generators that transfer hazardous secondary materials to these RCRA permitted or interim status recycling or intermediate facilities would likely be of particular benefit to relatively smaller volume generators who may not have the resources required to satisfy this condition.

Of course, if a permitted facility later modifies its permit terms in a way that the permit no longer extends to the management of the hazardous secondary materials, the generator would need to perform reasonable efforts in accordance with this exclusion. EPA recommends that any hazardous secondary material generator transferring hazardous secondary materials to a permitted facility request that it get placed on the facility mailing list, so they can then receive notice of changes to the permit status of the reclaimer or intermediate facility (*see* 40 CFR 270.42 and 40 CFR 124.10).

In contrast, if the permit or interim status standards do not extend to the hazardous secondary materials being reclaimed, the same level of assurance is not guaranteed. Therefore, if a reclamation or intermediate facility only has a RCRA permit or complies with the interim status standards for another on-site operation unrelated to the hazardous secondary materials of interest to the generator, then the hazardous secondary material generator is required to make a reasonable efforts inquiry of the facility as if it were a non-permitted facility.

EPA believes that a generator should be allowed to use any credible evidence available in making reasonable efforts, including information gathered by the generator, provided by the reclaimer or intermediate facility, and/or provided by a third party, in lieu of personally performing an assessment. For example, the hazardous secondary material generator might hire an independent auditor to review the operations, produce audit reports as a consortium of generators, or rely on an assessment of a recycler or intermediate facility by a parent corporation or trade association that is used by several generating facilities. In fact, EPA believes that many reputable third-party auditors, parent companies, and trade associations already assemble the types of information based on credible evidence that would be needed for a generator to satisfy the reasonable efforts condition. EPA would encourage this type of pooling of information to reduce the burden on generators and to take advantage of specialized technical expertise.

EPA is also finalizing in the regulatory text a series of questions, which together represent a minimum standard for reasonable efforts, to provide generators and overseeing agencies with regulatory certainty regarding fulfillment of the condition. We believe that these questions are objective and must be answered affirmatively. Hazardous secondary material generators wishing to take advantage of the exclusion must be able to answer all questions affirmatively to determine that their hazardous secondary materials are or will be properly and legitimately recycled and will not be discarded. The reasonable efforts questions are straight-forward by design and will allow generators to use a common sense approach in answering the questions and satisfy the condition. These questions can be found at 40 CFR 261.4(a)(24)(v)(B) and are discussed below.

Of course, a generator could choose to seek additional information or ask additional questions to determine that its hazardous secondary materials will not be discarded due to concerns about CERCLA liability. One example of additional information that many responsible generators currently seek from recyclers, but that EPA is not including in today's final rule, is information about a reclamation facility's financial health. Based on EPA's successful recycling study and comments on the proposed rule, we know that responsible generators often inquire about a reclamation facility's financial health. These inquiries can include reviews of liability insurance coverage, company annual reports, bankruptcy filings, investments in capital improvements, markets for recycled products, and business reports, such as Dun & Bradstreet reports. EPA believes that evaluating the financial health of a company can benefit a generator's reasonable efforts inquiry of a reclamation or intermediate facility and encourages generators to do so, although we acknowledge that it is not an activity that lends itself to an objective standard that would be appropriate for regulation. Instead, EPA is requiring that, under the transfer-based exclusion and reasonable efforts condition, reclamation and intermediate

facilities have financial assurance and generators affirm that facilities have notified the appropriate authorities that the financial assurance condition is satisfied.

EPA intends that if a hazardous secondary material generator has met the reasonable efforts condition prior to transferring hazardous secondary materials to the reclamation or intermediate facility, then the reclaimer or intermediate facility, not the generator, would be liable under RCRA if the materials were discarded (i.e., not properly and legitimately recycled). However, if the generator does not meet the reasonable efforts condition, then the generator is ineligible for the transfer-based exclusion and would be potentially liable in the event its hazardous secondary materials were discarded by a reclamation or intermediate facility. (*See* section VIII.E. for more information.) EPA acknowledges that meeting this condition will not affect CERCLA liability. (*See* section XIII for more information on CERCLA liability.)

The following five questions represent a minimum standard for satisfying the reasonable efforts condition:

*(1)* Does the available information indicate that the reclamation process is legitimate pursuant to § 260.43? In answering this question, the hazardous secondary material generator can rely on its existing knowledge of the physical and chemical properties of the hazardous secondary material, as well as information from other sources (e.g., the reclamation facility, audit reports, etc.) about the reclamation process. (By responding to this question, the hazardous secondary material generator has also satisfied its requirement in § 260.43(a) to be able to demonstrate that the recycling is legitimate.)

*(2)* Does the publicly available information indicate that the reclamation facility and any intermediate facility that is used by the hazardous secondary material generator have notified the appropriate authorities of hazardous secondary materials reclamation activities pursuant to 40 CFR 260.42 and have they notified the appropriate authorities that the financial assurance condition is satisfied per 40 CFR 261.4(a)(24)(vi)(F)? In answering these questions, the hazardous secondary material generator can rely on the available information documenting the reclamation facility's and any intermediate facility's compliance with the notification requirements per § 260.42, including the requirement in § 260.42(a)(5) to notify EPA whether the reclaimer or intermediate facility has financial assurance.

*(3)* Does publicly available information indicate that the reclamation facility or any intermediate facility that is used by the hazardous secondary material generator has not had any formal enforcement actions taken against the facility in the previous three years for violations of the RCRA hazardous waste regulations and has not been classified a significant noncomplier with RCRA Subtitle C? In answering this question, the hazardous secondary material generator can rely on the publicly available information from EPA or the state. If the reclamation facility or any intermediate facility that is used by the hazardous secondary material generator has had a formal enforcement action taken against the facility in the previous three years for violations of the RCRA hazardous waste regulations and has been classified as a significant non-complier with RCRA Subtitle C, does the hazardous secondary material generator have credible evidence that the facilities will manage the hazardous secondary materials properly? In answering this question, the hazardous secondary material generator can obtain additional information from EPA, the state, or the facility itself that the facility has addressed the violations, taken remedial steps to address the violations and prevent future violations, or that the violations are not relevant to the proper management of the hazardous secondary materials.

*(4)* Does the available information indicate that the reclamation facility and any intermediate facility that is used by the hazardous secondary material generator have the equipment and trained personnel to safely recycle the hazardous secondary material? In answering this question, the generator may rely on a description by the reclamation facility or by an independent third party of the equipment and trained personnel to be used to recycle the generator's hazardous secondary material.

*(5)* If residuals are generated from the reclamation of the excluded hazardous secondary materials, does the reclamation facility have the permits required (if any) to manage the residuals? If not, does the reclamation facility have a contract with an appropriately permitted facility to dispose of the residuals? If not, does the hazardous secondary material generator have credible evidence that the residuals will be managed in a manner that is protective of human health and the environment? In answering these questions, the hazardous secondary material generator can rely on publicly available information from EPA or the state, or information provided by the facility itself.

Question (1) focuses on whether the reclamation facility receiving hazardous secondary materials from a generator legitimately recycles such materials. EPA believes that any generator "regulated under § 260.34 or claiming to be excluded from the hazardous waste regulations under § 261.2(a)(2)(ii), § 261.4(a)(23), (24), or (25) because they are engaged in recycling, must be able to demonstrate that the recycling is legitimate" (40 CFR 260.43). Determining whether a recycling operation is legitimate is a fundamental basis for establishing that a generator's hazardous secondary materials will not be discarded after being transferred to a reclamation facility.

Since reclaimers must also be able to demonstrate that the recycling is legitimate under 40 CFR 260.43, EPA believes that generators can work with the owner or operator of the reclamation facility to verify that they have made a determination that the recycling is legitimate, which would answer question (1) for the purposes of satisfying the condition. We would expect that a reclaimer would be willing and able to adequately explain to the hazardous secondary material generator how the recycling activity satisfies the legitimacy requirements pursuant to 40 CFR 260.43, such that we would not expect that a generator would have to examine in detail the legitimacy factors. Of course, in order to answer question (1), a generator may also rely on its existing knowledge of the physical and chemical properties of the hazardous secondary material. Based on our discussions with the generating industry, we would expect that a hazardous secondary material generator that produces and manages a material that is more like an ingredient (i.e., a hazardous secondary material to be recycled) than a waste to be discarded would have a good understanding of the material's valuable components and useful contribution to a process. Since the generator manages the process that generates the hazardous secondary material, it would be knowledgeable about the makeup of the material and the value and usefulness of its components.

However, if questions or concerns remain regarding the legitimacy of the recycling activity, a generator could request additional information on how the definition of legitimacy is met. (*See* section IX of this rulemaking preamble for a discussion of determining legitimacy.)

Question (2) concentrates on whether the recycler or intermediate facility (to

the extent that the hazardous secondary material generator uses an intermediate facility) has met the following obligations under the exclusion before accepting hazardous secondary materials: Notification of the appropriate regulatory authorities that it plans to reclaim (or, in the case of the intermediate facility, properly store the hazardous secondary material) excluded hazardous secondary materials, and notification of the appropriate regulatory authorities that the facility has the necessary financial assurance to cover the costs of managing any hazardous secondary materials that remain if the facility closes. If a facility was found to have failed to meet the notification requirement and condition to have financial assurance, then it also would have failed to show a good faith effort towards demonstrating that it intends to recycle the hazardous secondary materials (or, in the case of the intermediate facility, properly store the hazardous secondary material) and not discard them.

For the purposes of reasonable efforts, generators will be able to determine that a facility has satisfied both the notification requirement and financial assurance condition if the reclamation or intermediate facility has submitted a notification. The notification form will include a section indicating the facility has satisfied the financial assurance condition. Generators may access the notification information, including the facility's notification that it has financial assurance, through EPA's public Web site at *http://www.epa.gov/enviro/html/rcris/* or other successor Web sites.

Question (3) focuses on the compliance history of the recycler or the intermediate facility (to the extent that the hazardous secondary material generator uses an intermediate facility). Although consideration of compliance data is an imperfect tool for determining whether a recycler would properly manage the hazardous secondary materials, we believe that publicly available compliance data are a reasonable starting point for evaluating a facility's environmental performance. Facility-specific enforcement data on compliance status, ongoing enforcement actions by both EPA and states, and specific case information for formal enforcement actions are readily available on EPA's public Web site at *http://www.epa.gov/echo.* "Formal enforcement" is a written document that mandates compliance and/or initiates a civil or administrative process, with or without appeal rights before a trier of fact that results in an enforceable agreement or order and an appropriate sanction. For EPA, formal enforcement action is a referral to the U.S. Department of Justice for the commencement of a civil action in the appropriate U.S. District Court, or the filing of an administrative complaint, or the issuance of an order, requiring compliance and a sanction. For states, formal enforcement action is a referral to the state's Attorney General for the commencement of a civil or administrative action in the appropriate forum, or the filing of an administrative complaint, or the issuance of an order, requiring compliance and a sanction. "Significant non-complier" is a defined term in EPA's *Hazardous Waste Civil Enforcement Response Policy* and means the violators have caused actual exposure or a substantial likelihood of exposure to hazardous waste or hazardous waste constituents; are chronic or recalcitrant violators; or deviate substantially from the terms of a permit, order, agreement, or from the RCRA statutory or regulatory requirements. In evaluating whether there has been actual or likely exposure to hazardous waste or hazardous waste constituents, EPA and the states consider both the environmental and human health concerns, including the potential exposure of workers to hazardous waste or hazardous waste constituents. For both terms, see EPA's *Hazardous Waste Civil Enforcement Response Policy (Dec. 2003)* at *http://www.epa.gov/compliance/resources/policies/civil/rcra/finalerp1203.pdf.*

We do not believe that evaluating this publicly available information, which a generator would likely already be familiar with based on its own regulated activities, is difficult for a generator, nor is interpreting the data and deriving conclusions about facilities, since the database specifically notes whether a facility is alleged to be a "significant non-complier" (i.e., identified as a "SNC" or in "significant non-compliance"). We also note that since many states already provide compliance information to EPA and the public through the EPA Web site, we do not believe that requiring hazardous secondary material generators to review such information would pose a significant new burden for state agencies.

While a facility designated as a significant non-complier and the subject of a formal enforcement action does not mean that the facility would not reclaim the hazardous secondary materials properly, it does raise questions that we believe the hazardous secondary material generator should investigate. That is, if any formal enforcement actions were taken against the facility in the previous three years for such non-compliance and the facility was alleged to be a significant non-complier, we would expect that the reclaimer would adequately explain to the hazardous secondary material generator how it has resolved any issues or how the reclamation facility will properly manage the hazardous secondary materials to avoid future violations and/or enforcement actions. Additionally, if the generator obtains reasonable information that the enforcement matters are unrelated to the facility's commitment to manage the hazardous secondary materials properly or that the violation has been corrected and the facility is back in compliance, then that would satisfy this aspect of the reasonable efforts determination. The generator also may wish to make a similar investigation of facilities designated as significant non-compliers by EPA or a state even if no formal enforcement action has been taken.

Question (4) concentrates on the technical capability of the recycler or intermediate facility, the most basic requirement for ensuring proper and legitimate recycling of hazardous secondary materials. If a reclamation or intermediate facility was found to have no equipment or inadequate equipment for storing the hazardous secondary material or was found to have personnel who have not been trained for reclaiming the hazardous secondary materials, it raises serious questions as to whether the facility would properly manage such materials and avoid discarding them to the environment.

In public comments on this question, which was included in the preamble to the proposed rule, commenters pointed out that a determination of what specific equipment and training would be appropriate to safely recycle hazardous secondary materials may be beyond the expertise of some generators. EPA agrees that, as drafted in the proposed rule, answering this question may require specialized knowledge and expertise. Accordingly, EPA is changing this question to allow the generator to rely on the reclamation facility to explain why its equipment and personnel are appropriate. Of course, the generator must have an objectively reasonable belief based on this information that the reclamation facility's equipment and trained personnel are adequate for safe recycling. Accordingly, if the equipment and personnel described by the reclamation facility would be, to an objective and reasonable person, clearly inadequate for safe recycling of the generator's hazardous secondary material, then the generator would not have met this condition. However, EPA

does not require or expect the generator to have specialized knowledge or expertise of the recycling process.

Of course, generators of hazardous secondary materials also are already familiar with equipment and personnel needed to manage their hazardous secondary materials properly at their own site. Therefore, a generator may also choose to answer question (4) using its existing knowledge of the physical and chemical properties of the hazardous secondary materials, technologies involved with managing and recycling such materials, and applicable regulations or industry standards based on the generator's experience producing and managing such materials.

Generators may also at their discretion use relevant third-party information sources to answer questions about a facility's equipment and personnel, including audit reports; information provided by industry or waste management associations related to the reclamation or intermediate facility; documents provided by the reclaimer or intermediate facility; and as noted in the successful recycling study, an evaluation by a qualified engineer.

Question (5) focuses on another major cause of environmental problems from recycling hazardous secondary materials: The management of residuals. This question relates to discard through the concept that a generator or reclaimer may actually be discarding hazardous secondary materials through the release of residuals from the recycling process. While the product made from recycling may be a legitimate product, the whole recycling process could be considered a discard activity if hazardous constituents from the recycled hazardous secondary materials are released to the environment. Roughly one-third of the damage cases documented in EPA's environmental problems study were caused by mismanagement of the residuals from recycling. Because the residuals from recycling can contain the hazardous constituents that originated with the hazardous secondary materials, it is important that the hazardous secondary material generator understands how a reclamation facility will manage any residuals generated.

Many generators of hazardous waste already understand and comply with the requirements for residuals management. Therefore, they may rely on their existing knowledge to answer question (5) and we do not anticipate that answering it will pose a significant challenge to them. We also anticipate that new generators will use the same resources that are publicly available to current hazardous secondary material generators for determining applicable regulatory requirements. In addition, a reclamation facility would likely assist the generator in understanding any requirements applicable to residuals management. For example, the reclamation facility could identify the types of residuals generated by the recycling process and explain to the generator how they are managed, whether any requirements apply, and how the requirements are met.

To answer question (5), a generator should determine that the reclamation facility has practices in place to ensure that residuals are managed in a manner that is protective of human health and the environment and according to applicable federal or state standards. For example, residuals may or may not be regulated hazardous wastes. If a residual is a hazardous waste, generators could access information about a facility's permit for managing the material on EPA's public Web site at *http://www.epa.gov/enviro/html/rcris* (or successor Web sites) or through a state Web site if such information is made publicly available. If a residual is a non-hazardous waste, a generator could access permit information from state agencies or a state Web site if available. A reclamation facility may also send its residuals to a waste management facility, in which case, a generator could ask about contracts with appropriately permitted disposal facilities. If a reclamation facility does not have permits for managing residuals or disposal contracts with permitted facilities, then the generator should determine that a reclamation facility has a system in place for managing residuals in a manner that is protective of human health and the environment.

Any inquiry into a reclamation facility's system for analyzing options for residuals management should acknowledge that various options do exist and that price fluctuations may be a determining factor for selecting an option.

In today's final rule, EPA is requiring that hazardous secondary material generators make reasonable efforts every three years, at a minimum, in order to ensure that the generators adequately manage their risk and are attune to changes at reclamation and intermediate facilities with which they are partners. We believe that this schedule reflects an average time frame for re-evaluating facilities, based on public comments, although we acknowledge that shorter time frames could be appropriate for certain industries, as suggested by some commenters. By specifying periodic updates for reasonable efforts every three years at a minimum, EPA in no way intends to limit a generator to conducting evaluations only every three years. In fact, EPA expects that any generator who has concerns about a reclamation or intermediate facility, or who gains new knowledge of significant changes or extraordinary situations at such facilities, would conduct reasonable efforts regardless of the required schedule. For example, if a hazardous secondary material generator conducted reasonable efforts in the first year it took advantage of the exclusion, prior to transferring materials to an intermediate facility, and then again conducted reasonable efforts in the second year upon learning about a significant change at the intermediate facility (such as bankruptcy), the hazardous secondary material generator would be required to update reasonable efforts three years later during the generator's fifth year of taking advantage of the exclusion.

EPA is requiring that generators maintain documentation showing that they satisfied the reasonable efforts condition under 40 CFR 261.4(a)(24)(v)(B) prior to transferring the hazardous secondary materials to the intermediate facility or the reclamation facility. Such records could include copies of audit reports and/or other relevant information that was used as the basis for affirmatively responding to inquiries about a reclamation or intermediate facility. Specifying that hazardous secondary material generators document these questions helps EPA and authorized states determine whether the generator made reasonable efforts to ensure that the hazardous secondary materials were not discarded. Documenting reasonable efforts is also beneficial for generators because EPA intends that if a generator has met the reasonable efforts condition prior to transferring the hazardous secondary materials to the reclamation or intermediate facility, then the reclaimer or intermediate facility, not the generator, would be liable under RCRA if the materials were discarded (*see* section VIII.E. for more information).

Generators are also required to certify for each reclamation and intermediate facility that reasonable efforts were made to ensure that hazardous secondary materials will be properly and legitimately recycled, and not discarded. This certification should be signed and dated by an authorized representative of the generating company prior to transferring the excluded hazardous secondary materials to a reclamation or intermediate facility under 40 CFR 261.4(a)(24). The

certification should also incorporate the certification language in 40 CFR 261.4(a)(24)(v)(C)(*2*). EPA believes that requiring a certification creates a necessary level of oversight from an authorized representative, who can be any appointed company representative, and who must affirm that the condition is met and that hazardous secondary materials will not be discarded.

Documentation and certification are both necessary requirements of the reasonable efforts condition. Documentation of questions (1)–(5) will support a hazardous secondary material generator's assertion that it affirmatively answered the questions and is in compliance with the regulations. It will also facilitate any review by regulatory authorities investigating whether the conditions of the transfer-based exclusion are satisfied and help delineate liability under RCRA if the materials were discarded. Having an authorized representative certify reasonable efforts is critical for guaranteeing accountability at the generator facility for meeting the condition and for ensuring that the act of making reasonable efforts is in fact genuine. The certification is also necessary in order to allow for the "flexible" documentation requirement that does not specify a particular format. Since individual generators may use any form of documentation, we believe it is critical for all generators to uniformly certify that the condition is satisfied. Furthermore, we find both reasonable efforts requirements (documentation and certification) to be appropriate based on our understanding that third-party auditors do not generally draw any conclusions based on their audits, but simply report the results to generators. While a generator may use any information for making reasonable efforts, the certification statement would affirm that a generator used information that is gathered and documented during the reasonable efforts inquiry, similar to how generators currently draw conclusions based on third-party audit documents.

The requirement for documentation and certification of reasonable efforts is not unlike existing forms of RCRA documentation that incorporate certifications, such as the RCRA Site ID Form, RCRA financial assurance requirements, and the Uniform Hazardous Waste Manifest.

Documentation of reasonable efforts and the certification statement must be maintained by the generator for a minimum of three years and it must be made available upon request by a regulatory authority within 72 hours, or within a longer period of time as specified by the regulatory authority. Requiring documentation will help EPA and authorized states to determine that hazardous secondary material generators have made reasonable efforts to ensure that hazardous secondary materials were reclaimed and not discarded. We understand that many generators may maintain this kind of documentation and certification at their company headquarters or at another off-site facility; therefore, we are not requiring that they be maintained on-site. However, we do believe that generators, having satisfied the reasonable efforts condition and certified reasonable efforts prior to transferring the hazardous secondary materials, should be able to produce the documentation and certification readily. Moreover, we understand that since generators today conduct business in an age of near-instantaneous communication, retrieving documentation from company headquarters or another off-site facility should be relatively easy. EPA also notes that time frames for producing documentation are generally determined by regulatory authorities on a case-by-case basis and time frames are clearly outlined by authorities within RCRA section 3007 information request letters.

*Recordkeeping.* In addition to documentation and certification of reasonable efforts (discussed above in section VIII.C.2.), EPA is requiring hazardous secondary material generators to maintain at the generating facility certain records that document off-site shipments (i.e., transfers) of hazardous secondary materials for a period of three years. Specifically, for each shipment of hazardous secondary material, the generator must maintain documentation of when the shipment occurred, who the transporter was, the name and address of the reclaimer(s) and, if applicable, each intermediate facility, and the type and quantity of the hazardous secondary materials in the shipment. This recordkeeping requirement may be fulfilled by ordinary business records, such as bills of lading.

In addition, hazardous secondary material generators are required to maintain confirmations of receipt from each reclaimer and intermediate facility for all off-site shipments of hazardous secondary materials in order to verify that the hazardous secondary materials reached their intended destination and were not discarded. These receipts must be maintained at the generating facility for a period of three years. Specifically, the hazardous secondary material generator must maintain documentation of receipt that includes the name and address of the reclaimer or intermediate facility, the type and quantity of hazardous secondary materials received, and the date which the hazardous secondary materials were received. The Agency is not requiring a specific template or format for confirmations of receipt and anticipates that routine business records (e.g., financial records, bills of lading, copies of Department of Transportation (DOT) shipping papers, electronic confirmations of receipt) would contain the appropriate information sufficient for meeting this requirement.

We recognize that, in some cases, reclamation of a hazardous secondary material may involve more than one reclamation step. In these cases, the recordkeeping conditions for generators and reclaimers under the terms of the exclusion applies for each reclaimer and intermediate facility, regardless of how many reclamation steps were involved. For example, if a hazardous secondary material generator transferred hazardous secondary materials to one reclaimer for partial reclamation and then arranged for the partially-reclaimed material to be subsequently transferred to another reclaimer for 'final' reclamation, the generator must maintain confirmations of receipt from each reclaimer involved in the reclamation process.

The Agency believes that the recordkeeping requirements in today's rule comprise the minimum information needed to enable effective oversight to ensure the hazardous secondary materials were transferred for reclamation and were not discarded.

3. Provisions Applicable to the Transportation of Hazardous Secondary Materials

Hazardous secondary materials may be stored for up to 10 days at a transfer facility and still be considered in transit. The 10-day storage standard for defining transfer facilities is the same as that used for hazardous waste transportation, and EPA has revised the definition of "transfer facility" at 40 CFR 260.10 to clarify that such facilities may store hazardous secondary materials, as well as hazardous waste. However, if the facility stores the hazardous secondary materials for more than 10 days, then it would be considered an intermediate facility and subject to the conditions in 40 CFR 261.4(a)(24)(vi). While at the transfer facility, the hazardous secondary materials must continue to meet all applicable DOT standards. Hazardous secondary materials may be consolidated for shipping, but cannot be intermingled in a way that would constitute waste management.

4. Provisions Applicable to the Reclamation Facility and Any Intermediate Facilities

*Recordkeeping.* Reclaimers and intermediate facilities who operate under the transfer-based exclusion must maintain certain records, similar to the records we are requiring for hazardous secondary material generators. Specifically, reclaimers and intermediate facilities must maintain at their facilities for a period of three years records of all shipments of hazardous secondary materials that were received at the facility and, if applicable, of all shipments of hazardous secondary materials sent off-site from the facility. For hazardous secondary materials received at the reclamation and intermediate facility, such records must document the name and address of the hazardous secondary material generator, the type and quantity of hazardous secondary materials received at the facility, any intermediate facilities that managed the hazardous secondary materials, the name of the transporter that brought the hazardous secondary materials to the facility, and the date such materials were received at the facility.

For hazardous secondary materials that, after being received by the reclaimer or intermediate facility, are subsequently transferred off-site for further reclamation, reclaimers and intermediate facilities must document the name and address of the hazardous secondary material generator, when the shipment occurred, who the transporter was, the name and address of the (subsequent) reclaimer and, if applicable, each (subsequent) intermediate facility, and the type and quantity of hazardous secondary materials in the shipment. This recordkeeping requirement may be fulfilled by ordinary business records, such as bills of lading.

Reclaimers and intermediate facilities must also send confirmations of receipt to the hazardous secondary material generator for all off-site shipments of hazardous secondary materials received at the facility in order to verify for the hazardous secondary material generator that their materials reached the intended destination and were not discarded. Specifically, the reclaimer (or each reclaimer, when more than one reclamation step is required) and, if applicable, each intermediate facility, must send documentation of receipt to the hazardous secondary material generator that includes the name and address of the reclaimer or intermediate facility, the type and quantity of the hazardous secondary materials received and the date which the hazardous secondary materials were received. The Agency is not requiring a specific template or format for confirmations of receipt and anticipates that routine business records (e.g., financial records, bills of lading, copies of DOT shipping papers, electronic confirmations of receipt) would contain the appropriate information sufficient for meeting this requirement.

In addition, reclaimers and intermediate facilities must also meet the recordkeeping requirements under financial assurance discussed below in this section.

*Storage of Recyclable Hazardous Secondary Materials.* In addition to the condition that the hazardous secondary materials must be contained (40 CFR 261.4(a)(24)(v)(A)), reclamation facilities and intermediate facilities must also manage the hazardous secondary materials in a manner that is at least as protective as that employed for the analogous raw material, where there is an analogous raw material. An "analogous raw material" is a material for which a hazardous secondary material substitutes and which serves the same function and has similar physical and chemical properties as the hazardous secondary material. A raw material that has significantly different physical or chemical properties would not be considered analogous even if it serves the same function. For example, a metal-bearing ore might serve the same function as a metal-bearing air pollution control dust, but because the physical properties of the dust would make it more susceptible to wind dispersal, the two would not be considered analogous. Similarly, hazardous secondary materials with high levels of toxic volatile chemicals would not be considered analogous to a raw material that does not have these volatile chemicals or that has only minimal levels of volatile chemicals.

Storage conditions for reclamation facilities and intermediate facilities that operate under today's exclusion will show that the materials are not discarded, but instead are treated as commodities which the handler considers valuable and would be used and not be lost to the environment. The great majority of damage cases documented in the environmental problems study occurred at commercial reclamation and intermediate storage facilities, and mismanagement of hazardous secondary materials was found to be a cause of environmental problems in 40% of the incidents. Accordingly, EPA believes that this condition for storage is necessary and appropriate for reclamation facilities and intermediate facilities that take advantage of this exclusion to show that storage of these materials is not just another way of disposing of them. In addition, it will establish an expectation for the owner/operators of such facilities that they must manage hazardous secondary materials in at least as protective a manner as they would an analogous raw material, and in such a way that materials would not be released into the environment.

*Management of recycling residuals.* Another condition of the transfer-based exclusion is that any residuals that are generated from the reclamation processes must be managed in a manner that is protective of human health and the environment. If any residuals exhibit a hazardous characteristic according to subpart C of 40 CFR part 261, or themselves are listed hazardous wastes, they are hazardous wastes (if discarded) and must be managed according to the applicable requirements of 40 CFR parts 260 through 273.

The purpose of this condition is to clarify the regulatory status of these waste materials and to emphasize in explicit terms that residuals that are generated from the reclamation of hazardous secondary materials must be managed properly so that the reclamation operation does not become another way of avoiding waste management and simply becomes another way of discarding unwanted material. The study of recent (i.e., post-CERCLA and post-RCRA) recycling-related environmental problems revealed that mismanagement of residuals was the cause of such problems in one-third of the incidents that were documented. Some common examples of these mismanaged residuals were acids and casings from the processing of lead-acid batteries, solvents and other liquids generated from cleaning drums at drum reconditioning facilities, and PCBs and other oils generated from disassembled transformers. In many of these damage incidents, the residuals were simply disposed of on-site with little regard for the environmental consequences of such mismanagement or possible CERCLA liabilities associated with cleanup of these releases. By making proper management of the recycling residuals a condition of the exclusion, EPA ensures that the reclamation operation is not just another way of discarding hazardous constituents. This has the added benefit of ensuring that the reclamation operation does not pose a significant risk to human health and the environment.

EPA notes that the "derived from" rule articulated in 40 CFR 261.3(c)(2) does not apply to residuals from the reclamation of hazardous secondary materials excluded under today's rule. These residuals are a new point of generation for the purposes of applying the hazardous waste determination requirements of 40 CFR 262.11. If the residuals exhibit a hazardous characteristic, or they themselves are a listed hazardous waste, they would be considered hazardous wastes (unless otherwise exempted) and would have to be managed accordingly. If they did not exhibit a hazardous characteristic, or were not themselves a listed hazardous waste, they would need to be managed in accordance with applicable state or federal requirements for non-hazardous wastes.

Financial Assurance

For the transfer-based exclusion, EPA proposed in its March 2007 supplemental proposal that reclamation facilities comply with the 40 CFR part 265 subpart H financial assurance requirements as a condition of the exclusion. As discussed in section V.B of this preamble, by obtaining financial assurance, the reclamation or intermediate facility is making a direct demonstration that it will not abandon the hazardous secondary materials, it will properly decontaminate equipment, and it will clean up any unacceptable releases, even if events beyond its control make its operations uneconomical. Moreover, financial assurance also addresses the issue of the correlation of the financial health of a reclamation or intermediate facility with the absence of discard. In essence, financial assurance will help demonstrate that the reclamation or intermediate facility owner/operators who would operate under the terms of this exclusion are financially sound and will not discard the hazardous secondary materials.

An implementation issue for the financial assurance condition stems from the fact that the 40 CFR part 265 subpart H financial assurance requirements directly reference and rely on the provisions of the 40 CFR part 265 subpart G closure requirements. For example, in 40 CFR part 265 subpart H, a facility owner uses the "closure plan" in 40 CFR part 265 subpart G to calculate closure cost estimates, which then set the amount of financial assurance required under subpart H. Similarly, the financial assurance requirements remain in place until EPA has reviewed the closure plan, and the facility has closed according to the plan. At that point, EPA releases the financial assurance instruments. Commenters expressed some confusion on this issue and requested that EPA clarify that the provisions of subpart G which are required to implement financial assurance be made explicit.

Thus, in today's final rule, for the convenience of the regulated community, EPA has detailed the applicable requirements in a separate regulation, subpart H of 40 CFR part 261, using terminology appropriate for excluded facilities, that specifically identifies the processes by which a facility determines the amount of financial assurance required and by which it secures release of financial assurance when it no longer wishes to operate under the transfer-based exclusion. The financial assurance requirements detailed in 40 CFR part 261 subpart H incorporate those aspects of the hazardous waste closure and financial assurance regulations as they apply to the financial assurance condition for excluded hazardous secondary material reclamation and intermediate facilities. However, since these facilities are not regulated hazardous waste facilities, new subpart H does not include a stand-alone closure requirement, although some aspects of the closure process (described below) are included as being necessary for the implementation of the financial assurance condition.

Substantively, these requirements generally mirror the interim status standards in 40 CFR part 265 for hazardous waste treatment, storage and disposal facilities (TSDFs), but have been tailored for hazardous secondary material reclamation and intermediate facilities. The provision in the new subpart H in 40 CFR part 261 are linked to equivalent provisions under 40 CFR part 265, which, as we noted in the March 2007 supplemental proposal, "outline how owners and operators should determine cost estimates, explain the acceptable mechanisms for providing financial assurance, and set the minimum amounts of liability coverage required" (*see* 72 FR 14196).

In addition to the closure requirements, 40 CFR part 265 subpart H includes requirements for post-closure care. Post-closure care (e.g., groundwater monitoring, maintenance of waste containment systems) only applies to land disposal units, where hazardous waste remains in the unit or other contamination is present after Subtitle C closure. However, the conditional exclusion being promulgated today only applies to hazardous secondary materials intended for reclamation. In no cases should the storage of these materials be designed or managed with the intent of leaving these hazardous secondary materials in place. Unlike the need for closure, which could occur at a reclamation or intermediate facility which meets all the conditions of the exclusion, but then becomes subject to forces beyond its control (such as a sudden downturn in the market for its recycled product), the need for post-closure care would only apply to a facility that does not meet the condition that the hazardous secondary materials are contained in the unit. Thus, the Agency has determined that the issue of post-closure care is most appropriately dealt with by enforcement of the condition that the hazardous secondary materials must be contained. If, during the life of the unit, there is a significant release that indicates that the hazardous secondary materials are discarded, and thus are wastes, then such waste is subject to the RCRA Subtitle C requirements, including the post-closure care requirements. See discussion of the condition that the hazardous secondary materials must be "contained" found in section VII.C.

Cost Estimate

Under subpart H of 40 CFR part 261, as it is under subpart H of 40 CFR part 265 for hazardous waste treatment storage and disposal facilities, the first step in obtaining financial assurance is to develop a detailed written estimate on the amount of financial assurance required. The cost estimate determines the amount of financial assurance that will be available to the state or EPA for a third party to close a facility if the owner or operator fails to do so. The requirements for a cost estimate in 40 CFR 261.142 generally tracks the procedures in 265.142 with changes to accommodate the absence of a closure plan. Because hazardous secondary materials that lose the exclusion may have to be disposed of as a hazardous waste and the facility may have to be closed as a hazardous waste facility in accordance with the requirements of 40 CFR part 265, the owner or operator must have a detailed written estimate in current dollars of performing this work. The detailed cost estimate should include all necessary information which will allow the state or EPA to assess whether the assumptions underlying the estimate are consistent with what could be required to close the facility. For example, do the estimates for disposal, including transportation charges, reflect the distance to available disposal facilities? What level of personal protective equipment is needed to protect workers? Is there sufficient sampling of equipment to determine that it has been decontaminated? Where

there is uncertainty about the scope of the work, is there a reasonable contingency factor included? While not required by this rule for developing a cost estimate, some owners or operators may find that developing a plan similar to the requirements in 40 CFR 265.112 would be beneficial for assessing the potential costs of closing the facility. (Note, however, that the cost estimate must reflect the costs of closure under the Subtitle C hazardous waste requirements, and any remaining hazardous secondary material must be managed as a hazardous waste, and therefore the procedures used as the basis of the cost estimate may differ from the actual procedures a compliant facility will carry out when it completes operations and exits from the exclusion.) The owner or operator can be required to provide the documentation of the cost estimate upon request.

The cost estimating requirements in 40 CFR 265.142 and 40 CFR 261.142 are designed so that if a state or EPA must close a facility because of an owner or operator's failure, there will be adequate funds to do so. The requirements for the cost estimate are therefore based upon the point when the extent and manner of the facility's operation would make these activities the most expensive.

The cost estimate must, at minimum, be based on the costs of hiring a third party or parties to conduct these activities. The cost estimate may not include any salvage value for the hazardous secondary materials as hazardous waste or non-hazardous waste and the owner or operator may not incorporate a zero cost for such materials that might have economic value.

The financial assurance provisions are intended, in part, to demonstrate that the owner and operator is not discarding the hazardous secondary materials. As noted earlier, 69 of the 208 incidents of environmental damage identified in EPA's environmental problems study involve abandonment of the hazardous secondary materials as the primary cause of damage. These cost estimate provisions, found in 40 CFR 261.142(a) are equivalent to those required to estimate financial assurance under 40 CFR 265.142(a).

In addition, the financial assurance cost estimate must be revised and additional financial assurance must be obtained to adjust annually for inflation or in the event that changes in the reclaimer's or intermediate facility's operations or unexpected events result in an increase in the cost of managing any hazardous secondary materials that are not reclaimed and the cost of removing or decontaminating all hazardous residues. These cost estimate provisions, found in 40 CFR 261.142(b) and 40 CFR 261.142(c) are equivalent to those required under 40 CFR 265.142(b) and 40 CFR 265.142(c), and incorporates language from 40 CFR 265.112(c)(2) requiring the owner or operator to amend the estimates at least 60 days prior to a planned change in facility design or operation or no later than 60 days after an unexpected event has occurred that affects cost estimates. The financial assurance cost estimate must be documented and this documentation maintained at the facility. This information must be furnished upon request, and made available at all reasonable times for inspection. The requirement in 40 CFR 261.142(d) to maintain documentation at the facility is from the requirement in 40 CFR 265.142(d) and 40 CFR 265.73(b)(7), and the responsibility to make it available upon request, which will allow Agency representatives to review the cost estimate, is from 40 CFR 265.74(a) which covers information required in 40 CFR 265.73.

Interaction of the Cost Estimate and the Financial Assurance Instruments

As with the interim status regulations in 40 CFR part 265 subpart H, the interaction of the cost estimating requirements in 40 CFR 261.142 and the instrument requirements in 40 CFR 261.143 result in adjustments in the amount of financial assurance as facility operations change. If changes in the reclaimer's or intermediate facility's operations result in a reduction in the cost estimate, the owner or operator may submit a new cost estimate. If the new cost estimate is less than the amount of financial assurance provided, the amount of the financial assurance instrument may be reduced to the amount of the new cost estimate following written approval by the Regional Administrator (*see*, for example, 40 CFR 261.143(b)(7)). For example, a facility with three units managing hazardous secondary materials that use a single surety bond could close one unit according to the plan in 40 CFR 261.143(h). With a new cost estimate submitted by the facility that reflects the lower costs for the two remaining units, the Regional Administrator can approve a reduction in the value of the surety bond. On the other hand, a change in the facility's operating plan or design that increases the cost of closing necessitates a new cost estimate (40 CFR 261.142(c)) and an increase in the amount of financial assurance (*see*, for example, 40 CFR 261.143(b)(7)).

Establishment of the Instrument, Plan for Removal of All Hazardous Secondary Material Residues, and Release From Financial Assurance

Under 40 CFR 261.4(a)(24)(vi)(F), an owner or operator of a reclamation or intermediate facility must establish financial assurance as a condition of the exclusions under 40 CFR 261.4(a)(24) and 261.4(a)(25). The same general types of instruments that are available for interim status facilities under 40 CFR part 265 subpart H are also available to owners or operators of reclamation or intermediate facilities. Owners or operators may use trust funds, payment surety bonds, letters of credit, insurance, or a financial test and corporate guarantee to demonstrate financial assurance.

The regulations governing the financial assurance instruments that an owner or operator must provide to qualify for the exclusions have been modified to reflect that they apply to hazardous secondary materials and not hazardous wastes. The financial assurance instruments for the trust fund, surety bond, letter of credit, and corporate guarantee have been revised so that EPA can direct the financial assurance funds at the point the hazardous secondary material reclamation or intermediate facility no longer meets the exclusion and, therefore, is managing a hazardous waste. As long as a facility is operating under the transfer-based exclusion so that the hazardous secondary material is not being discarded, there would be no need to invoke the financial assurance instruments.

The regulations allow the same flexibility as in 40 CFR part 265 subpart H for using a combination of trust funds, surety bonds, letters of credit and insurance at a single facility (*see* 40 CFR 261.143(f)), and allow the use of a single mechanism for multiple facilities (*see* 40 CFR 261.143(g)).

The provisions for releasing the reclamation or intermediate facility from the financial assurance requirements, found in 40 CFR 261.143(h), are functionally equivalent to those under 40 CFR 265.143(h). "Within 60 days after receiving certifications from the owner or operator and a qualified Professional Engineer that all hazardous secondary materials have been removed from the unit and the unit has been decontaminated in accordance with the approved plan per paragraph (i), the Regional Administrator will notify the owner or operator in writing that he is no longer required under § 261.4(a)(24)(vi)(F) to maintain financial assurance for that

unit, unless the Regional Administrator has reason to believe that that all hazardous secondary materials have not been removed from the unit or that the unit has not been decontaminated in accordance with the approved plan."

Under 40 CFR part 265 subpart H, the provisions for releasing financial assurance rely on receiving a certification that the unit was closed per the approved closure plan in 40 CFR 265.112. However, as noted earlier, under today's exclusion, units managing hazardous secondary materials are not subject to closure. Thus, the provision for releasing financial assurance for these units adapts language from the closure plan requirement found in 40 CFR 265.112 and from the certification requirement found in 40 CFR 265.115. Instead of a hazardous waste "closure plan," the 40 CFR 261.143(i) provisions for releasing financial assurance require submission of a plan for removing hazardous secondary materials and decontaminating the unit at least 180 days prior to the date that owner or operator expects to cease operating under the exclusion. The contents of the plan are detailed in 40 CFR 261.153(i)(2) and have been tailored to reflect the fact that, although the hazardous secondary material management units are not subject to closure, when reclamation operations or storage operations (in the case of an intermediate facility) ceases, the hazardous secondary materials must be removed or the unit would become subject to the Subtitle C hazardous waste requirements (see section VIII.D). Briefly, the plan must include, at least, (a) a description of how all excluded hazardous secondary materials will be reclaimed or sent for reclamation and how all residues, contaminated containment systems (liners, etc), contaminated soils, subsoils, structures, and equipment will be removed or decontaminated as necessary to protect human health and the environment (for guidance, see the March 16, 1998, memorandum entitled "Risk-Based Clean Closure," from Elizabeth Cotsworth, Acting Director, Office of Solid Waste, to RCRA Senior Policy Advisors. Available at *http://www.epa.gov/correctiveaction/resource/guidance/risk/cclosfnl.pdf*; (b) a description of the steps necessary to remove or decontaminate all hazardous secondary material residues and contaminated containment system components, equipment, structures, and soils including, but not limited to, procedures for cleaning equipment and removing contaminated soils, methods for sampling and testing surrounding soils, and criteria for determining the extent of decontamination necessary to protect human health and the environment; (c) a description of any other activities necessary to protect human health and the environment during this time frame, including, but not limited to, leachate collection, run-on and run-off control, etc.; and (d) a schedule for conducting the activities.

This plan, which is essentially the subset of information required in a 40 CFR part 265 closure plan that would apply to excluded hazardous secondary material units, would still need to be reviewed by the Regional Administrator (or State Director, in authorized states) because that would ensure that EPA would agree that the hazardous secondary materials, or equipment contaminated with hazardous secondary materials, will not remain unregulated at the facility after it is no longer operating under an exclusion and no longer maintains financial assurance. As with the financial assurance release provision of 40 CFR part 264, the Regional Administrator will provide notice to the owner or operator and the public and an opportunity to submit written comments on the plan and request modifications to the plan. The Regional Administrator will approve, modify, or disapprove the plan within 90 days of its receipt.

Once residuals (and any hazardous secondary materials) have been removed and the unit has been decontaminated according to the plan, the facility would send a certification to that effect from the owner or operator and a qualified Professional Engineer to the regulatory agency, and that agency would then authorize the release of the financial assurance for those specific units, unless there is reason to believe that the hazardous secondary materials and residues were not removed (in which case the regulatory authority would send a written explanation of this fact). Again, this process is similar to that required under 40 CFR 265.115, as referenced in 40 CFR part 265 subpart H.

Operation of the Instruments if the Exclusion Is No Longer Applicable

As noted above, as long as a facility is operating under the transfer-based exclusion and the hazardous secondary material is not being discarded, there would be no need to invoke the financial assurance instruments. However, if the exclusion is no longer applicable, then the hazardous secondary material is a hazardous waste subject to the Subtitle C requirements and the Regional Administrator can invoke the instruments consistent with RCRA 3004(t) and related laws. Similarly, as in 40 CFR part 265, if an owner or operator fails to obtain an approved replacement instrument within 90 days after a notice of cancellation from a surety, issuer of a letter of credit, insurer, or guarantor, the Regional Administrator can invoke the instrument. The following descriptions of the instruments contain additional information on how the instruments operate under this rule.

Trust Funds

If facilities choose to use a trust fund, they must fully fund the trust before they can rely on it for financial assurance. This is consistent with the proposal, which was based on the pay-in provisions under 40 CFR part 265. In part 265, the pay-in period for trust funds is limited to the remaining operating life of a facility or 20 years from the effective date of the 40 CFR part 265 regulations, which became effective in 1982. Thus, under the exclusion, the pay-in period, which would allow a trust to build over time, is not available. This means that facilities that are not financially strong enough to qualify for the financial test and that cannot obtain a guarantee, such as a surety bond or a letter of credit from a third party (potentially because the surety or bank is not confident that it will be repaid if the instrument is called upon) will need to fully fund the trust before qualifying for the exclusion.

While the hazardous secondary materials retain the exclusion, EPA has no access to these funds. The trustee must meet the qualifications in 40 CFR 261.143(a)(1) and the wording of the trust agreement must be identical to the wording specified in § 261.151(a)(1). The trust agreement must include a Schedule A that lists each facility, including the units with hazardous secondary materials, and the amounts of the current cost estimates, or portions thereof, for which financial assurance is demonstrated by the trust. Schedule A of the trust agreement must be updated within 60 days after a change in the amount of the current cost estimate covered by the agreement.

Whenever the current cost estimate changes, the owner or operator must compare the new estimate with the trustee's most recent annual valuation of the trust fund. If the value of the fund is less than the amount of the new cost estimate, the owner or operator, within 60 days after the change in the cost estimate, must either (1) deposit an amount into the trust fund so that its value after this deposit at least equals the amount of the current cost estimate, or (2) obtain other financial assurance,

such as a letter of credit, to cover the difference.

There are also circumstances when the owner or operator may request a release of funds from the trust fund. If the value of the trust fund is greater than the total amount of the current cost estimate, the owner or operator may submit a written request to the Regional Administrator for release of the amount in excess of the current cost estimate. This could occur as a result of the closing of a unit at the facility and the submission of a revised cost estimate. Alternatively, the earning of the trust fund could exceed the increase in the cost estimate due to inflation. Further, if an owner or operator substitutes other financial assurance as specified in the regulations for all or part of the trust fund, he may submit a written request to the Regional Administrator for release of the amount in excess of the current cost estimate covered by the trust fund.

Within 60 days after receiving a request from the owner or operator for release of funds, the Regional Administrator will instruct the trustee to release to the owner or operator such funds that exceed the amount of the current cost estimate, as the Regional Administrator deems appropriate and specifies in writing. Alternatively, in the event that the owner or operator begins final closure of the unit under subpart G of 40 CFR part 264 or 265, an owner or operator may request reimbursements for partial or final closure expenditures by submitting itemized bills to the Regional Administrator.

The Regional Administrator will agree to termination of the trust fund when the owner or operator substitutes alternate financial assurance, such as receiving approval for an insurance policy to replace the trust, or if the owner or operator demonstrates that he meets the requirements of the financial test. It should be noted that both surety bonds and letters of credit require a standby trust, as discussed below. The Regional Administrator will also agree to the termination of the trust fund when he releases the owner or operator from the requirements of this section in accordance with 40 CFR 261.143(i).

The preceding discussion explained the operation of the regulations during the exclusion. The regulations also address the situation where the hazardous secondary materials lose their exclusion. The requirements in 40 CFR 261.151(a) for the trust fund provide that if the hazardous secondary materials lose their exclusion, EPA becomes the beneficiary of the trust, consistent with RCRA section 3004(t) and federal law. The trust fund also receives the proceeds of a payment surety bond or letter of credit if the hazardous secondary materials lose the exclusion. The trustee shall make payments from the Fund as the EPA shall order or direct, in writing, to provide for the payment of the costs of the performance of closure activities required under subpart G of 40 CFR parts 264 or 265 for the facilities covered by the trust agreement. This provision allows funds from the trust to be used to close facilities as hazardous waste facilities.

An owner or operator whose hazardous secondary materials have lost their exclusion, but subsequently meets the requirements for the exclusion, including establishing financial assurance in accordance with the provisions of 40 CFR 261.143, may request a reduction in the amount of the trust fund and the Regional Administrator may instruct the trustee to return funds to the owner or operator under Section 4 of the trust agreement in 40 CFR 261.151(a). For example, hazardous secondary materials could lose their exclusion and the Regional Administrator could draw upon a letter of credit being used to establish financial assurance and have it deposited into the trust fund. If the hazardous secondary materials regained their exclusion and the owner or operator substituted a new approved letter of credit, the Regional Administrator may direct the trustee to refund funds to the owner or operator.

Surety Bonds

The surety bond operates similarly to the payment surety bond in 40 CFR part 265, with some modifications to reflect the differences between a conditionally exempt hazardous secondary material and a hazardous waste. The surety bond must conform to the requirements of 40 CFR 261.143(b) and the owner or operator must submit the bond to the Regional Administrator. The surety company issuing the bond must, at a minimum, be among those listed as acceptable sureties on federal bonds in Circular 570 of the U.S. Department of the Treasury. The wording of the surety bond must be identical to the wording specified in 40 CFR 261.151(b).

The owner or operator who uses a surety bond must also establish a standby trust fund and submit an originally signed duplicate of the trust agreement with the surety bond. Under the terms of the bond, all payments made thereunder will be deposited by the surety directly into the standby trust fund in accordance with instructions from the Regional Administrator. This standby trust fund must meet the requirements specified in § 261.143(a), except that until the standby trust fund is funded pursuant to the requirements of this section, the following are not required by these regulations:

(A) Payments into the trust fund as specified in § 261.143(a);

(B) Updating of Schedule A of the trust agreement (see § 261.151(a)) to show current cost estimates;

(C) Annual valuations as required by the trust agreement; and

(D) Notices of nonpayment as required by the trust agreement.

The penal sum of the bond must be in an amount at least equal to the current cost estimate, except as provided in 40 CFR 261.143(f). The regulations at 40 CFR 261.143(f) allow the use of certain combinations of instruments so long as their sum is at least equal to the total cost estimates.

Whenever the current cost estimate increases to an amount greater than the penal sum, the owner or operator, within 60 days after the increase, must either cause the penal sum to be increased to an amount at least equal to the current cost estimate and submit evidence of such increase to the Regional Administrator or obtain other financial assurance as specified in the regulations in 40 CFR 261.143 to cover the increase. Whenever the current cost estimate decreases, the penal sum may be reduced to the amount of the current cost estimate following written approval by the Regional Administrator. So long as the owner or operator meets the exclusion, the Regional Administrator will not access the bond.

The Regional Administrator will agree to termination of the surety bond when the owner or operator substitutes alternate financial assurance, such as an approved insurance policy to replace the surety bond, or if the owner or operator demonstrates that he meets the requirements of the financial test. The Regional Administrator will also agree to the termination of the surety bond when he releases the owner or operator from the requirements of this section in accordance with 40 CFR 261.143(i). Under 40 CFR 261.151(b), the Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the EPA Regional Administrator(s) of the EPA Region(s) in which the bonded facility(ies) is (are) located.

Under 40 CFR part 261, the surety becomes liable for funding the trust if the owner or operator has failed to fund the trust before the loss of the exclusion. The cancellation provisions for the

surety bond in 40 CFR part 261 operate similarly to the provisions in 40 CFR part 265. If the surety has issued a notice of cancellation, and the owner or operator has not funded the trust or obtained approval by the Regional Administrator of a replacement instrument within 90 days, the surety becomes liable for payment into the trust fund. Under the hazardous waste rules, if the surety issues a notice of cancellation and the owner or operator does not fund the trust or obtain approved alternative financial assurance within 90 days, the Regional Administrator may access the funds.

Reclamation and intermediate facilities, as under 40 CFR part 265, may not use a performance surety bond because there is no closure plan that has undergone review under the permitting process. The performance surety bond, which is allowed under the permitting standards in 40 CFR part 264 subpart H, requires the surety, in the event of a failure by the owner or operator to comply with the requirements of the closure requirements of 40 CFR part 264, to perform closure in accordance with the closure plan and permitting requirements or to deposit the penal sum of the bond into the standby trust. Closure plans for permitted facilities undergo detailed review as part of the permitting process, so it is appropriate to allow a surety to perform closure in this circumstance. However, like interim status facilities, reclamation and intermediate facilities do not have closure plans that undergo this type of review. "During interim status, the closure and post-closure plans for a facility are generally not reviewed by the Regional Administrator until shortly before the time of closure. Upon such review, the Regional Administrator may find that major changes are needed in the plans. The Agency believes a performance bond is not appropriate when the actual required performance for the particular facility may not be specified in any detail during most of the term of the bond" (47 FR 15040).

Letters of Credit

The letter of credit requirements generally operate similarly to the requirements in 40 CFR part 265, except that they reflect the status of conditionally exempt hazardous secondary materials. An owner or operator may satisfy the requirements of 40 CFR 261.143 by obtaining an irrevocable standby letter of credit which conforms to the requirements of 40 CFR 261.143(c) and submitting the letter to the Regional Administrator. The issuing institution must be an entity which has the authority to issue letters of credit and whose letter-of-credit operations are regulated and examined by a federal or state agency.

The wording of the letter of credit must be identical to the wording specified in § 261.151(c). As with the surety bond, an owner or operator who uses a letter of credit must also establish a standby trust fund and submit to the Regional Administrator an originally signed duplicate of the trust agreement with the letter of credit. Under the terms of the letter of credit, all amounts paid pursuant to a draft by the Regional Administrator will be deposited by the issuing institution directly into the standby trust fund in accordance with instructions from the Regional Administrator. This standby trust fund must meet the requirements specified in § 261.143(a), except that until the standby trust fund is funded pursuant to the requirements of this section, the requirements, as noted above, that are not necessary for a surety bond are also not required for a letter of credit.

The letter of credit must be issued in an amount at least equal to the current cost estimate, except as provided in 40 CFR 261.143(f). The regulations in 40 CFR 261.143(f) allow the use of certain combinations of instruments so long as their sum is at least equal to the total cost estimates.

Whenever the current cost estimate increases to an amount greater than the amount of the letter of credit, the owner or operator, within 60 days after the increase, must either cause the amount of the letter of credit to be increased so that it at least equals the current cost estimate and submit evidence of such increase to the Regional Administrator or obtain other financial assurance as specified in the regulations in 40 CFR 261.143 to cover the increase. Whenever the current cost estimate decreases, the amount of the letter of credit may be reduced to the amount of the current cost estimate following written approval by the Regional Administrator.

The Regional Administrator will return the letter of credit to the issuing institution for termination when an owner or operator substitutes alternate financial assurance as specified in 40 CFR 261.143, or when the Regional Administrator releases the owner or operator from the requirements of this section in accordance with § 261.143(i).

So long as the owner or operator meets the exclusion and maintains financial assurance, the Regional Administrator will not access the letter of credit. Access to the letter of credit only occurs upon the loss of the exclusion. For the letter of credit, in the event that the hazardous secondary materials at the covered reclamation or intermediate facilities no longer meet the conditions of the exclusion, EPA may draw upon the letter of credit. If the owner or operator does not establish alternate financial assurance and obtain written approval of such alternate assurance from the Regional Administrator within 90 days after a notice from the issuing institution that it has decided not to extend the letter of credit beyond the current expiration date, the Regional Administrator will draw on the letter of credit. When the Regional Administrator draws on the letter of credit, the proceeds are deposited into the standby trust fund, and the funds in the trust become available for the payment of the costs of closure in compliance with subpart G of 40 CFR parts 264 or 265.

Insurance

Insurance operates similarly to the insurance instrument in 40 CFR part 265, with some modifications to reflect differences between conditionally exempt hazardous secondary materials and hazardous wastes. An owner or operator may satisfy the requirements of 40 CFR 261.143 by obtaining insurance that conforms to the requirements of 40 CFR 261.143(d) and submitting a certificate of such insurance to the Regional Administrator At a minimum, the insurer must be licensed to transact the business of insurance or be eligible to provide insurance as an excess or surplus lines insurer, in one or more states.

The wording of the certificate of insurance must be identical to the wording specified in § 261.151(d). As part of the certificate, the insurer warrants that the policy conforms in all respects with the requirements of 40 CFR 261.143(d), as applicable, and agrees that any provision of the policy inconsistent with 40 CFR 261.143(d) is hereby amended to eliminate such inconsistency. The insurer also agrees to furnish to the EPA Regional Administrator(s) a duplicate original of the policy listed above, including all its endorsements, whenever requested by the Regional Administrator.

The insurance policy must be issued for a face amount at least equal to the current cost estimate, except as provided in § 261.143(f), which allows the use of certain combinations of instruments so long as their sum is at least equal to the total cost estimates.

Whenever the current cost estimate increases to an amount greater than the face amount of the policy, the owner or operator, within 60 days after the increase, must either cause the face amount to be increased to an amount at least equal to the current cost estimate

and submit evidence of such increase to the Regional Administrator or obtain other financial assurance as specified in 40 CFR 261.143 to cover the increase. Whenever the current cost estimate decreases, the face amount may be reduced to the amount of the current cost estimate following written approval by the Regional Administrator.

In 40 CFR 261.143(d)(4), the insurance policy must guarantee that funds will be available to pay the cost of removal of all hazardous secondary materials from the unit, to pay the cost of decontamination of the unit, and to pay the costs of the performance of any activities required under subpart G of 40 CFR parts 264 or 265 for the facilities covered by this policy, if they become necessary. This provision, as that in 40 CFR part 265, allows the owner or operator to recover the costs of removing hazardous secondary materials and is similar to the provisions in § 265.143(d) that allow the owner or operator of a facility to be reimbursed for the costs of closure. This provision also allows the Regional Administrator to allow reimbursement for the same activities that are allowed under the trust fund. The insurance provisions that allow for reimbursement for the cost of removal of hazardous secondary materials are broader than the provisions in 40 CFR 261.151(a) for payment from the trust fund. This difference is due to the fact that the monies in the trust fund are returned to the owner or operator once the facility exits the exclusion, but there is no such provision for insurance; in order to make the insurance provisions functionally equivalent to their counterparts in 40 CFR part 265, the insurance provisions must cover the cost of removing the hazardous secondary materials when the unit exits the exclusion. However, the owner or operator may request reimbursements only if the remaining value of the policy is sufficient to cover the maximum costs for the facility.

The Regional Administrator will give written consent to the owner or operator that he may terminate the insurance policy when the owner or operator substitutes alternate financial assurance as specified in § 261.143, or the Regional Administrator releases the owner or operator from the requirements of this section in accordance with § 261.143(i).

Under 40 CFR 261.143(d)(8), cancellation, termination, or failure to renew may not occur and the policy will remain in full force and effect in the event that on or before the date of expiration, the conditional exclusion terminates or is revoked. This is analogous to the provisions for surety bonds and letters of credit that ensure that payments under those instruments will occur if the conditionally excluded hazardous secondary materials lose the exclusion.

Under the insurance provisions of § 265.143, failure of the owner or operator to pay the premiums of a policy without the substitution of an alternative mechanism constitutes a significant violation of the regulations. EPA was faced with a decision of how to implement that provision here. Since the exclusion relies upon compliance with the conditions, failure to pay the premium is significant and may result in loss of the exclusion. Similarly, loss of the exclusion will preclude the cancellation or termination of the policy. Under the circumstances, EPA recognizes that insurers may carefully screen applicants to ensure that they will meet the requirements of the exclusion and establish premiums, possibly with a substantial portion up front or collateralized, that reduce the insurer's risk of non-payment.

In 40 CFR 265.143(d)(1), there is a provision allowing an owner or operator of a treatment, storage, and disposal facility an additional 90 days from the effective date of the regulations to provide a certificate of insurance. The effective date of the interim status regulations was in 1982, and therefore this provision is no longer applicable and today's rule does not allow this additional 90 days. In keeping with the proposal to use requirements in subpart H of 40 CFR part 265, the additional 90-day period has been deleted from these regulations.

Financial Test

EPA had solicited comment on whether to use the financial assurance provisions in the standardized permit rule rather than those in 40 CFR part 265, but commenters generally did not support the standardized permit rule alternative. Therefore, certain provisions that are available under the standardized permit rule will not be available to reclamation and intermediate facilities, with one exception. The financial test provision referenced by subpart H of 40 part CFR 265 includes an obsolete requirement that the Certified Public Accountant's report state that "[i]n connection with that procedure, no matters came to his attention which caused him to believe that the specified data should be adjusted." This is referred to by the auditing profession as a "negative assurance." However, the American Institute of Certified Public Accountants, Inc.'s (AICPA's) *Statement on Auditing Standards* no longer permits independent auditors to express negative assurance. Thus, to ensure that today's final rule conforms with current professional auditing standards, EPA is using the language from the standardized permit rule for this aspect of the financial test.[4]

As noted in the March 2007 supplemental proposal, the Agency currently has underway a review of the subpart H financial assurance regulations, which will address this issue among others in the broader context of 40 CFR parts 264 and 265. As part of any rulemaking that addresses the results of that review, EPA will include any necessary changes to the financial assurance condition being finalized today.

In today's regulation, the letter from the chief financial officer (*see* § 261.151(e) or (f)) contains a requirement to account for obligations assured through a financial test or corporate guarantee for facilities handling conditionally excluded hazardous secondary materials. This addition is necessary because the chief financial officer's letter required in the 40 CFR part 265 regulations does not anticipate these obligations.

The financial test and the letter from the chief financial officer use accounting terms, such as current assets, current liabilities, and liabilities. Under 40 CFR 261.141, which defines the terms used in this subpart, these and other accounting terms follow their definition in 40 CFR 265.141(f). As noted in 40 CFR 265.141(f), "The definitions are intended to assist in the understanding of these regulations and are not intended to limit the meanings of terms in a way that conflicts with generally accepted accounting practices." This is an important provision of the financial assurance regulations because it allows the terms used in the test to reflect evolving definitions. For example, if the accounting standards covering retiree obligations change, this provision ensures that the accounting in the financial test submission to EPA reflects the new standards. Companies may not use an obsolete definition of these terms.

Like the 40 CFR part 265 regulations, this regulation includes a provision

[4] For current EPA guidance for companies using the financial test in 40 CFR part 264 or 265, please see the February 27, 1997 Memorandum from Elizabeth Cotsworth to Senior RCRA Policy Advisors entitled "Obsolete Language in the Financial Test for Subtitle C Treatment Storage and Disposal Facilities," at *http://yosemite.epa.gov/osw/rcra.nsf/ea6e50dc6214725285256bf00063269d/C68C99D730932BE28525670F006C2B4A/$file/14066.pdf.*

allowing an owner or operator to obtain a corporate guarantee as a method of complying with the financial assurance requirements. The provisions governing who may extend a guarantee are the same as those in 40 CFR part 265. Since there is no requirement for an up-front closure plan, the text of the guarantee in 40 CFR part 261 differs somewhat from the language in 40 CFR part 265. In § 261.151(g)(1), the guarantor "guarantees that in the event of a determination by the Regional Administrator that the hazardous secondary materials at the owner or operator's facility covered by this guarantee do not meet the conditions of the exclusion under § 261.4(a)(24), the guarantor will manage any hazardous secondary material in accordance with applicable regulations and close the facility in accordance with closure requirements found in parts 264 and 265 of this chapter or establish a trust fund as specified in § 261.143(a) in the name of the owner or operator in the amount of the current cost estimate."

Liability Requirements

The liability coverage requirements for sudden and nonsudden accidental occurrences in subpart H of 40 CFR part 261 are essentially the same as those for TSDFs in 40 CFR 265.147, with revised terminology so that the regulatory language applies to hazardous secondary material reclamation and intermediate facilities. Sudden accidental coverage for bodily injury and property damage to third parties is required for all units, and nonsudden accidental coverage is required for land-based units. Land-based units are defined in 40 CFR 260.10 as an area where hazardous secondary materials are placed in or on the land before recycling and are functionally equivalent to the units required to have nonsudden accidental coverage under 40 CFR 265.147(b) (e.g., surface impoundments). In addition, the provisions for requesting a variance or adjusting the coverage are the same as 40 CFR 265.147(c) and (d) respectively, except the reference that ties these procedures to the Subtitle C permit modification procedures under 40 CFR 270.41(a)(5) and 40 CFR 124.5 has been removed, because these provisions would not apply to excluded hazardous secondary material.

Other Financial Assurance Provisions

Finally, the provisions for incapacity of owners or operators, guarantors, or financial institutions (40 CFR 261.148), use of state-required mechanisms (40 CFR 261.149), and state assumption of responsibility (40 CFR 261.150) are essentially the same as their counterparts in 40 CFR part 265, with one exception. The state-required mechanism provisions have been expanded to indicate that states may allow facilities to use their existing Subtitle C financial assurance policies to address the financial assurance condition of 40 CFR 261.4(a)(24)(vi)(F), provided they can ensure that the instruments actually cover the financial assurance cost estimate.

5. Provisions Applicable to Hazardous Secondary Materials That Are Exported and Imported

Under today's final rule, generators who export hazardous secondary materials are required to notify the receiving country through EPA and obtain consent from that country before shipment of the hazardous secondary materials takes place (*see* 40 CFR 261.4(a)(25)). These notice and consent requirements provide notification to the receiving country so that it can ensure that the hazardous secondary materials are reclaimed rather than disposed of or abandoned. As an additional benefit, these requirements allow the receiving country the opportunity to consent or not consent based on its analysis of whether the reclamation facility can properly recycle the hazardous secondary materials and manage the process residuals in an environmentally sound manner within its borders. EPA believes that sections 2002, 3002, 3007, and 3017 of RCRA provide authority to impose this condition because such notice and consent help determine that the materials are not discarded.

Specifically, hazardous secondary materials that are exported from the United States and its territories and recycled at a reclamation facility located in a foreign country are not solid wastes, provided the hazardous secondary material generator complies with the requirements of 40 CFR 261.4(a)(25), including notifying EPA of the proposed export and obtaining subsequent consent from the receiving country.

Included by reference in 40 CFR 261.4(a)(25), the generator must comply with the requirements of 40 CFR 261.4(a)(24)(i)–(v), which comprise the hazardous secondary material generator requirements under the transfer-based exclusion, such as speculative accumulation and reasonable efforts. However, hazardous secondary material generators who export hazardous secondary materials for reclamation are not required to comply with 40 CFR 261.4(a)(24)(v)(B)(*2*) for foreign reclaimers and intermediate facilities because, as part of satisfying reasonable efforts, this question requires the generator to affirmatively answer if the reclaimer or intermediate facility has notified the appropriate authorities pursuant to § 260.42 and if the reclaimer or intermediate facility has financial assurance as required under § 261.4(a)(24)(vi)(F). Since foreign reclaimers and foreign intermediate facilities are not subject to U.S. regulations, they cannot comply with the notification and financial assurance requirements under today's rule (however, hazardous secondary material generators must affirmatively answer this question for domestic intermediate facilities).

The provisions that we are finalizing today in 40 CFR 261.4(a)(25) require hazardous secondary material generators to notify EPA of an intended export 60 days before the initial shipment is intended to be shipped off-site. The notification may cover export activities extending over a 12-month or shorter period. The notification must include contact information for the hazardous secondary material generator, as well as for the reclaimer and intermediate facility, including any alternate reclaimer or alternate intermediate facilities.[5] The notification must also include a description of the type(s) of hazardous secondary materials and the manner in which the hazardous secondary materials will be reclaimed, the frequency and rate at which they will be exported, the period of time over which they will be exported, the means of transport, the estimated total quantity of hazardous secondary materials to be exported, and information about transit countries through which such hazardous secondary materials will pass.

Notifications must be sent to EPA's Office of Enforcement and Compliance Assurance,[6] which will then notify the receiving country and any transit countries. For purposes of 40 CFR 261.4(a)(25), the terms "Acknowledgement of Consent," "receiving country," and "transit country" are used as defined in 40 CFR 262.51 with the exception that the terms in this section refer to hazardous

[5] Hazardous secondary material generators may choose, in the notice of export, to designate alternate reclaimers or alternate intermediate facilities to which the hazardous secondary materials may be exported in the event that delivery to the primary reclaimer or intermediate facility cannot take place. Hazardous secondary material generators, of course, must comply with all conditions (e.g., reasonable efforts) for each alternate reclaimer and alternate intermediate facility as with a primary reclaimer and intermediate facility.

[6] The Office of Enforcement and Compliance Assurance (OECA) is the office within EPA that implements the notice and consent process for exports.

secondary materials, rather than hazardous waste.

When the receiving country consents (or objects) to the receipt of the hazardous secondary materials, EPA will inform the hazardous secondary material generator, through an Acknowledgement of Consent, of the receiving country's response, as well as any response from any transit countries.

For exports to Organization for Economic Cooperation and Development (OECD) Member countries, the receiving country may choose to respond to the notification with tacit, rather than written, consent. With respect to exports to such OECD Member countries, if no objection has been lodged by the receiving country or transit countries to a notification within 30 days after the date of issuance of the acknowledgement of receipt of notification by the competent authority of the receiving country, the U.S. understands that an export may commence at that time. In such cases, EPA will send an Acknowledgment of Consent to inform the hazardous secondary material generator that the receiving country and any relevant transit countries have not objected to the shipment, and are thus presumed to have consented tacitly. Tacit consent expires one calendar year after the close of the 30-day period; re-notification and renewal of all consents is required for exports after that date. This tacit consent procedure for exports of hazardous secondary materials to OECD Member countries in this rule is similar to the tacit consent procedure for hazardous waste exports to OECD Member countries under 40 CFR part 262 subpart H. We note that Canada and Mexico, though they are OECD Member countries, typically require written consent for exports to their countries.

The hazardous secondary material generator may proceed with the shipment of the hazardous secondary materials only after it has received an Acknowledgment of Consent from EPA indicating the receiving country's consent (actual or tacit). If the receiving country does not consent to the receipt of the hazardous secondary materials or withdraws a prior consent, EPA will notify the hazardous secondary material generator in writing. EPA also will notify the hazardous secondary material generator of any responses from transit countries. Hazardous secondary material generators must keep copies of any notifications and consents for a period of three years following receipt of the consent.

Hazardous secondary material generators must also file with the Administrator, no later than March 1 of each year, a report containing its name, mailing and site address, and EPA ID number (if applicable); the calendar year covered by the report; the name and site address of each reclaimer and intermediate facility; and, for each hazardous secondary material exported, a description of the hazardous secondary material, the type of hazardous secondary material (reported as the EPA hazardous waste numbers that would apply if the hazardous secondary materials were managed as hazardous wastes), the DOT hazard class, the name and U.S. EPA ID number (where applicable) for each transporter used, the total amount of hazardous secondary material shipped and the number of shipments pursuant to each notification. Hazardous secondary material generators must also sign a certification statement (found under 40 CFR 261.4(a)(25)(xi)(E)). These procedures are similar to those required for exports of hazardous waste under 40 CFR part 262 subpart E, except for the use of the hazardous waste manifest which is not required under today's exclusions.

Imports of hazardous secondary materials are eligible for today's transfer-based exclusion, provided that the person who imports the hazardous secondary material fulfills all requirements and conditions (*e.g.*, notification, reasonable efforts, recordkeeping) for a hazardous secondary material generator under 40 CFR 261.4(a)(24) of today's rule. Persons who import hazardous secondary materials are not eligible for today's generator-controlled exclusion since EPA would not be able to ensure the close management and monitoring of the hazardous secondary materials by a single entity in a foreign country.

*D. Termination of the Exclusion*

As with the generator-controlled exclusion, units managing hazardous secondary materials excluded under the transfer-based exclusion are not subject to the closure regulations in 40 CFR parts 264 and 265 subpart G. However, when the use of these units is ultimately discontinued, all owners and operators must manage any remaining hazardous secondary materials that are not reclaimed and remove or decontaminate all hazardous residues and contaminated containment system components, equipment structures, and soils. These hazardous secondary materials and residues, if no longer intended for reclamation, would also no longer be eligible for the exclusion (which only applies to hazardous secondary materials that will be reclaimed). Failure to remove these materials within a reasonable time frame after operations cease could cause the facility to become subject to the full Subtitle C requirements if the Agency determines that reclamation is no longer feasible. While this final rule does not set a specific time frame for these activities, the Agency believes that they typically should be completed within the time frames established for analogous activities. For example, the requirements for product tanks under 40 CFR 261.4(c) allow 90 days for removal of hazardous material after the unit ceases to be operated for manufacturing. This time frame should serve as a guideline for regulators in determining, on a case-by-case basis, whether owners and operators have completed these activities within in a reasonable time frame. In any event, these hazardous secondary materials remain subject to the speculative accumulation restrictions in 40 CFR 261.4(a)(8), which includes both a time limitation of recycling 75% of the hazardous secondary material within a year and a requirement that the facility be able to show there is a feasible means of recycling the hazardous secondary material.

In addition, as described in section VIII.C. above, in order to be released from the financial assurance condition, intermediate and reclamation facilities will need to submit for approval a plan for removing the hazardous secondary material and decontaminating the unit, and then, when the work is completed, submit a certification from a qualified Professional Engineer that all hazardous secondary materials have been removed from the unit and the unit has been decontaminated.

*E. Enforcement*

Hazardous secondary materials transferred to a third party for the purpose of reclamation are excluded from RCRA Subtitle C regulation under certain conditions and restrictions. If a hazardous secondary material generator fails to meet any of the above-described conditions that are applicable to the generator, then the hazardous secondary materials would be considered discarded by the generator and would be subject to the RCRA Subtitle C requirements from the point at which such material was generated. In addition, if a reclaimer or an intermediate facility failed to meet any of the above-described conditions, then the hazardous secondary materials would be considered discarded by the reclaimer or intermediate facility and would be subject to the RCRA Subtitle C requirements from the point at which the reclaimer or intermediate facility

failed to meet a condition or restriction, thereby discarding the material.

It should be noted that the failure of the reclaimer or intermediate facility to meet the conditions of the exclusion does not mean that the hazardous secondary material was considered waste when handled by the generator, as long as the generator can adequately demonstrate that it has met its obligations, including the obligation under 40 CFR 261.4(a)(24)(v)(B) to make reasonable efforts to ensure that the hazardous secondary material will be reclaimed legitimately and properly managed. A hazardous secondary material generator that met its reasonable efforts obligations could, in good faith, ship its excluded materials to a reclamation facility or intermediate facility where, due to circumstances beyond its control, they were released and caused environmental problems at that facility. In such situations, and where the generator's decision to ship to that reclaimer or intermediate facility is based on an objectively reasonable belief that the hazardous secondary materials would be reclaimed legitimately and otherwise managed in a manner consistent with this regulation, the generator would not have violated the terms of the exclusion.

In addition, the Agency affirms in this preamble that § 261.2(f) applies to all claims that hazardous secondary materials are not solid waste because they are being legitimately recycled, including those that are not specifically addressed in this final rule. Respondents in enforcement cases should be prepared to demonstrate that they meet the terms of the exclusion or exemption, which includes demonstrating that the recycling is legitimate. Appropriate documentation must be provided to the enforcing agency to demonstrate that the material is not a solid waste or is exempt from regulation. In addition, the recycler of the hazardous secondary material should be prepared to show it has the necessary equipment to perform the recycling operation. Furthermore, any release of the hazardous secondary materials to the environment that is not immediately cleaned up would be considered discarded and, thus, the hazardous secondary material that was released would be a solid waste and potentially subject to the RCRA hazardous waste regulations.

## IX. Legitimacy

As part of this final rulemaking, EPA has decided to codify in 40 CFR 260.43 the requirement that materials be legitimately recycled as a requirement for the exclusion for hazardous secondary materials that are legitimately reclaimed under the control of the generator (40 CFR 261.2(a)(2)(ii) and 40 CFR 261.4(a)(23)) and as a condition of the exclusion for hazardous secondary materials that are transferred for the purpose of legitimate reclamation (40 CFR 261.4(a)(24) and 40 CFR 261.4(a)(25)). EPA is also requiring that hazardous secondary materials must be legitimately recycled under the final non-waste determinations (40 CFR 260.34) for hazardous secondary materials that are (a) reclaimed in a continuous industrial process and (b) indistinguishable in all relevant aspects from a product or intermediate.

In addition, in Section IX.B.3, EPA has included a discussion of how the current legitimacy policy continues to apply to existing exclusions and how the four factors being added to 40 CFR 260.43 are substantively the same as the current legitimacy policy.

### *A. Background of Legitimacy*

Under the RCRA Subtitle C definition of solid waste, many existing hazardous secondary materials are not solid wastes and, thus, not subject to RCRA's "cradle to grave" management system if they are recycled. The basic idea behind this construct is that recycling of such materials often closely resembles normal industrial manufacturing rather than waste management. However, since there can be a significant economic incentive to manage hazardous secondary materials outside the RCRA regulatory system, there is a potential for some handlers to claim that they are recycling, when, in fact, they are conducting waste treatment and/or disposal in the guise of recycling.[7] To guard against this, EPA has long articulated the need to distinguish between "legitimate" (i.e., true) recycling and "sham" (i.e., fake) recycling, beginning with the preamble to the 1985 regulations that established the definition of solid waste (50 FR 638, January 4, 1985).

In the October 28, 2003, proposal at 68 FR 61581–61588, EPA discussed its position on the relevance of legitimacy to hazardous secondary materials recycling in general and to the redefinition of solid waste specifically. We proposed to codify in the RCRA hazardous waste regulations four general criteria to be used in determining whether recycling of hazardous secondary materials is legitimate. In the supplemental proposal of March 26, 2007, at 72 FR 14197–14201, we proposed two changes to the 2003 proposed legitimacy criteria and asked for public comment on those changes. The changes were (1) a restructuring of the proposed criteria, called "factors" in this proposal, to make two of them mandatory, while leaving the other two as factors to be considered, and (2) additional guidance on how the economics of the recycling activity should be considered in a legitimate recycling determination.

The concept of legitimacy being finalized in today's rule as a restriction or a condition for the final exclusions and the non-waste determinations is not substantively different from the Agency's longstanding policy that has been expressed in our earlier preamble discussions and policy statements. The October 28, 2003, definition of solid waste proposal discussed the history of the guidance EPA has provided to the regulated community on the question of what it means to legitimately recycle. To summarize that discussion, the January 4, 1985, preamble to the final rule that promulgated the original definition of solid waste regulations established EPA's concept of legitimacy and described several indicators of sham recycling. A similar discussion that addressed legitimacy as it pertains to burning hazardous secondary materials for energy recovery was presented in the preamble to the January 8, 1988, proposed amendments to the definition of solid waste (53 FR 522).

On April 26, 1989, the Office of Solid Waste (OSW) issued a memorandum that consolidated preamble statements concerning legitimate recycling that had been articulated previously into a list of criteria to be considered in evaluating legitimacy [OSWER directive 9441.1989(19)]. This memorandum, known to many as the "Lowrance Memo," has been a primary source of guidance for the regulated community and for implementing agencies in distinguishing between legitimate and sham recycling for many years.

The legitimacy provision applicable to these exclusions and non-waste determinations is based on the October 2003 proposal and March 2007 supplemental proposal and all relevant information available to EPA as contained in the rulemaking record. The basis for how the legitimacy requirement in 40 CFR 260.43 works

[7] As an example of sham recycling, in a recent case the owner of a facility in Mississippi was found to be illegally burying hazardous waste on his property, where it was leaching into the surrounding soil and groundwater, while he was telling regulators and customers that he was recycling it into a salable product (Department of Justice, "Mississippi Hazardous Waste Operator Sentenced to 41 Months in Prison for Environmental Crimes," news release, February 7, 2008, *http://www.epa.gov/compliance/resources/cases/criminal/highlights/2008/pridemore-02-07-08.pdf*).

includes the reasoning in the October 2003 and March 2007 preambles to the proposal and supplemental proposal, respectively, and consideration of all significant public comments as discussed in section XVIII of this preamble, as well as in the response to comment document.

Following the detailed discussion of the structure of the 40 CFR 260.43 legitimacy factors and each individual factor in this preamble, EPA has included a discussion of how the current legitimacy policy continues to apply to existing exclusions and how the four factors being added to 40 CFR 260.43 compare to the questions in the Lowrance Memo and the discussions in the preambles identified above.

*B. How To Determine When Recycling Is Legitimate*

1. What Is the Purpose of Legitimacy?

As discussed in the October 2003 proposal and the March 2007 supplemental proposal to this rulemaking, the Agency has a long-standing policy that all recycling of hazardous secondary materials must be legitimate, including both excluded recycling and the recycling of regulated hazardous wastes. The legitimacy provision in today's final exclusions and non-waste determinations is designed to distinguish between real recycling activities—legitimate recycling—and "sham" recycling, an activity undertaken by an entity to avoid the requirements of managing a hazardous secondary material as a hazardous waste. Because of the economic advantages in managing hazardous secondary materials as recycled materials rather than as wastes, there is an incentive for some handlers to claim they are recycling when, in fact, they are conducting waste treatment and/or disposal.

2. Legitimacy Requirements

In this action, EPA is finalizing requirements that reclamation being undertaken under the exclusions at § 261.2(a)(2)(ii), § 261.4(a)(23), (24), and (25) and the non-waste determinations at § 260.30(d) and (e) be legitimate. These requirements can be found in the final regulatory text at § 260.34(b), § 261.2(a)(2)(ii), § 261.4(a)(23)(v), and § 261.4(a)(24)(iv). Each of these provisions refers to § 260.43, where the full requirements for determining the legitimacy of the reclamation operation can be found.

The design of legitimacy in the final rule has two parts. The first is a requirement that hazardous secondary materials being recycled provide a useful contribution to the recycling process or to the product of the recycling process and a requirement that the product of the recycling process is valuable. These two legitimacy factors make up the core of legitimacy and, therefore, a process that does not conform to them cannot be a legitimate recycling process, but would be considered sham recycling.

The second part of legitimacy is two factors that must be considered when a recycler is making a legitimacy determination. EPA believes that these two factors are important in determining legitimacy, but has not made them factors that must be met because the Agency knows that there will be some situations in which a legitimate recycling process does not conform to one or both of these two factors, yet the reclamation activity would still be considered legitimate. EPA does not believe that this will be a common occurrence, but in recognition that legitimate recycling may occur in these situations, EPA has made management of the hazardous secondary materials and the presence of hazardous constituents in the product of the recycling process to be factors that must be considered in the overall legitimacy determination, but not factors that must always be met.

*Structure of legitimacy provision.* Under the first paragraph of 40 CFR 260.43, hazardous secondary materials that are not legitimately recycled are discarded materials and, therefore, are solid wastes. This paragraph also states that anyone claiming an exclusion at § 261.2(a)(2)(ii), § 261.4(a)(23), § 261.4(a)(24), or § 261.4(a)(25) or using a non-waste determination at § 260.30(d) or (e) must be able to demonstrate that its recycling activity is legitimate. The Agency has included the language "In determining if their recycling is legitimate, persons must address the requirements of § 260.43(b) and must consider the requirements of § 260.43(c)" to make it clear that the factors in paragraph (b) must be met, while the factors in paragraph (c) must be considered and evaluated in determining whether the recycling activity overall is legitimate.

Although there is no specific recordkeeping requirement that goes with the ability to demonstrate legitimacy, EPA would expect that in the event of an inspection or an enforcement action by an implementing agency, the recycler would be able to show how it made the overall legitimacy determination per § 261.2(f).[8] In the event that the process does not conform to one of the two factors under § 260.43(c), the facility should be able to show that it considered that factor and why the recycling activity overall remains legitimate. For example, under existing exclusions from the definition of solid waste, reuse of lead contaminated foundry sands may or may not be legitimate, depending on the use. The use and reuse of foundry sands for mold making in a facility's sand loop under normal industry practices has been found to be legitimate because the sand is part of an industrial process where there is little chance of the hazardous constituents being released into the environment or causing damage to human health and the environment when it is kept inside, because there is lead throughout the foundry's process, and because there is a clear value to reusing the sand.[9] However, in the case of lead contaminated foundry sand used as children's play sand, the same high levels of lead would disqualify this use from being considered legitimate recycling.[10] the same result would be reached when applying Factor 4.

*Factor 1—Useful Contribution.* "Legitimate recycling must involve a hazardous secondary material that provides a useful contribution to the recycling process or to a product of the recycling process * * * The hazardous secondary material provides a useful contribution if it (i) contributes valuable ingredients to a product or intermediate; or (ii) replaces a catalyst or carrier in the recycling process; or (iii) is the source of a valuable constituent recovered in the recycling process; or (iv) is recovered or regenerated by the recycling process; or (v) is used as an effective substitute for a commercial product" (40 CFR 260.43(b)(1)).

This factor, one of the two core legitimacy factors, expresses the principle that hazardous secondary materials should contribute value to the recycling process. This factor is an

[8] Under the transfer-based exclusion being finalized in today's rule, a reclaimer should also anticipate that a hazardous secondary material generator may inquire as to whether the reclamation process is legitimate (40 CFR 261.4(a)(24)(v)(B)(1)). Reasonable effort inquiries will vary by generator and may include a request for information or documentation of legitimacy.

[9] Letter. Elizabeth Cotsworth, Director Office of Solid Waste, to Amy Blankenbiller, American Foundry Society, March 28, 2001. *http://yosemite.epa.gov/osw/rcra.nsf/0c994248c239947e85256d090071175f/4C9A2EEE6E5F859B85256AC5004FC1C2/$file/14534.pdf*

[10] One of the profiles in the docket shows that from 1997–1998, a horticultural nursery purchased approximately 375 tons of foundry sand that contained lead above the regulatory limits and that was then bagged and sold as play sand to approximately 40 different retailers. (U.S. EPA, *An Assessment of Environmental Problems Associated with Recycling of Hazardous Secondary Materials*, Appendix 2).

essential element to legitimate recycling because real recycling is not occurring if the hazardous secondary materials being added or recovered do not add anything to the process. This factor is intended to prevent the practice of adding to or recovering hazardous secondary materials from a manufacturing operation simply as a means of disposing of them, or recovering only small amounts of a constituent, which EPA would consider sham recycling.

In response to comments received on this factor asking for more clarification on what useful contribution means, the regulatory text includes an explanation of how useful contribution might be achieved in (i) through (v) of § 260.43(b)(1). EPA stresses that the ways in which hazardous secondary materials can add value and be useful in a recycling process are (i) contributing valuable ingredients to a product or intermediate; (ii) replacing a catalyst or carrier in the recycling process; (iii) providing a valuable constituent to be recovered; (iv) being regenerated; or (v) being used as an effective substitute for a commercial product. The preamble to the October 2003 proposed rule gave full descriptions of these five situations (68 FR 61585), but the Agency has also included them in the regulatory text to clarify this factor for the regulated community.

The Agency also wants to restate for clarification that for hazardous secondary materials to meet the useful contribution factor, not every constituent or component of the hazardous secondary material has to make a contribution to the recycling activity. For example, a legitimate recycling operation involving precious metals might not recover all of the components of the hazardous secondary material, but would recover precious metals with sufficient value to consider the recycling process legitimate. In addition, the recycling activity does not have to involve the hazardous component of the hazardous secondary materials if the value of the contribution of the non-hazardous component justifies the recycling activity. One example of this factor from an existing exemption is where hazardous secondary materials containing large amounts of zinc, a non-hazardous component, are recycled into zinc micronutrient fertilizers. In cases where the hazardous component is not being used or recycled, the Agency stresses that the recycler is responsible for the management of any hazardous residuals of the recycling process.

In a situation where more than one hazardous secondary material is used in a single recycling process and the hazardous secondary materials are mixed or blended as a part of the process, each hazardous secondary material would need to satisfy the useful contribution factor. This requirement prevents situations where a worthless hazardous secondary material could be mixed with valuable and useful hazardous secondary materials in an attempt to disguise and dispose of it. In addition, a situation in which hazardous secondary materials that can be useful to a process are added to that process in much greater amounts than are needed to make the end-product or to otherwise provide its useful contribution would also be sham recycling.

Another way the usefulness of the hazardous secondary material's contribution could be demonstrated is by looking at the efficiency of the material's use in the recycling process—that is, how much of the constituent in a hazardous secondary material is actually being used. As an example, if there is a constituent in the hazardous secondary material that could add value to the recycling process, but, due to process design, most of it is not being recovered but is being disposed of in the residuals, this would be a possible indicator of sham recycling. However, there are certainly recycling scenarios where a low recovery rate could still be legitimate. For example, under an existing exclusion, if the concentration in a metal-bearing hazardous secondary material is low (2%–4%) and a recycling process was able to recover a large percentage of the target metal, this factor could be met and the recycling may be legitimate (depending on the outcome of the analysis of the other legitimacy factors).

One way to use the efficiency of the recycling process to evaluate legitimacy is to compare the process to typical industry recovery rates from raw materials to determine if the recycling process is reasonably efficient. This method should involve an examination of the overall process, not just a single step of the process. For example, if one step in the process recovers a small percentage of the constituent, but the overall process recovers a much larger percentage, the Agency would consider the overall efficiency of the recycling process in determining whether hazardous secondary materials are providing a useful contribution.

There are various ways in which hazardous secondary materials can be useful to a recycling process and various ways are laid out in this discussion of how a facility might demonstrate conformity with this factor. In addition, we provided a number of different ways a material could contribute to the process in the regulatory text describing this factor. Any one of these would be sufficient to demonstrate that the hazardous secondary material provides a useful contribution. Overall, the Agency considers this factor to be a critical element in determining legitimacy and any recycling process that does not meet this factor cannot be considered legitimate recycling.

*Factor 2—Valuable Product or Intermediate.* "The recycling process must produce a valuable product or intermediate * * * The product or intermediate is valuable if it is (i) sold to a third party or (ii) used by the recycler or the generator as an effective substitute for a commercial product or as an ingredient or intermediate in an industrial process" (40 CFR 260.43(b)(2)).

This factor, one of the two core legitimacy factors, expresses the principle that the product or intermediate of the recycling process should be a material of value, either to a third party who buys it from the recycler, or to the generator or recycler itself, who can use it as a substitute for another material that it would otherwise have to buy or obtain for its industrial process. This factor is also an essential element of the concept of legitimate recycling because recycling cannot be occurring if the product or intermediate of the recycling process is not of use to anyone and, therefore, is not a real product. This factor is intended to prevent the practice of running a hazardous secondary material through an industrial process to make something just for the purpose of avoiding the costs of hazardous waste management, rather than for the purpose of using the product or intermediate of the recycling activity. Such a practice would be sham recycling.

Most commenters on the proposed rule for this factor stated that this is a useful way of gauging whether recycling is actually taking place, but requested that the Agency clarify the meaning of the term valuable, as it is used in the regulatory text. EPA is repeating and clarifying today that for the purpose of this factor, a recyclable product may be considered "valuable" if it can be shown to have either economic value or a more intrinsic value to the end user. Evaluations of "valuable" for the purpose of this factor should be done on a case-by-case basis, but one way to demonstrate that the recycling process yields a valuable product would be the documented sale of a product of the recycling process to a third party. Such documentation could be in the form of

receipts or contracts and agreements that establish the terms of the sale or transaction. This transaction could include money changing hands or, in other circumstances, may involve trade or barter. A recycler that has not yet arranged for the sale of its product to a third party could establish value by demonstrating that it can replace another product or intermediate that is available in the marketplace. A product of the recycling process may be sold at a loss in some circumstances, but the recycler would have to be prepared to show how the product is clearly valuable to the purchaser.

However, many recycling processes produce outputs that are not sold to another party, but are instead used by the generator or recycler. A product of the recycling process may be used as a feedstock in a manufacturing process, but have no established monetary value in the marketplace. Such recycled products or intermediates would be considered to have intrinsic value, though demonstrating intrinsic value may be less straightforward than demonstrating value for products that are sold in the marketplace. Demonstrations of intrinsic value could involve showing that the product of the recycling process or intermediate replaces an alternative product that would otherwise have to be purchased or could involve a showing that the product of the recycling process or intermediate meets specific product specifications or specific industry standards. Another approach could be to compare the product's or intermediate's physical and chemical properties or efficacy for certain uses with those of comparable products or intermediates made from raw materials.

Some recycling processes may consist of multiple steps that may occur at separate facilities. In some cases, each processing step will yield a valuable product or intermediate, such as when a metal-bearing hazardous secondary material is processed to reclaim a precious metal and is then put through another process to reclaim a different mineral. When each step in the process yields a valuable product or intermediate that is salable or usable in that form, the recycling activity would conform to this factor.

Like the other factors, this factor should be examined and evaluated on a case-by-case basis looking at the specific facts of a recycling activity. If, for instance, a recycling activity produces a product or intermediate that is used by the recycler itself, but does not serve any purpose and is just being used so that the product or intermediate appears valuable, that would be an indicator of sham recycling. An example of this would be a recycler that reclaims a hazardous secondary material and then uses that material to make blocks or building materials for which it has no market and then "uses" those building materials to make a warehouse in which it stores the remainder of the building materials that it is unable to sell.

*Factor 3—Managed as a Valuable Commodity.* "The generator and the recycler should manage the hazardous secondary material as a valuable commodity. Where there is an analogous raw material, the hazardous secondary material should be managed, at a minimum, in a manner consistent with the management of the raw material. Where there is no analogous raw material, the hazardous secondary material should be contained. Hazardous secondary materials that are released to the environment and are not recovered immediately are discarded" (40 CFR 260.43(c)(1)).

The first of the additional factors that must be considered expresses the principle that hazardous secondary materials being recycled should be managed in the same manner as other valuable materials. This factor requires those making a legitimacy determination to look at how the hazardous secondary material is managed before it enters the recycling process. In EPA's view, a recycler will value hazardous secondary materials that provide an important contribution to its process or product and, therefore, will manage those hazardous secondary materials in a manner consistent with how it manages a valuable feedstock. If, on the other hand, the recycler does not manage the hazardous secondary materials as it would a valuable feedstock, that behavior may indicate that the hazardous secondary materials may not be recycled, but rather released into the environment and discarded.

This factor may be particularly appropriate in the case where a recycler has been paid by a generator to take its materials as a result of the economic incentives in the hazardous secondary materials market. By looking at the management of the hazardous secondary material before it enters the recycler's process, the entity making the legitimacy determination can tell that a material being managed like an analogous raw material is, in fact, valued by the recycler. If the hazardous secondary material is not being managed like a valuable raw material because it is uncontrolled or is being released, that indicates that the fee the recycler obtains for taking the hazardous secondary material may be its only value to that recycler. If the fee received were the only value to the recycler, it would mean that discard was taking place.

This factor addresses the management of hazardous secondary materials in two distinct situations. The first situation is when a hazardous secondary material is analogous to a raw material which it is replacing in the process. In this case, the hazardous secondary material should be managed prior to recycling similarly to the way the analogous raw materials are managed in the course of normal manufacturing. EPA expects that all parties handling hazardous secondary materials destined for recycling—generators, transporters, intermediate facilities and reclamation facilities—will handle them in generally the same manner in which they would handle the valuable raw materials they might otherwise be using in their process. "Analogous raw material," as defined elsewhere in this preamble, is a raw material for which the hazardous secondary material substitutes and which serves the same function and has similar physical and chemical properties as the hazardous secondary material.

The second situation the factor addresses is the case where there is no analogous raw material that the hazardous secondary material is replacing. This could be either because the process is designed around a particular hazardous secondary material—that is, the hazardous secondary material is not replacing anything—or it could be because of physical or chemical differences between the hazardous secondary material and the raw material that are too significant for them to be considered "analogous."

Hazardous secondary materials that have significantly different physical or chemical properties when compared to the raw material would not be considered analogous even if they serve the same function because it may not be appropriate to manage them in the same way. In this situation, the hazardous secondary material would have to be contained for this factor to be met. A hazardous secondary material is "contained" if it is placed in a unit that controls the movement of that material out of the unit. This requirement is consistent with the idea that normal manufacturing processes are designed to use valuable material inputs efficiently rather to than allow them to be released into the environment.

For example, if a manufacturer has an ingredient that is a dry raw material managed in supersacks, the Agency would expect that a hazardous secondary material that is a similar dry

material also would be managed in supersacks or in a manner that would provide equivalent protection. If, on the other hand, the hazardous secondary material was instead managed in an outdoor pile without appropriate controls in place to address releases to the environment, it may indicate that it was not being handled as a valuable commodity. If, however, the manufacturer decided to replace the dry raw material in its process with a liquid having the same constituents, it would not be sufficient, nor would it make sense, for the liquid to be managed in supersacks. Instead, the liquid would have to be "contained" (for example in a tank or surface impoundment).

An important part of this factor is the statement in the regulatory text clarifying that hazardous secondary materials that are released to the environment and not recovered immediately are discarded. Valuable products should not be allowed to escape into the environment through poor management and this factor clarifies that those hazardous secondary materials that do escape (and are not immediately recovered) are clearly discarded. Either a large release or ongoing releases of smaller amounts could indicate that, in general, the hazardous secondary material is not being managed as a valuable product, which could potentially lead to the recycling process being found not to be legitimate. Hazardous secondary materials that are immediately recovered before they disperse into the environment—air, soil, or water—and are reintroduced in the recycling process are not discarded. This determination must be made on a case-by-case basis, however.

EPA has determined that it is appropriate that this factor is one of the two that must be considered rather than a factor that must be met because there are situations in which this factor is not met, but recycling appears to be legitimate. An example of this kind of situation is described in the March 2007 supplemental proposal (72 FR 14199). In the example, a hazardous secondary material that is a powder-like material is shipped in a woven super sack and stored in an indoor containment area, whereas the analogous raw material is shipped and stored in drums. A strict reading of this factor may determine that the hazardous secondary material is not being managed in a manner consistent with the raw material even if the differences in management are not actually impacting the likelihood of a release. By designing the legitimacy factors so that this one has to be considered, but not necessarily met, the individual facts of situations like the one described here can be evaluated on a case-by-case basis to determine if they affect the legitimacy of the recycling activity.

In summary, given the nature of the legitimacy factors and their need to apply to all the practices covered by the exclusions in this final rule, it is not appropriate or practicable for EPA to develop a specific management standard. In the absence of such a management standard, EPA is using this factor: materials must be managed as analogous raw materials or, if there are no analogous raw materials, the materials must be contained. EPA's intent with this factor is that hazardous secondary materials are managed in the same manner as materials that have been purchased or obtained at some cost, just as raw materials are. Just as it is good business practice to ensure that raw materials enter the manufacturing process rather than being spilled or released, we would expect hazardous secondary materials to be managed effectively and efficiently in order that their full value to the manufacturing process would be realized.

*Factor 4—Comparison of Toxics in the Product.* "The product of the recycling process does not (i) contain significant concentrations of any hazardous constituents found in Appendix VIII of part 261 that are not found in analogous products; or (ii) contain concentrations of any hazardous constituents found in Appendix VIII of part 261 at levels that are significantly elevated from those found in analogous products; or (iii) exhibit a hazardous characteristic (as defined in part 261 subpart C) that analogous products do not exhibit" (40 CFR 260.43(c)(2)).

The second of the additional factors that must be considered requires those making a legitimacy determination to look at the concentrations of the hazardous constituents found in the product made from hazardous secondary materials and compare them to the concentrations of hazardous constituents in analogous products. Any of the following three situations could be an indicator of sham recycling: a product that contains significant levels of hazardous constituents that are not found in the analogous products; a product with hazardous constituents that were in the analogous products, but contains them at significantly higher concentrations; or a product that exhibits a hazardous characteristic that analogous products do not exhibit. Any of these situations could indicate that sham recycling is occurring because in lieu of proper hazardous waste disposal, the recycler could have incorporated hazardous constituents into the final product when they are not needed to make that product effective in its purpose. This factor, therefore, is designed to determine when toxics that are "along for the ride" are discarded in a final product and, therefore, the hazardous secondary material is not being legitimately recycled.

To evaluate this factor, a recycler will ordinarily compare the product of the recycling process to an analogous product made of raw materials. For example, if a recycling process produced paint, the levels of hazardous constituents in the paint will be compared with the levels of the same constituents found in similar paint made from virgin raw materials.

A recycler is also allowed to perform this evaluation by comparing the hazardous constituents in the hazardous secondary material feedstock with those in an analogous raw material feedstock. If the hazardous secondary material feedstock does not contain significantly higher concentrations of hazardous constituents than the raw material feedstock, then the end product of the recycling process would not contain excess hazardous constituents "along for the ride" either. EPA is clarifying here that this method of showing that the product does not have "toxics along for the ride" is acceptable. There may be cases in which it is easier to compare feedstocks than it is to compare products because the recycler knows that the hazardous secondary material is very similar in profile to the raw material. A comparison of feedstocks may also be easier in cases where the recycler creates an intermediate which is later processed again and may end up in two or more products, when there is no analogous product, or when production of the product of the recycling process has not yet begun.

This factor identifies three ways to evaluate whether or not unacceptable amounts of hazardous constituents are passed through to the products of the recycling process. (As explained above, these methods also could be used to compare the hazardous secondary material feedstock to a raw material feedstock, if the recycler prefers.) The first method specifies that when analogous products made from raw materials do not contain hazardous constituents, the product of the recycling process should not contain significant amounts of hazardous constituents. For example, if paint made from reclaimed solvent contains significant amounts of cadmium, but the same type of paint made from virgin raw materials does not contain cadmium, it could indicate that the cadmium serves

no useful purpose and is being passed though the recycling process and discarded in the product.

The second method addresses analogous products that do contain hazardous constituents and asks whether the concentrations of those hazardous constituents are significantly higher in the product of the recycling process than in the product made from raw materials. Concentrations of hazardous constituents in the product of the recycling process that are significantly higher than in the product made from virgin raw materials could again be an indicator of sham recycling. For example, if a lead-bearing hazardous secondary material was reclaimed and then that material was used as an ingredient in making ceramic tiles and the amount of lead in the tiles was significantly higher than the amount of lead found in similar tiles made from virgin raw materials, the recycler should look more closely at the factors to determine the overall legitimacy of the process.

The third method under this factor is whether the product of the recycling process exhibits a hazardous characteristic that analogous products do not exhibit. Requiring an evaluation of hazardous characteristics ensures that products of the recycling process do not exhibit the characteristics of toxicity, ignitability, corrosivity, or reactivity when the analogous products do not. The Agency believes that most issues associated with "toxics along for the ride" will involve the presence of toxic constituents, which are addressed under the first two parts of the factor. That is, we believe that it is likely that there are few instances where hazardous secondary materials are used in the process and hazardous constituents are not present at significantly higher levels, but the product made from the hazardous secondary material nevertheless exhibits the hazardous characteristic of toxicity when the analogous product does not. It is possible, though, that the use of hazardous secondary materials as an ingredient could cause a product to exhibit a hazardous characteristic, such as corrosivity, that is not exhibited by analogous products.

The Agency has determined that it is appropriate for this factor to be considered in legitimacy determinations under the final exclusions and in the non-waste determinations in this action, but thinks that there may be situations in which the factor is not met but the recycling would still be considered legitimate. An example of this kind of situation that has been addressed by the Agency under the current regulatory scheme would be in the use and reuse of foundry sands for mold making in a facility's sand loop. Because of repeated exposure to metals in a foundry's process, the sands used to make the molds may have significantly higher concentrations of hazardous constituents than virgin sand. However, because the sand is part of an industrial process where there is little chance of the hazardous constituents being released into the environment or causing damage to human health and the environment when it is kept inside, because there is lead throughout the foundry's process, and because there is a clear value to reusing the sand, this would be an example of a situation where this factor is not met, but it does not affect the legitimacy of the recycling process.

In fact, EPA has concluded as a general matter that foundries engaged in the reuse of lead-containing foundry sands are recycling those sands legitimately and these sands would not be regulated under RCRA Subtitle C (under the circumstances described in EPA's March 2001 memorandum on this subject).[11] Thus, while the used sands in the sand loop arguably have toxics-along-for-the ride, EPA did not raise questions about the legitimacy of the recycling, given the overall nature of the operations. If the used foundry sand were being recycled into a different product, such as a material used on the ground or in children's play sand, the legitimacy determination would be very different and significant levels of metals would likely render the recycling illegitimate. The same conclusions would be reached applying the factors codified in 260.43.

Another example of recycling that may be legitimate although this factor has not been met could be when the material has concentrations of toxics that could be considered "significantly higher" than the analogous product, but meets industry specifications for the product that include specific specifications for the hazardous constituent of concern. Meeting accepted industry standards would be a strong indication that this material is being legitimately recycled. A third example could be in the mining and mineral processing industry. In many mineral processing operations, the very nature of an operation results in hazardous constituents concentrating in the product as it proceeds through the various steps of the process. In many cases, there is not an analogous product to compare the products of these processes so this factor may not be relevant because of the nature of the operations. As with the above example, if a facility considers a factor and decides that it is not applicable to its process, the Agency suggests that the facility evaluate the presence of hazardous constituents in its product and be prepared to demonstrate both that it considered this factor and the reasons it believes the factor is not relevant.

As discussed in more detail in the comments section of this preamble (section XVIII) and in the response to comments document in the docket, commenters on this factor requested clarification concerning what EPA meant by the terms used in this factor. In response to some of these comments, EPA has made two clarifications in the regulatory text by (1) specifying that the hazardous constituents referred to in the regulation are those that are found in Appendix VIII to 40 CFR part 261 and (2) clarifying that the hazardous characteristics to which EPA is referring to are those in 40 CFR part 261 subpart C.

The Agency also received much comment on the term "significant" and what the Agency intended by this term. EPA has decided to keep the term in the final rule. The alternative to using "significant" or a similarly flexible term to determine when there may be hazardous constituents in the product made from recycled hazardous secondary materials that are not in the analogous products made from raw materials would be to set an absolute standard. In its discussion of legitimacy in the October 2003 proposed rule, EPA discussed possible "bright line" or risk-based approaches as a way to set absolute lines to define "significant" based on either a numerical limit or a risk level (68 FR 61587–61588). EPA recognizes that the "bright line" or the risk-based approach may provide greater clarity and predictability to the regulated community, but that in both cases the Agency would have to establish a line for what is acceptable and the line may either be somewhat arbitrary or it may exclude recycling practices that, if carefully considered, should be considered legitimate. Based on the comments received on those approaches, we are convinced that they would not be workable.

On the other hand, a case-by-case analysis of a recycling process can take into consideration the relevant principles and facts for that activity,

[11] Letter. Elizabeth Cotsworth, Director Office of Solid Waste, to Amy Blankenbiller, American Foundry Society, March 28, 2001. *http://yosemite.epa.gov/osw/rcra.nsf/0c994248c239947e85256d090071175f/4C9A2EEE6E5F859B85256AC5004FC1C2/$file/14534.pdf*

leading to a determination of significance based on the facts of the activity. Because this factor must apply to various different recycling activities, we believe the case-by-case approach is most appropriate.

EPA, therefore, is finalizing its proposed option of using the term "significant" in 40 CFR 260.43(c)(2)(i) and (ii). Evaluating the significance of levels of hazardous constituents in products of the recycling process may involve taking into consideration several variables, such as the type of product, how it is used and by whom, whether or not the elevated levels of hazardous constituents compromise the efficacy of the product, the availability of the hazardous constituents to the environment, and others. For example, if a hazardous secondary material has been reclaimed and made into a product that will be used by children, and that product contains hazardous constituents that are not in analogous products, that product will likely need to be closely scrutinized. On the other hand, low levels of a hazardous constituent in a product from that same reclamation operation that is used as an ingredient in an industrial process or for another industrial application may not be significant and must be evaluated in the context of the product's use.

EPA provided several additional examples in implementing this factor in the October 2003 proposed rule which will be repeated here. If zinc galvanizing metal made from hazardous secondary materials that were reclaimed contains 500 parts per million (ppm) of lead, while the same zinc product made from raw materials typically contains 475 ppm, this difference in concentration would likely not be considered "significant" in the evaluation of this factor. If, on the other hand, the lead levels in the zinc product made from reclaimed hazardous secondary materials were 1,000 ppm, it may indicate that the product was being used to illegally dispose of lead and that the activity is sham recycling, unless other factors would demonstrate otherwise.

In another example, if a "virgin" solvent contains no detectable amounts of barium, while spent solvent that has been reclaimed contains a minimal amount of barium (e.g., 1 ppm), this difference might not be considered significant. If, however, the barium in the reclaimed solvent were at much higher levels (such as 50 ppm), it may indicate discard of the barium and sham recycling.

Unfortunately, because of the variety of possible recycling scenarios under the exclusions and in the non-waste determinations covered by this final rule, we cannot provide examples for how this factor might work for all possible recycling situations. The Agency stresses that the determination of legitimacy for this factor should consider both the use and the users of the product in addition to the concentration of the hazardous constituents or the presence of a hazardous characteristic, as well as other relevant information. In addition, in some cases, the implementing agency may accept a risk argument from a recycler to show that the recycling activity meets this factor. If the recycler can show that despite elevated concentrations of hazardous constituents, such constituents pose little or no risk to human health or the environment, the implementing agency may consider that as evidence that the elevated concentrations are not significant. *How consideration of economics applies to legitimacy.* Consideration of economics has long been a part of the Agency's concept of legitimacy, as is evident in the Lowrance Memo and earlier preamble text (50 FR 638, January 4, 1985 and 53 FR 522, January 8, 1988; *see also American Petroleum Institute* v. *EPA ("API II")*, 216 F.3d 50, 57–58 (DC Cir. 2000)). This final rule does not codify specific regulatory language on economics as part of the legitimacy provision, but EPA offers further guidance and clarification on how economics may be considered in making legitimacy determinations, which is similar to the preamble discussion in the March 2007 supplemental proposal.

Specifically, EPA believes that consideration of the economics of a recycling activity can be used to inform and help determine whether the recycling operation is legitimate. Positive economic factors would be a strong indication of legitimate recycling, whereas negative economic factors would be an indication that further evaluation of the recycling operation may be warranted in assessing the legitimacy factors.

Considering the economics of a recycling activity can also inform whether the hazardous secondary material inputs provide a useful contribution and whether the product of recycling is of value. Economic information that may be useful could include (1) the amount paid or revenue generated by the recycler for recycling hazardous secondary materials; (2) the revenue generated from the sale of recycled products; (3) the future cost of processing existing inventories of hazardous secondary materials; and (4) other costs and revenues associated with the recycling operation. The economics of the recycling transaction may be more of an issue when hazardous secondary materials are sent to a third-party recycler, but even when the hazardous secondary materials are recycled under the control of the generator, the generator must still show that the hazardous secondary materials are, at a minimum, providing a useful contribution and producing a valuable product.

Useful Economic Information

(1) The amount paid or revenue generated by the recycler for recycling hazardous secondary materials is one example of how economic information can help support a legitimacy determination. We have three primary illustrations to exemplify this. First, the basic economic flows can suggest whether the recycling operation will process inputs, including hazardous secondary materials, and produce products over a reasonable period of time, recognizing that there will be lean and slow times. A general accounting of the major costs, revenues, and economic flows for a recycling operation over a reasonable period of time can provide information for considering whether recycling is likely to continue at a reasonable rate, compared to the rate at which inputs are received, or whether it is likely that significant amounts of hazardous secondary materials would be accumulated and then abandoned when the facility closes. Any bona fide sources of revenues would be included in this consideration, such as payments by generators to recyclers for accepting hazardous secondary materials and subsidies supporting recycling. However, in order to have some level of confidence that beneficial products are or will be produced over a reasonable timeframe, we believe that at least some portion of the revenues should be from product sales (or savings due to avoided purchases of products if the hazardous secondary materials are used directly by the recycler). This is consistent with the factor requiring that the hazardous secondary material must be recycled to make a valuable product or intermediate.

Two scenarios illustrate this first example: A recycling operation that generates revenues from the sale of recycled products that greatly exceed the costs of the operation is an indication of a process that turns the hazardous secondary materials into useful products, and is unlikely to over accumulate them. A very different example is an operation that has, relative to its revenues, large inventories of unsold product and large future liabilities in terms of stocks of

unprocessed hazardous secondary materials. This operation could potentially fail the "useful contribution" and "produces a valuable product or intermediate" legitimacy factors, and would draw closer attention to determine whether it is engaged in treatment and/or abandonment in the guise of recycling.

Second, when the economics of a recycling operation that uses hazardous secondary materials to produce and sell final products are similar to a manufacturing operation using raw materials to produce and sell final products, we believe that such an operation is likely to be legitimate. For instance, if the recycler pays for hazardous secondary materials as a manufacturer would pay for raw materials, the recycler sells products from the recycling process as a manufacturer would sell products from manufacturing, and the revenues generated equal or exceed costs, then the hazardous secondary materials appear to be valuable (i.e., the recycler is willing to pay for them) and appear to make a useful contribution to a valuable recycled product.

However, we also recognize that the economics of many legitimate recycling operations that utilize hazardous secondary materials differ from the economics of more traditional manufacturing operations. For example, many recyclers are paid by generators to accept hazardous secondary materials. Generators may be willing to pay recyclers because generators can save money if the recycling is less expensive than disposing of the hazardous secondary materials in landfills or incinerators. Also, some recyclers receive subsidies that may be designed to develop recycling infrastructure and markets or to achieve other benefits of recycling. For instance, the recycling of electronic materials can be legitimate even when the recycler is subsidized for processing the material.

Third, any analysis of the economics of a recycling operation should recognize that a recycler may be able to charge generators and still be a legitimate recycling operation. Because these hazardous secondary materials are hazardous wastes if disposed of, typically the generators' other alternative management option already carries a cost that is based on the existing market for hazardous waste transportation, treatment, and disposal. Hence, unless there is strong competition in recycling markets or the hazardous secondary materials are extremely valuable, a recycler may be able to charge generators simply because alternative disposal options cost more.

Recognizing that such a dynamic exists can assist those making legitimacy determinations in evaluating recycling operations. For example, if a recycler is charging generators fees (or receiving subsidies from elsewhere) for taking hazardous secondary materials and receives a far greater proportion of its revenue from acceptance of the fees than from the sale of its products, both the useful contribution and the valuable product factors may warrant further review, unless other information would indicate that such recycling is legitimate. Fees and subsidies may indicate that the economic situation allows the recycler to charge high fees, regardless of the contribution provided by the inputs, including hazardous secondary materials. In this situation, recyclers may also have an increased economic incentive to over-accumulate or overuse hazardous secondary materials or to manage them less carefully than one might manage more valuable inputs. Additionally, if there is little competition in the recycling market, and/or if acceptance fees seem to be set largely to compete with the relative costs of alternative disposal options rather than to reflect the quality or usefulness of the input to the recycling operation, this may also suggest a closer look at the useful contribution factor.

(2) A comparison of revenue from sales of recycled products to payments by generators is another example of how economic information can help support an evaluation of "valuable product." It is possible that product sales revenues could be dwarfed by the acceptance of fees because markets for particular products are highly competitive or because high alternative disposal costs allow for high acceptance fees. However, relatively low sales revenues could also require a review of other factors, such as whether product sales prices are lower than other comparable products, products are being stockpiled rather than sold, or very little product is being produced relative to the amount of inputs to the recycling operation. These indicators may suggest that the product of the recycling process is not valuable and, thus, sham recycling may be occurring.

(3) A consideration of the future cost of processing or alternatively managing existing inventories of hazardous secondary material inputs is another example of how economic information can inform a legitimacy determination. When hazardous secondary materials make a significant useful contribution to the recycling process, a recycler will have an economic incentive to process the input materials relatively quickly and efficiently, rather than to maintain large inventories. While recyclers often need to acquire sufficient amounts of hazardous secondary materials to make it economically feasible to recycle them, there should be little economic incentive to over-accumulate such materials that make a useful contribution. Overly large accumulations of input materials may indicate that the hazardous secondary materials are not providing a useful contribution or that the recycler is increasing its future costs of either processing or disposing of the material, and may be faced with an unsound recycling operation in the future. However, it is important to keep in mind that possible explanations for this may exist. For example, the recycler may have acquired a large stock of hazardous secondary materials because the price was unusually low or perhaps the hazardous secondary materials are generated episodically and the recycler has few opportunities to acquire them.

(4) An analysis of costs and revenues specific to on-site recycling is an additional, albeit specific, example of economic information to consider. When recycling is conducted under the control of the generator, the recycler may not account formally for some of the costs and savings of the operation. Still, when deciding whether to undertake or continue the recycling operation or to utilize alternative outside recycling or disposal options, the on-site recycler (under the control of the generator) will evaluate the basic economic factors as a part of doing business. One such factor could be an accounting of the costs of virgin materials avoided by using hazardous secondary materials. Similarly, sales of recycled products under the control of the generator that are sold to an external market may support the valuable product criterion.

3. Legitimacy Policy for Other Exclusions and Exemptions

EPA is codifying a legitimacy provision in this final rule as part of the final exclusions and non-waste determinations, but stresses that EPA retains its long-standing policy that all recycling of hazardous secondary materials must be legitimate. If a facility is engaged in sham recycling, this, by definition, is not real recycling and that material is being discarded. The legitimacy policy continues to apply to all hazardous secondary materials that are excluded or exempted from Subtitle C regulation because they are recycled and to recyclable hazardous wastes that remain subject to the hazardous waste regulations. This policy is well-

understood throughout the regulated community and among the state implementing agencies.

EPA believes that the four legitimacy factors being codified in 40 CFR 260.43 are substantively the same as the existing legitimacy policy. These factors are a simplification and clarification of the policy statements in the 1989 Lowrance Memo and in various Definition of Solid Waste **Federal Register** notices.

Nonetheless, to avoid confusion among the regulated community and state and other implementing regulatory agencies about the status of recycling under the existing exclusions, the Agency has decided not to codify the legitimacy factors for existing exclusions and, thus, states and other implementing agencies will continue to apply the existing legitimacy policy to all recycling as they have in the past in order to ensure that recycling is real and not a sham. The legitimacy provisions of the final rule are codified only for the exclusions and non-waste determinations being promulgated today. In developing the codified legitimacy language, we did not intend to raise questions about the status of legitimacy determinations that underlie existing exclusions from the definition of solid waste, or about case-specific determinations that have been made by EPA or the states. Current exclusions and other prior solid waste determinations or variances, including determinations made in letters of interpretation and inspection reports, remain in effect.

A number of commenters raised concerns with the application of the codified legitimacy factors to these existing waste-specific and industry-specific exclusions. In particular, as we noted in the October 2003 proposal, EPA has examined in depth a number of waste-specific and industry-specific recycling activities and has promulgated specific regulatory exclusions or provisions that address the legitimacy of these practices in much more specific terms than the general factors being finalized as part of the exclusions and non-waste determination process today. One example is the regulation for zinc fertilizers made from recycled hazardous secondary materials. In the zinc fertilizer regulation, among the requirements established by EPA are specific numerical limits on five heavy metal contaminants and dioxins in the zinc fertilizer product exclusion at 40 CFR 261.4(a)(21). Other examples are shredded circuit boards excluded under 40 CFR 261.4(a)(14), which must be free of mercury switches, mercury relays and nickel-cadmium and lithium batteries, and comparable fuels excluded under 40 CFR 261.4(a)(16), which must meet specific levels for hazardous constituents. The conditions developed for the recycling exclusions in § 261.4(a) were found to be necessary under material-specific rulemakings that determined when the particular hazardous secondary material in question is not a solid waste. When EPA originally made the decision that these materials are not solid waste, the Agency took into account the relevant factors about the hazardous secondary materials, including how the material was managed and what toxic chemicals were present. By limiting the codified legitimacy provision to the exclusions and non-waste determinations in today's final rule, EPA is avoiding any implication that we are revisiting these determinations.

However, at the same time, these material-specific exclusions from the definition of solid waste do not negate the basic requirement that the hazardous secondary material must be "legitimately" recycled. Recycling that is not legitimate is not recycling at all, but rather "sham recycling"—discard in the guise of recycling.

For example, under EPA's historic guidance, particularly questions (1) and (3) in OSWER Directive 9441.1989(19), the "Lowrance Memo," a facility could not plausibly claim the zinc fertilizer product exclusion at 40 CFR 261.4(a)(21) for a hazardous secondary material that contained absolutely no or minimal levels of zinc, even if all the conditions of the zinc fertilizer exclusion were met. The exclusion was developed to encourage legitimate recycling of zinc-containing hazardous secondary materials, not to allow any hazardous waste to be discarded to purported fertilizer in the name of recycling when the hazardous secondary material provided no recognizable benefit to the product.

Similarly, if a facility accepted zinc-containing hazardous waste, claiming to make zinc fertilizer, but failed to produce a product that was actually sold or was otherwise valuable, such a process would not be legitimate recycling (under question (4) of the Lowrance Memo in the historic legitimacy guidance), even if the management conditions or the constituent levels in the zinc fertilizer exclusion were met. The consequences of the latter example are illustrated in one of the damage cases in the environmental problems study. A facility whose primary business was mixing electric arc furnace dust (K061) with agricultural lime for sale as a micronutrient lost its customers and could not sell its product. However, the facility continued to accept EPA Hazardous Waste K061, and, in approximately seven months, the facility had accepted over 60,000 tons of this hazardous waste and stored it on the ground in piles up to 30 feet high, with no prospect of it being used to produce a product and, thus, legitimately recycled. While the initial recycling of the K061 hazardous waste was legitimate, when the facility failed to produce a product that was actually sold, the K061 could no longer be considered legitimately recycled.

In summary, all hazardous secondary materials recycling and hazardous waste recycling, whether such recycling remains under hazardous waste regulations or is excluded from the definition of solid waste, must be legitimate. This has been our long-standing policy and it is well understood throughout the regulated community and the implementing state regulatory agencies. In order to be clear that the legitimacy provision codified at 40 CFR 260.43 under today's final rule would not affect how the current legitimacy policy applies to recycling under existing exclusions, the legitimacy provision at 40 CFR 260.43 is explicitly designated as applying only to the exclusions and non-waste determinations being finalized in today's rule.

EPA also maintains that the legitimacy provision being finalized as part of the exclusions and non-waste determinations is substantively the same as existing policy because we developed the legitimacy factors in 40 CFR 260.43 by closely examining the questions and sub-questions in the Lowrance Memo and in the **Federal Register** preambles and converting them into four more direct questions. The following explanations show how each of the four factors is derived from the Lowrance Memo and other existing policy statements.

Factor 1—The Hazardous Secondary Material Provides a Useful Contribution

Relevant Lowrance Memo Questions

(1) Is the secondary material similar to an analogous raw material or product?

Is much more of the secondary material used as compared with the analogous raw material/product it replaces? Is only a nominal amount of it used?

Is the secondary material as effective as the raw material or product is replaces?

(3) What is the value of the secondary material?

Is it listed in industry news letters, trade journals, etc.?

Does the secondary material have economic value comparable to the raw material that normally enters the process?

Discussion

The factor addressing "useful contribution" has been distilled from and clarifies concepts in the Agency's existing policy for legitimate recycling. For example, the preamble to the January 4, 1985, recycling regulations noted that if a hazardous secondary material is "ineffective or only marginally effective for the claimed use, the activity is not recycling but surrogate disposal." Similarly, the January 8, 1988, proposed rule discussed "how much energy or material value each waste contributes to the recycling purpose."

In the 1989 Lowrance Memo, the issue of effectiveness was addressed by the following questions: "Is much more of the secondary material used as compared with the analogous raw material/product it replaces?"; "Is only a nominal amount used?"; and "Is the secondary material as effective as the raw material or product it replaces?" The memo also addressed the value of the secondary material by asking, "Is [the secondary material] listed in industry news letters, trade journals, etc.?" and "Does the secondary material have economic value comparable to the raw material that normally enters the process?"

Factor 1 takes these broad concepts of effectiveness and value and turns them into the requirement that the hazardous secondary material in the process must provide a "useful contribution" to the recycling process, that is, it must actually be adding something to the process into which they are being put. The factor provides more specifics than the Memo or preamble by providing a list of ways that a hazardous secondary material could provide that useful contribution to the process. EPA requested comment on other ways in which a hazardous secondary material might provide a useful contribution, but did not receive any from commenters.

Factor 2—The Recycling Process Produces a Valuable Product or Intermediate

Relevant Lowrance Memo Questions

(4) Is there a guaranteed market for the end product?

Is there a contract in place to purchase the "product" ostensibly produced from the hazardous secondary materials?

If the type of recycling is reclamation, is the product used by the reclaimer? The generator? Is there a batch tolling agreement? (Note that since reclaimers are normally TSDFs, assuming they store before reclaiming, reclamation facilities present fewer possibilities of systemic abuse).

Is the reclaimed product a recognized commodity?

Are there industry-recognized quality specifications for the product?

Discussion

Factor 2 distills several of the questions posed by the 1989 legitimacy memo. The memo addressed the value of recycled products sold to third parties by posing the questions, "Is there a guaranteed market for the end product?" and "Is there a contract in place to purchase the "product" ostensibly produced from the hazardous secondary materials?" The memo addressed the value of recycled products used by the recycler or the generator as process ingredients by posing the questions, "Is the product used by the (recycler)? The generator? Is there a batch tolling agreement?" The "usefulness" of a recycled material was addressed by posing the questions, "Is the (recycled) product a recognized commodity?" and "Are there industry-recognized quality specifications for the product?"

The language of the factors in the legitimacy provision in the final rule reflects these concepts in a concrete manner by, for example, making it clear that the indicator of legitimacy is that a recycling process results in a valuable product or intermediate and that the product or intermediate is valuable if it is "(i) sold to a third party or (ii) used by the recycler or the generator as an effective substitute for a commercial product or as an ingredient or intermediate in an industrial process."

The Lowrance Memo posed additional questions aimed at distinguishing recycling operations that involve direct use or reuse of secondary materials from recycling operations that involve reclamation. These concepts, however, are not particularly relevant to distinguishing legitimate from sham recycling and are not generally used by implementing agencies in legitimacy analyses, so we therefore did not attempt to capture them in the codified regulatory text.

Factor 3—Managed as a Valuable Commodity

Relevant Lowrance Memo Questions

(5) Is the secondary material handled in a manner consistent with the raw material/product it replaces?

Is the secondary material stored in a similar manner as the analogous raw material (*i.e.*, to prevent loss?)

Are adequate records regarding the recycling transactions kept?

Do the companies involved have a history of mismanagement of hazardous wastes?

Discussion

Although worded somewhat differently, this factor is essentially the same as the fifth question in the Lowrance Memo. Similarly, the 1985 preamble asked whether recyclable hazardous secondary materials were "handled in a manner consistent with their use as raw materials or commercial product substitutes."

In one respect, however, Factor 3 is less restrictive than the Lowrance Memo—the memo posed an additional question, "Is the secondary material stored on the land?" This could be read as implying that storage on the land is an indication of sham recycling. Of course, this question is just one of the more than two dozen questions from the Lowrance memo, that, when taken as a whole, help draw the distinction between legitimate recycling and sham recycling. Also, the Agency is aware of situations where storage of raw materials on the land is a normal part of the manufacturing process. Thus, Factor 3 does not identify land storage as a specific indicator of sham recycling.

Factor 4—The Product Does Not Contain Significant TARs

Relevant Lowrance Memo Questions

(1) Is the secondary material similar to an analogous raw material or product?

Does it contain Appendix VIII constituents not found in the analogous raw material/product (or at higher levels)?

Does it exhibit hazardous characteristics that the analogous raw material/product would not?

Does it contain levels of recoverable material similar to the analogous raw material/product?

(6) Other Relevant Factors

Are the toxic constituents actually necessary (or of sufficient use) to the product or are they just "along for the ride"?

Discussion

The Lowrance Memo and the definition of solid waste preamble statements from which it was developed have addressed the question of "toxics along for the ride" in a slightly different way than the factor in the final rule. The Lowrance Memo, for example, allows for examination of toxic constituents in the hazardous secondary material destined for recycling and/or in the recycled product. As noted above, Factor 4 is intended to primarily address the question of "toxics along for the ride" in the products of recycling. We believe that the presence of toxic constituents in recyclable hazardous secondary materials is less relevant to assessing the legitimacy of recycling, primarily because much if not most recycling (as well as manufacturing) involves removing or destroying such harmful materials. As reflected in the factor, the central question is whether or not (and in what amount) hazardous constituents pass through the recycling process and become incorporated into the products of recycling. While some may argue that the approach of focusing on toxic constituents in recycled products may be somewhat less restrictive than the policy it would replace, we believe it is a better indicator of legitimate recycling. In cases where a recycler would prefer to compare the virgin feedstock to the hazardous secondary material going into the process, the rule makes it clear that this would be an adequate stand-in for the comparison described in the regulatory text.

Lowrance Memo Questions Not Covered in Factors

A few of the questions from the Lowrance Memo are not covered by the factors in the regulatory text for the legitimacy provision in § 260.43. The above discussions address why EPA believes this is appropriate. In the case of the role economics can play in a legitimacy determination, this preamble has discussed how it can inform an overall legitimacy determination, but there is no particular factor on economics.

Relevant Lowrance Memo Questions

(2) What degree of processing is required to produce a finished product?

Can the secondary material be fed directly into the process (*i.e.*, direct use) or is reclamation (or pretreatment) required?

How much value does final reclamation add?

Is the secondary material stored on the land? (a sub-question of (5) Is the secondary material handled in a manner consistent with the raw material/product it replaces?)

(6) Other Relevant Factors

What are the economics of the recycling process? Does most of the revenue come from charging generators for managing their wastes or from the sale of the product?

For the reasons outlined above, EPA believes that the legitimacy factors in 260.43 are equivalent to the existing legitimacy policy that applies to all recycling.

## X. Non-Waste Determination Process

### *A. What Is the Purpose of This Provision?*

The purpose of the non-waste determination process is to provide persons with an administrative procedure for receiving a formal determination that their hazardous secondary materials are not discarded and, therefore, are not solid wastes when recycled. This process is available in addition to the solid waste exclusions in today's rule. Once a non-waste determination has been granted, the hazardous secondary material is not subject to the limitations and conditions discussed elsewhere in today's rule (*e.g.*, prohibition on speculative accumulation, storage standard, or, for the transfer-based exclusion, recordkeeping, reasonable efforts, financial assurance, and export notice and consent); however, the regulatory authority may specify that a hazardous secondary material meet certain conditions and limitations as part of the non-waste determination.

The non-waste determination process is voluntary. Facilities may choose to continue to use the self-implementing portions of any applicable waste exclusions and, for the vast majority of cases, where the regulatory status of the hazardous secondary material is evident, self-implementation will still be the most appropriate approach. In addition, facilities may continue to contact EPA or the authorized state to ask for informal assistance in making these types of non-waste determinations. However, for cases where there is ambiguity about whether a hazardous secondary material is a solid waste, today's formal process can provide regulatory certainty for both the facility and the implementing agency.

EPA is finalizing two types of non-waste determinations:[12] (1) A determination for hazardous secondary materials reclaimed in a continuous industrial process; and (2) a determination for hazardous secondary materials indistinguishable in all relevant aspects from a product or intermediate. The process for applying for a non-waste determination is found at 40 CFR 260.34.

The Agency confirms today's process for non-waste determinations is not intended to affect any existing exclusion under 40 CFR 261.4. The process is also not intended to affect any variance already granted under 40 CFR 260.30 or other EPA or authorized state determination. In other words, generators or reclaimers operating under an existing exclusion, variance, or other EPA, or authorized state, determination do not need to apply for a formal non-waste determination under today's rule. This process also does not affect the authority of EPA or an authorized state to revisit past determinations according to appropriate procedures, if they so choose.

### *B. Scope and Applicability*

Hazardous secondary materials presented for a non-waste determination must be legitimately recycled and, therefore, must meet the legitimacy factors under 40 CFR 260.43 of today's rule. For further discussion of legitimacy and the factors to be considered, see section IX of today's preamble.

In addition, today's rule limits non-waste determinations to reclamation activities and does not apply to recycling of "inherently waste-like" materials (40 CFR 261.2(d)); recycling of materials that are "used in a manner constituting disposal," or "used to produce products that are applied to or placed on the land" (40 CFR 261.2(c)(1)); or for "burning of materials for energy recovery" or materials "used to produce a fuel or otherwise contained in fuels" (40 CFR 261.2(c)(2)). Today's rule does not affect how these recycling practices are regulated.

### *C. Types of Non-Waste Determinations*

1. Non-Waste Determination for Hazardous Secondary Materials Reclaimed in a Continuous Industrial Process

As discussed earlier in today's preamble, previous court decisions have indicated that hazardous secondary

[12] In the March 2007 supplemental proposal, EPA also proposed (but is not finalizing) a third type of non-waste determination for hazardous secondary materials reclaimed under the control of the generator via a tolling arrangement or similar contractual arrangement. EPA, however, did not identify any comments that described specific types of contractual arrangements that would meet the proposed criteria for this non-waste determination. See section XIX for more information.

materials that are reclaimed in a continuous industrial process are not discarded and, therefore, not a solid waste. EPA believes, in most instances, hazardous secondary materials reclaimed in a continuous process would be excluded under today's self-implementing exclusions. However, production processes can vary widely from industry to industry and it is possible that the regulatory status of certain materials may be unclear under a self-implementing exclusion (including those exclusions finalized today). Thus, to determine whether individual hazardous secondary materials are reclaimed in a continuous industrial process, and, therefore, not a solid waste, EPA has developed the non-waste determination process to evaluate case-specific fact patterns.

EPA is finalizing four criteria for making the non-waste determination for hazardous secondary materials reclaimed in a continuous industrial process. The first is the extent that the management of the hazardous secondary material is part of the continuous production process and is not waste treatment. At one end of the spectrum, if the hazardous secondary material is handled in a manner identical to virgin feedstock, then it would appear to be fully integrated into the production process. At the other end of the spectrum, hazardous secondary materials that are indisputably discarded prior to being reclaimed are not a part of the continuous primary production process, ("*AMC II*"), 907 F. 2d 1179 (DC Cir. 1990) (listed wastes managed in units that are part of wastewater treatment units are discarded materials (and solid wastes), especially where it is not clear that the industry actually reuses the materials). For cases that lie within the spectrum, persons applying for a non-waste determination need to provide sufficient information about the production process to demonstrate that the management of the hazardous secondary material is an integral part of the production process and is not waste treatment. It is important to note that this non-waste determination is not necessarily limited to cases under the control of the generator. For example, hazardous secondary materials that are hard piped from one facility to another facility that is under separate control would appear to be fully integrated into the production process and may therefore be eligible for this non-waste determination, provided the other criteria are met.

The second criterion examined under this non-waste determination is the capacity of the production process to use the hazardous secondary material in a reasonable time frame and ensure that it will not be abandoned. This criterion can be satisfied by a consideration of past practices, market factors, the nature of the hazardous secondary material, or any contractual arrangements. Abandonment of stockpiled hazardous secondary materials is one way that discard can occur at recycling operations and is one of the major causes of environmental problems. As indicated in the recycling studies, 69 of the 208 incidents of environmental damage involve abandonment of the hazardous secondary materials as the primary cause of damage. For today's self-implementing exclusions for hazardous secondary materials, EPA is using speculative accumulation (as defined in 40 CFR 261.1(c)(8)) as the method for determining when a hazardous secondary material is discarded by abandonment. For the non-waste determination, a person does not need to demonstrate that the hazardous secondary material meets the speculative accumulation limits per 40 CFR 261.1(c)(8), but he must provide sufficient information about the hazardous secondary material and the process to demonstrate that the hazardous secondary material will in fact be reclaimed in a reasonable time frame and will not be abandoned. EPA is not explicitly defining "reasonable time frame" because such time frames could vary according to the hazardous secondary material and industry involved and, therefore, determining this time frame should be made on a case-specific basis. However, a person may still choose to use the speculative accumulation time frame as a default.

The third criterion for this non-waste determination is whether the hazardous constituents in the hazardous secondary material are reclaimed rather than released to the air, land, or water at significantly higher concentrations from either a statistical or from a health and environmental risk perspective than would otherwise be released by the production process. To the extent that the hazardous constituents are an extension of the original hazardous secondary material, their release to the environment is an indicator of discard. The Agency recognizes that normal production processes may also result in a certain level of releases and, in evaluating this criteria, would not deny a non-waste determination if the increase in releases is not significantly different from either a statistical or risk perspective. However, when unacceptably high levels of the hazardous constituents in the hazardous secondary material are released to the environment rather than reclaimed, then that material (or at least the portion of the material that is of most concern) is not in fact being "reclaimed in a continuous industrial process."

The fourth and final criterion for this non-waste determination includes any other relevant factors that demonstrate the hazardous secondary material is not discarded. This catch-all criterion is intended to allow the person to provide any case-specific information deemed important and relevant in making the case that the hazardous secondary material is not discarded and, therefore, not a solid waste.

2. Non-Waste Determination for Hazardous Secondary Materials Indistinguishable in All Relevant Aspects From a Product or Intermediate

Although the courts have indicated that hazardous secondary materials recycled within a continuous industrial process are not discarded and, therefore, are not solid wastes, they have also said that hazardous secondary materials destined for recycling in another industry are not automatically discarded. However, there may be some situations where the regulatory status of a certain material is unclear under a self-implementing exclusion and thus may benefit from a non-waste determination that evaluates case-specific fact patterns. EPA is finalizing five criteria for making a non-waste determination for hazardous secondary materials indistinguishable in all relevant aspects from a product or intermediate.

The first criterion for this non-waste determination is consideration of likely markets for the hazardous secondary material (e.g., based on the current positive value of the hazardous secondary material, stability of demand, and any contractual arrangements). This evaluation of market participation is a key element for determining whether companies view these hazardous secondary materials like products rather than negatively-valued wastes. EPA's market forces study on how market incentives affect the management of hazardous secondary materials indicates that both high value and stable markets are strong incentives to refrain from over-accumulating hazardous secondary materials, thus maximizing the likelihood that the hazardous secondary materials will be reclaimed and not abandoned.

The second criterion for this non-waste determination is the chemical and physical identity of the hazardous secondary material and whether it is comparable to commercial products or

intermediates. This "identity principle" is a second key factor that the Court in Safe Foods found useful in determining whether a material is indistinguishable from a product. It is important to note that the identity of a material can be comparable to a product without being identical. However, to qualify for a non-waste determination, any differences between the hazardous secondary material in question and commercial products or intermediates should not be significant from either a statistical or from a health and environmental risk perspective.

The third criterion for making this non-waste determination is the capacity of the market to use the hazardous secondary material in a reasonable time frame and ensure that it will not be abandoned. Abandonment of stockpiled hazardous secondary materials is one way that discard can occur at recycling operations and is one of the major causes of environmental problems (a key finding from the recycling studies discussed earlier). For today's self-implementing exclusions for hazardous secondary materials, EPA is using speculative accumulation (as defined in 40 CFR 261.1(c)(8)) as the method for determining when a hazardous secondary material is discarded by abandonment. For the non-waste determination, a person does not need to demonstrate that the hazardous secondary material meets the speculative accumulation limits per 40 CFR 261.1(c)(8), but he must provide sufficient information about the hazardous secondary material and the market demand for it to demonstrate that the hazardous secondary material will in fact be reclaimed in a reasonable time frame and will not be abandoned. EPA is not explicitly defining "reasonable time frame" because such time frames could vary according to the hazardous secondary material and industry involved, and therefore determining this time frame should be made on a case-specific basis. However, a person may still choose to use the speculative accumulation time frame as a default.

The fourth criterion for this non-waste determination is whether the hazardous constituents in the hazardous secondary materials are reclaimed rather than released to the air, land, or water at significantly higher concentrations from either a statistical or from a health and environmental risk perspective than would otherwise be released by the production process. The Agency believes that to the extent that the hazardous constituents are an extension of the original hazardous secondary material, their release to the environment is a possible indicator of discard. The Agency recognizes that normal production processes also result in a certain level of releases and, in evaluating this criteria, would not deny a non-waste determination if the increase in releases is not significant from either a statistical or a health and environmental risk perspective. However, when unacceptably high levels of the hazardous constituents in the hazardous secondary material are released to the environment rather than reclaimed, then that material (or at least the portion of the hazardous secondary material that is of most concern) is not being handled as a commercial product or intermediate.

As with the non-waste determination for hazardous secondary materials reclaimed in a continuous industrial process, the fifth and final criterion for this non-waste determination includes any other relevant factors that demonstrate the hazardous secondary material is not discarded. This catch-all criterion is intended to allow the person to provide any case-specific information it deems important and relevant in making the case that its hazardous secondary material is not discarded.

*D. Non-Waste Determination Process*

The process for the non-waste determination is the same as that for the solid waste variances found in 40 CFR 260.30. In order to obtain a non-waste determination, a facility that manages hazardous secondary materials that would otherwise be regulated under 40 CFR part 261 as either a solid waste or an excluded waste must apply to the Administrator or the authorized state per the procedures described in 40 CFR 260.33, which EPA is amending today to apply to non-waste determinations. The application must address the relevant criteria discussed in detail above. The Administrator will evaluate the submission and issue a draft notice tentatively granting or denying the application. Notification of this tentative decision will be provided by newspaper advertisement or radio broadcast in the locality where the facility is located. The Administrator will accept comment on the tentative decision for 30 days, and may also hold a public hearing. The Administrator will issue a final decision after receipt of comments and after the hearing (if held). If the application is denied, the facility may still pursue a solid waste variance or exclusion (for example, one of the solid waste variances under 40 CFR 260.30 or solid waste exclusions under 40 CFR 261.4).

After a formal non-waste determination has been granted, if a change occurs that affects how a hazardous secondary material meets the relevant criteria contained in 40 CFR 260.34, persons must re-apply to the Administrator for a formal determination that the hazardous secondary material continues to meet the relevant criteria and is not discarded and not a solid waste.

As discussed in more detail in section XX of today's preamble, under section 3006 of RCRA, EPA would authorize states to administer the non-waste determinations as part of their base RCRA program. Because states are not required to implement federal requirements that are less stringent or narrower in scope than the current requirements, authorized states are not required to adopt the non-waste determination process. Ordinarily this provision could not go into effect in an authorized state until the state chooses to adopt it. However, because the non-waste determination process is a formalization of determinations that states may already perform, states that have not formally adopted this non-waste determination process may participate if the following conditions are met: (1) The state determines that the hazardous secondary material meets the criteria in either paragraph (b) or (c) of 40 CFR 260.34; (2) the state requests EPA to review its determination; and (3) EPA approves the state determination. In addition, of course, states may continue to make regulatory determinations under their authorized state regulations, as they do now.

*E. Enforcement*

If a regulatory authority determines that a hazardous secondary material is not a solid waste through the non-waste determination process, the hazardous secondary material is not subject to the RCRA Subtitle C hazardous waste requirements. However, as part of this process, the applicant has an obligation to submit, to the best of his ability, complete and accurate information. If the information in the application is found to be incomplete or inaccurate and, as a result, the hazardous secondary material does not meet the criteria for a non-waste determination, then the material may be subject to the RCRA Subtitle C requirements and EPA or the authorized state could choose to bring an enforcement action under RCRA section 3008(a). Moreover, if the person submitting the non-waste determination is found to have knowingly submitted false information, then he also may be subject to criminal penalties under RCRA section 3008(d).

Once a non-waste determination has been granted, the applicant is obligated

to ensure the hazardous secondary material continues to meet the criteria of the non-waste determination, including any conditions specified therein by the regulatory authority. If a change occurs that affects how a hazardous secondary material meets the relevant criteria and (if applicable) any conditions as specified by the regulatory authority and the applicant fails to re-apply to the Administrator for a formal determination, the hazardous secondary material may be determined to be a solid and hazardous waste and subject to the RCRA Subtitle C hazardous waste requirements.

## XI. Effect on Other Exclusions

The final rule will not supersede any of the current exclusions or other prior solid waste determinations or variances, including determinations made in letters of interpretation and inspection reports. If a hazardous secondary material has been determined not to be a solid waste, for whatever reason, such a determination will remain in effect, unless the regulatory agency decides to revisit the regulatory determination under their current authority. In addition, if a hazardous secondary material has been excluded from hazardous waste regulations—for example, under the Bevill exclusion in 40 CFR 261.4(b)(7)—the regulatory status of that material will not be affected by today's rule.

In the October 2003 proposal, EPA proposed a number of specific "conforming changes" to existing exclusions (68 FR 61578–61580). The purpose of these conforming changes was to simplify and clarify the regulations. EPA did not intend to make any substantive changes as to how currently excluded materials would need to be managed or regulated. However, comments to the proposed changes were overwhelming in favor of retaining the existing exclusions. These existing exclusions are familiar to both the states and the regulated community, and making wholesale adjustments, it appears, would have had unintended consequences in many cases.

Thus, in the March 2007 supplemental proposal, we proposed to retain the existing exclusions exactly as written (72 FR 14205). In addition, recycling of such hazardous secondary materials at new facilities, or at existing facilities that are not currently operating under the terms of an existing exclusion, would also be subject to the existing applicable regulatory exclusions, rather than the proposed exclusions.

We did request comment, however, on the option of allowing a regulated entity to choose which exclusion it is subject to in those cases where more than one exclusion could apply and, if so, whether that entity should be required to document the choice made. One state supported allowing a regulated entity to choose if that entity documents its choice and the few comments that were submitted by industry on this matter, generally, preferred to have the option to choose which exclusion they would be subject to. EPA has determined, however, that the conditions that were developed for the existing exclusions were found to be necessary under case-specific rulemakings that determined when the hazardous secondary material in question is not a solid waste. For example, broken cathode ray tubes must be transported in closed containers (40 CFR 261.4(a)(22)) and shredded circuit boards need to be free of mercury switches and relays (40 CFR 261.4(a)(14)).

Therefore, the final rule requires that hazardous secondary materials specifically subject to the existing exclusions must continue to meet the existing conditions or requirements in order to be excluded from the definition of solid waste. Moreover, industry and the states are familiar with these requirements and EPA believes that changing them would only lead to confusion in the regulated community. In addition, the current exclusions would apply to facilities not currently operating under terms of an existing exclusion. They would also be subject to the conditions for that exclusion if they decide to recycle the particular excluded wastes in the future.

In the March 2007 supplemental proposal, we also requested comment on whether any specific regulatory exclusion would need revision in order to avoid confusion or contradictions. With a few exceptions, public comments did not discuss this issue in depth. Only three states commented on this issue. One supported the requirement that currently-excluded facilities must stay under their specific exclusions and two requested clarifications on how such a requirement would be implemented. Industry, in a few cases, had specific comments on the provisions already in place.

One commenter asked that EPA clarify that wood preserving waste be allowed to be reclaimed off-site under the new exclusion. This would be an expansion of the existing exclusion, which is limited to on-site reuse. Another comment was in regards to whether hazardous secondary materials currently regulated under the closed-loop exclusion would be eligible for the new exclusions that do not require closed-loop operations. The third comment, from both reclaimers of spent lead-acid batteries and spent lead-acid battery manufacturers requested that EPA clarify that spent lead-acid battery recycling continue to be regulated under 40 CFR 266.80 or as a universal waste at 40 CFR part 273. The mining industry requested that EPA clarify that the proposed exclusions would have "no impact" on 40 CFR 266.70 (precious metals exclusion) and 40 CFR 266.100(d) and (g) (conditional exclusions from boiler and industrial furnace (BIF) regulations for "smelting, melting, and refining furnaces" and precious metals recovery furnaces).

### *A. Solid Waste Exclusions Found in 40 CFR 261.4(a)*

Under today's final rule, if a hazardous secondary material is subject to material-specific management conditions under 40 CFR 261.4(a) when reclaimed, such a material is not eligible for the final rule exclusions. For most of the exclusions in 40 CFR 261.4(a), this provision will have no practical effect because the current exclusion either (1) has no conditions, (2) has conditions that overlap with those of the final rule exclusions (i.e., no speculative accumulation, or land disposal),[13] (3) does not involve reclamation, or (4) involves hazardous secondary materials burned for energy recovery or used in a manner constituting disposal. These include the exclusions in 40 CFR 261.4(a)(1)–(7), 40 CFR 261.4(a)(10)–(13), 40 CFR 261.4(a)(15)–(16), 40 CFR 261.4(a)(18), and 40 CFR 261.4(a)(20)–(21).

The exclusions in 40 CFR 261.4(a) that are for a specific material and include conditions that are more specific than those included for the exclusions being finalized today are those for (1) spent wood preserving solutions (40 CFR 261.4(a)(9)), (2) shredded circuit boards (40 CFR 261.4(a)(14)), (3) mineral processing spent materials (40 CFR 261.4(a)(17)), (4) spent caustic solutions from petroleum refining liquid treating processes (40 CFR 261.4(a)(19)), and (5) cathode ray tubes (40 CFR 261.4(a)(22)). For each of these cases, EPA has made a material-specific determination of

[13] "Disposal" is defined in 40 CFR 260.10 as "the discharge, deposit, injection, dumping, spilling leaking or placing of any solid waste or hazardous waste into or on any land or water so that such solid waste or hazardous waste or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters." Thus a hazardous secondary material that is land disposed would presumably not meet the "contained" standard.

when such a material is not discarded and therefore not a solid waste and such a determination is more appropriately applied to these materials than the general conditions of today's final rule. The conditions of the material-specific exclusion essentially help define when that material is legitimately recycled and not discarded.

However, in the case of the spent wood preserving exclusion (40 CFR 261.4(a)(9)), EPA agrees with the comments that this exclusion is limited to on-site recycling. Thus, if managed on-site, these materials would need to comply with the existing conditions to be eligible for an exclusion from the definition of solid waste. However, since the current exclusion does not apply to hazardous secondary materials sent off-site, and the substance of the exclusion (i.e., drip pad requirements) applies to a management method not applicable to off-site transfers, the new exclusion in today's rule would apply to hazardous secondary materials that are sent off-site for reclamation. Thus, if sent off-site for legitimate reclamation, these materials could be eligible for today's exclusion if the restrictions and/or the conditions are met.

Finally, the closed-loop exclusion 40 CFR 261.4(a)(8) is not specific to a material, but rather identifies a recycling process. EPA agrees with comments stating that hazardous secondary materials recycled via the closed-loop exclusion at 40 CFR 261.4(a)(8) could be recycled under a different process and still be eligible for today's exclusions. The closed-loop exclusion is based on the premise that hazardous secondary materials reclaimed in a continuous process within an industry are not discarded and, therefore, are not solid wastes subject to EPA's RCRA jurisdiction (See AMC I.) In fact, closed loop recycling is a subset of materials reclaimed in a continuous industrial process, since materials may be reclaimed in a continuous process outside of a closed loop system. EPA did not make a finding that any particular hazardous secondary material must be reclaimed in a continuous process. The Agency only determined that closed-loop recycling, in general, should be excluded. Today's exclusions, however, allow any hazardous secondary materials to be excluded if reclamation meets the restrictions and/or conditions set forth in the rules. Thus, a facility currently engaged in closed-loop recycling could change their processes and still be excluded, as long as all applicable restrictions and/or conditions are met.

In addition to the solid waste exclusions currently in 40 CFR 261.4(a), EPA is planning to propose—in a separate rulemaking from today's final rule—to amend its hazardous waste regulations to conditionally exclude from the definition of solid waste spent hydrotreating and hydrorefining catalysts generated in the petroleum refining industry when these hazardous secondary materials are reclaimed (*see* entry in the *Introduction to the Fall 2007 Regulatory Plan*, 72 FR 69940, December 10, 2007). Spent hydrotreating and hydrorefining catalysts generated in the petroleum refining industry are routinely recycled by regenerating the catalyst so that it may be used again as a catalyst. When regeneration is no longer possible, these spent catalysts are either treated and disposed of as listed hazardous wastes or sent to RCRA-permitted reclamation facilities, where metals, such as vanadium, molybdenum, cobalt, and nickel are reclaimed from the spent catalysts.

EPA originally added spent hydrotreating and hydrorefining catalysts (waste codes K171 and K172) to the list of RCRA hazardous wastes found in 40 CFR 261.31 on the basis of toxicity (i.e., these materials were shown to pose unacceptable risk to human health and the environment when mismanaged) (63 FR 42110, August 6, 1998). In addition, EPA based its decision to list these materials as hazardous due to the fact that these spent catalysts can at times exhibit pyrophoric or self-heating properties.

It is largely because of these pyrophoric properties that EPA is considering a separate proposal to conditionally exempt these catalysts from hazardous waste regulation. This future proposal will allow the agency to consider and seek comment on specific conditions to address the pyrophoric properties of these hazardous secondary materials, particularly during transportation and storage prior to reclamation, in order for the Agency to determine that they are not being discarded. As a result of this separate effort, these spent catalysts will not be eligible for today's exclusions. Once EPA has proposed a conditional exclusion specifically for these spent catalysts, and after consideration of public comments, EPA will either finalize a conditional exclusion specific to these spent catalysts or may decide that the conditions being promulgated in today's final rule are fully adequate for the management of these spent catalysts when recycled, and therefore would remove the restriction preventing these spent catalysts from being eligible for today's exclusions.

*B. Spent Lead-Acid Battery Recycling and Precious Metals Reclamation*

EPA also agrees that spent lead-acid battery recycling should continue to be regulated under 40 CFR 266.80 or 40 CFR part 273. This is because these regulations are actually hazardous waste regulations and are not solid waste exclusions. Continuing the regulation of spent lead-acid battery (SLAB) recycling as hazardous waste is necessary due to the unique nature of these batteries. Also, as noted by the commenters, the current battery recycling regulations are working well. More than 95% of SLABs are currently recycled and generators of SLABs are exempt from Superfund liability under the Superfund Recycling Equity Act (SREA), provided that they meet the requirements of the exemption, including the requirement to take "reasonable care" to determine that the accepting facility is in compliance with the substantive environmental regulations.

Because SREA was based on the current SLAB hazardous waste regulations under RCRA, changing the regulation of SLABs could have unintended consequences. For example, the current regulations prohibit battery-breaking without a permit because such battery-breaking operations have been high-risk activities. In addition, as noted in the environmental problems study, 12% of our damage cases were from battery-breaking operations. Moreover, the high value of the lead plates and low entry cost for a battery-breaking facility provides a strong market incentive for facilities to recycle without investing in adequate management systems for the discarded battery acid and casings.

In addition, because the RCRA-regulated "generator" of a SLAB is often the garage or junkyard that removed the battery from the automobile (rather than the original owner who discarded the battery), the generator-controlled exclusion could be read to apply to these operations. Therefore, the reasonable efforts and financial assurance conditions that are a part of the transfer-based exclusion would not apply, despite the fact that their activities would resemble waste management rather than production. Because, in these cases, the SLABs have effectively already been discarded by the original owners before they enter the RCRA hazardous waste regulatory system, EPA will continue to regulate SLABs as solid and hazardous waste under 40 CFR 266.80 or 40 CFR part 273.

EPA also agrees with comments that the exclusions should have no impact on 40 CFR 266.70 (precious metals

exclusion) and 40 CFR 266.100(d) and (g) (conditional exclusions from the boiler and industrial furnace (BIF) regulations for "smelting, melting, and refining furnaces" and precious metals recovery furnaces). Because these exclusions are exclusions from certain hazardous waste regulations, not solid waste exclusions, as a general matter, EPA believes that facilities should have a choice of whether they manage their materials as hazardous waste under these exclusions or seek an exclusion from the definition of solid waste through today's final rule.

However, part of what 40 CFR 266.100(d) accomplishes is to define when an operation involving burning is solely a metals recovery operation rather than a burning for energy recovery or destruction operation, neither of which is eligible for today's exclusions. This distinction is an important one to make, and EPA did not intend to revise how such material recovery operations were identified, nor did EPA ask for comment on such a revision.

Thus, for the purpose of defining the type of burning for metals recovery to be allowed under these exclusions, EPA will reference the requirements in 40 CFR part 266 subpart H that defines when a "smelting, melting, and refining" furnace is solely engaged in metals recovery, but will not require the other conditions that are not related to distinguishing legitimate materials recovery from burning. Therefore, under today's final rule, hazardous secondary materials burned for metals recovery would still be required to meet the minimum metals and maximum toxic organic metals content specified in 40 CFR part 266 (as part of the definition of this activity), and would continue to be exempt from BIF permits, but they would not be subject to hazardous waste manifests and storage permits, as long as the conditions of the exclusions promulgated in today's rule are met.

*C. Other Recycling Exclusions*

For other hazardous secondary materials currently eligible for management under other exclusions or alternative regulatory structures that do not include an exclusion from the definition of solid waste (such as the universal waste regulations in 40 CFR part 273), the facility would have the choice of either continuing to manage the hazardous secondary material as a hazardous waste under the existing regulations or under today's exclusions from the definition of solid waste.

In addition, it should be noted that, for the purposes of § 261.2(a)(2)(ii) and § 261.4(a)(2)(23), when a facility collects hazardous secondary materials from other persons (for example, when mercury-containing equipment is collected through a special collection program), it is not the hazardous secondary material generator. Therefore, a universal waste handler who collects hazardous secondary materials from other persons would not be eligible for the generator-controlled exclusion, even if it would be considered a "generator" for purposes of the Universal Waste regulations.

## XII. Effect on Permitted and Interim Status Facilities

*A. Permitted Facilities*

Facilities that currently have RCRA permits or interim status and manage hazardous wastes that are excluded under today's final rule will be affected in a number of ways, depending on the situation at the facility. At some facilities, some of the hazardous waste management units will be converted solely to manage excluded hazardous secondary materials, and other units may continue to manage hazardous wastes. At other facilities, all of the hazardous waste management units will be converted to manage wastes excluded under today's final rule. In still other cases, individual units may manage both excluded materials and hazardous wastes. In all cases, the owner or operator of the facility must comply with the applicable conditions and limitations of the exclusion (including the containment of the hazardous secondary material in units operating under the exclusion, recycling legitimately, and the prohibition against speculative accumulation of excluded hazardous secondary materials) to maintain the exclusion.

Permitted facilities that continue to manage hazardous wastes in addition to managing hazardous secondary materials excluded under this final rule must continue to maintain their Part B permits. Individual units may be converted solely to manage excluded hazardous secondary materials; however, the permit requirements applicable to the newly excluded units will remain in effect until they are removed from the permit. Owners and operators that seek to remove permit conditions applicable to units that are no longer hazardous waste management units must submit a permit modification request to the implementing agency. In the March 26, 2007, supplemental proposed rule, the Agency requested comment on requiring owners and operators seeking to modify their permits to remove units that are no longer regulated to follow the procedures of 40 CFR 270.42(a) for Class 1 permit modifications, with prior Agency approval. The Agency received few comments on this issue, and is proceeding in this final rule with the proposed approach. Thus, this final rule modifies 40 CFR 270.42 by adding an entry to Appendix 1 that classifies permit modifications to remove units that are no longer regulated as a result of this rule as Class 1 with prior Agency approval.

As was discussed in the preamble of the March 26, 2007, supplemental proposal, under the Class 1 with prior Agency approval approach, the owner or operator must submit notification of the permit modification to the implementing agency, along with documentation demonstrating that the operations at the unit meet the conditions of the exclusion and that the unit is used solely to manage excluded hazardous secondary materials. In addition, the owner or operator must comply with the requirements of 40 CFR 270.42(a)(ii) for public notification. Under § 270.42(a)(ii), the permit modification will not become effective until the owner or operator receives written approval by the implementing agency. The implementing agency will approve the permit modification so long as the owner or operator has complied with the procedural requirements of § 270.42(a) and has demonstrated that the operations meet the conditions of the exclusion, and that the unit does not manage non-excluded hazardous wastes.

One commenter disagreed with the Agency's approach, and believed that the Class 2 permit modification procedures were necessary to provide the public an opportunity to comment on the removal of the unit from the permit. The Agency disagrees with this commenter. The regulations that govern permit modification classify modifications to the permit term, to allow for earlier permit termination, as Class 1 with prior Agency approval. The Agency believes that removing permit conditions for units that are no longer regulated is, in effect, allowing earlier permit termination at those units. Thus, the Agency believes that Class 1 with prior Agency approval is the appropriate designation for these permit modifications.

In the preamble of the March 26, 2007, supplemental proposal, the Agency discussed the issue of whether closure requirements at formerly regulated units would be triggered when this rule becomes effective and the hazardous secondary materials they are receiving is no longer hazardous waste. This issue was also discussed in the October 2003 proposal, in which EPA

expressed the view that requiring closure of units in these situations would serve little environmental purpose, since after closure the unit would be immediately reopened and used to store the same (now excluded) hazardous secondary material (68 FR 61580–61581).

In today's final rule, a permitted unit that is converted solely to manage excluded hazardous secondary materials will not be subject to the 40 CFR part 264 closure requirements, since, typically, it will be managing the same material, with the only difference being that the material is now excluded from regulation as a hazardous waste. However, we expect that any funds in the closure or post-closure financial assurance mechanisms will be converted to provide financial assurance under today's exclusion, assuming the facility is operating under the transfer-based exclusion. In addition, as described in sections VII.D. and VIII.D of this preamble, at the end of the operating life of these units, all owners and operators (i.e., of units operating under either exclusion promulgated in this final rule) must manage any hazardous secondary materials that are not recycled, and remove or decontaminate all hazardous residues and contaminated containment system components, equipment structures, and soils.

A permitted facility that converts to manage only hazardous secondary materials excluded under this final rule, and is, therefore, no longer a hazardous waste management facility, will no longer be required to maintain a hazardous waste operating permit (although, as discussed below, may still be subject to corrective action).[14] However, permits issued to these facilities remain in effect until they are terminated.

In the March 2007 supplemental proposal, the Agency also requested comment on requiring owners and operators seeking to terminate their operating permits (as opposed to just removing units from their permit) by modifying the permit term to follow the procedures of 40 CFR 270.42(a) for Class 1 permit modifications, with prior Agency approval. The Agency received few comments on this issue, and is proceeding in this final rule with the proposed approach. Thus, this final rule modifies § 270.42 by adding an entry to Appendix 1 that classifies permit modifications to terminate operating permits by modifying the permit term, at facilities at which all units are excluded as a result of this final rule, as Class 1 with prior Agency approval. Under this approach, owners and operators seeking to terminate their operating permits must submit a permit modification request to the overseeing agency following the procedures of § 270.42(a) for Class 1 modifications with prior Agency approval, as described above.[15]

To support a request for permit termination by modifying the permit term, the owner or operator must demonstrate that the operations meet the conditions of the exclusion, and that the facility does not manage non-excluded hazardous wastes.

In addition, as was explained in the October 28, 2003, proposal (*see* 68 FR 61580) and again in the March 26, 2007, supplemental proposal (72 FR 14206), the obligation of 40 CFR 264.101 to address facility-wide corrective action at permitted facilities, is not affected by this final rule, and remains in effect.[16] Therefore, an owner or operator of a facility that manages only hazardous secondary materials excluded under this final rule, who seeks to terminate the facility's permit by modifying the permit term, must demonstrate as part of the permit modification request that the corrective action obligations at the facility have been addressed or where corrective action obligations remain, that continuation of the permit is not necessary to assure that they will be addressed. The Agency's corrective action authority at such facilities is not affected by this rulemaking and the Agency thus retains its authority to address corrective action at such facilities using all authorities applicable prior to this rulemaking.

At some facilities, corrective action obligations will likely continue to be addressed through the corrective action provisions of the permit. In these cases, maintenance of the permit would ensure that facility-wide corrective action will be addressed. Thus, in these cases, the permit would not be terminated by modifying the permit term, but would be modified to remove the provisions that applied to the now-excluded hazardous secondary material. The facility's permit would, thereafter, only address corrective action.

In other cases, however, EPA or an authorized state may have available an alternative federal or state enforcement mechanism or other federal or state cleanup authority, through which it could choose to address the facility's cleanup obligations, rather than continue to pursue corrective action under a permit. In these cases, where the alternate authority would ensure that facility-wide corrective action will be addressed, maintenance of the permit would not be necessary.

*B. Interim Status Facilities*

A facility that is operating under interim status will be affected by this final rule in much the same way as is a permitted facility and the issue of corrective action will be addressed in a similar manner. At an interim status facility that converts to managing only hazardous secondary materials that become excluded under this final rule, the part 265 interim status standards that applied to the hazardous waste management units at the facility, as well as the general facility standards in part 265, will no longer apply. At the same time, the Agency's authority to address corrective action at the facility is not affected by this final rule, and the owner or operator retains responsibility for unaddressed corrective action obligations at the facility.

*C. Releases From Excluded Units at Interim Status or Permitted Facilities*

Commenters on the October 28, 2003, proposal stated that one of the main purposes of the RCRA Subtitle C closure requirements is to identify and remediate any releases originating from the units. In response, the Agency noted in the March 26, 2007, supplemental proposal that releases from these units are discarded solid wastes and, therefore, potentially hazardous wastes, and agreed with the commenter's concern that such releases should be addressed. The Agency suggested in that preamble that the specific Subtitle C closure requirements may not be the most appropriate means of addressing cleanup of releases from these units, if any have occurred. Rather, the Agency suggested that a better approach to address historical releases from these

[14] Again, the owner/operator of the facility must comply with the applicable conditions and limitations of the exclusion (including the containment of the hazardous secondary material in the unit, legitimate recycling, and the prohibition against speculative accumulation) to maintain the exclusion.

[15] The commenter discussed above who disagreed with the Agency's approach for permit modifications to remove units that are no longer regulated, also believed that Class 2 permit modification procedures were necessary to provide the public an opportunity to comment on the owner or operator's request to terminate a permit by modifying the permit term. The Agency disagrees with this commenter. As was discussed above, the regulations governing permit modifications classify changes to the expiration date to allow earlier permit termination as Class 1 with prior Agency approval.

[16] Owners and operators of permitted and interim status facilities with corrective action obligations should refer to the Agency's February 25, 2003, guidance entitled "Final Guidance on Completion of Corrective Action Activities at RCRA Facilities," (*see* 68 FR 8757) for a detailed discussion of corrective action completion.

units, as well as any future releases, would be as part of corrective action for all releases at the facility—an approach that the Agency believed would achieve the same environmental results and would provide the owner or operator the option of integrating the cleanup more closely into the broader facility response.

Some commenters on the March 26, 2007, supplemental proposal objected to this approach of addressing releases from units that previously managed hazardous wastes and, as a result of today's rule, would subsequently only receive hazardous secondary materials excluded from Subtitle C control. These commenters requested that EPA expressly recognize that units storing or managing hazardous secondary materials excluded as a result of this rule would no longer be regulated as solid waste management units and are not subject to RCRA's corrective action requirements. EPA disagrees with this approach, as we have discussed previously in this section and as discussed below, and continues to believe that the best approach to addressing releases from conditionally excluded units is, generally, to address them as part of corrective action for all releases at the facility.

The Agency discussed the issue of its corrective action authority to address non-SWMU-related releases at RCRA treatment, storage, or disposal facilities in the May 1, 1996, Advance Notice of Proposed rulemaking (*see* 61 FR 19442–3). There, the Agency stated, "[g]iven the legislative history of RCRA section 3004(u), which emphasizes that RCRA facilities should be adequately cleaned up, in part, to prevent the creation of new Superfund sites, EPA believes that corrective action authorities can be used to address all unacceptable risks to human health and the environment from RCRA facilities. In the permitting context, remediation of non-SWMU related releases may be required under the "omnibus" authority * * * In other contexts, orders under RCRA sections 3008(h) or 7003 may require remedial action to address releases regardless of whether a SWMU is present."

The Agency envisions three scenarios that might apply to units from which releases have occurred. The first will arise in situations where an owner or operator fails to comply with the applicable conditions and limitations of the exclusion, and the unit consequently loses its exemption. In these situations, the unit itself will once again become a hazardous waste management unit, and the unit, as well as materials in the unit, will become subject to all requirements that were applicable prior to this final rule. Not only will corrective action authority be available at such a unit, but the closure requirements of 40 CFR part 264 or 265 will once again apply at the unit as well, and releases from that unit may be addressed through either the corrective action or the closure process.

The second scenario will arise in situations where releases occur at an excluded unit but, based on the site-specific factors, the Agency does not consider the release to be significant and, therefore, the release does not cause the unit to lose its exclusion. Failure on the part of the owner or operator to respond to such releases could be considered an act of illegal disposal. The Agency generally would address these situations by issuing an enforcement action under RCRA section 3008(a), or other applicable authorities, to compel cleanup actions and/or impose penalties. It should be noted that this approach is consistent with the approach taken by the Agency in a July 2002 final rule, in which the Agency excluded hazardous secondary materials used to make zinc fertilizers from the definition of solid waste (*see* "Zinc Fertilizers Made from Recycled Hazardous Secondary Materials," 67 FR 48400, July 24, 2002).

The third scenario will arise in situations where releases from the unit, of either the now excluded hazardous secondary material and/or other hazardous or solid wastes previously managed in the unit, were not addressed prior to the unit obtaining its exclusion. At permitted and interim status facilities, the status of those releases is unaffected by this rulemaking, and the Agency retains its authority to address them under all authorities applicable to them prior to this final rule, including sections 3004(u) and (v), and section 3008(h).

*D. Financial Assurance Obtained for Closure at Newly-Excluded Units*

The requirements in 40 CFR parts 264 and 265 subpart H, which applied at these units prior to their exclusion under this final rule, provide for the release of financial assurance upon certification by the facility owner or operator that closure has been completed in accordance with the approved closure plan, and after the Agency has verified that certification (*see* 40 CFR 264.143(i) and 265.143(h)).[17]

Under the approach discussed in section VII.D. and VIII.D. of this preamble, hazardous waste management units that convert to managing only hazardous secondary materials that are excluded under this final rule will no longer be subject to the 40 CFR part 264 or part 265 closure requirements. Further, while reclaimers who receive hazardous secondary materials that have been excluded under the new 40 CFR 261.4(a)(24) are required to meet financial assurance requirements,[18] persons who recycle hazardous secondary materials under the exclusions for materials recycled under the control of the generator (§ 261.2(a)(2)(ii) and § 261.4(a)(23)) are not required to meet the financial assurance requirements.

Under the requirements of 40 CFR parts 264 and 265 subpart G, owners and operators of units now eligible for the exclusion of § 261.2(a)(2)(ii) and § 261.4(a)(23) would have been required to remove and decontaminate all contaminated structures, equipment, and soils (*see* § 264.114 and § 265.114). The financial assurance provided under 40 CFR parts 264 and part 265 subpart H was designed to assure that funds would be available for these activities. In the case of generator controlled units, where financial assurance is no longer required, previous releases from the unit, which would have been addressed during closure and for which financial assurance was obtained will, as a result of this rule, now be addressed through corrective action authority. The question raised by the Agency in the March 26, 2007, supplemental proposal was whether funds obtained for closure should, therefore, be directed to corrective action activities at the unit.

Commenters on the March 26, 2007, supplemental proposal generally agreed that funds obtained for closure at units excluded under § 261.2(a)(2)(ii) and § 261.4(a)(23) (under the control of the generator) should be directed to address releases from the unit. The Agency agrees with these commenters, and encourages regulators to work with owners and operators that seek to modify their permits to remove conditions applicable to these units that will operate under the exclusion of § 261.2(a)(2)(ii) and § 261.4(a)(23), to verify that there are no unaddressed releases from the unit. In situations where corrective action is necessary at the unit, the Agency encourages regulators to work with owners and operators to assure that the releases from the unit are addressed promptly.

[17] Similar provisions at 40 CFR 264.145(i) and 265.145(h) provide for release of financial assurance for post-closure care.

[18] See section VIII.C.4 of this preamble for a complete discussion of financial assurance as a condition of the exclusion for this group of facilities.

## XIII. Effect on CERCLA

A primary purpose of today's final rule is to encourage the safe, beneficial reclamation of hazardous secondary materials. In 1999, Congress enacted the Superfund Recycling Equity Act (SREA), explicitly defining those hazardous substance recycling activities that may be exempted from liability under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (CERCLA section 127). Today's final rule does not change the universe of recycling activities that could be exempted from CERCLA liability pursuant to CERCLA section 127. Today's final rule only changes the definition of solid waste for purposes of the RCRA Subtitle C requirements. The final rule also does not limit or otherwise affect EPA's ability to pursue potentially responsible persons under section 107 of CERCLA for releases or threatened releases of hazardous substances.

## XIV. Effect on Imports and Exports

The exclusion for hazardous secondary materials generated and reclaimed under the control of the generator is limited to recycling performed in the United States or its territories. However, the exclusion for hazardous secondary materials exported for reclamation and the non-waste determinations included in today's final rule do not place any geographic restrictions on movements of such hazardous secondary materials, provided they meet the conditions of the exclusion or, if stipulated, conditions of the non-waste determination. It is therefore possible that in some cases excluded hazardous secondary materials could be generated in the United States or its territories and subsequently exported for reclamation to a facility in a foreign country. It is also possible that hazardous secondary materials could be generated in a foreign country and imported for reclamation in the United States. Under today's exclusion for hazardous secondary materials exported for reclamation, hazardous secondary materials are only excluded from the definition of solid waste in the U.S. and, thus, may be considered solid and hazardous wastes in the foreign country under that country's laws and regulations. If this is the case, the U.S. facility that exports or imports hazardous secondary materials will also need to comply with any applicable laws and regulatory requirements of the foreign country. For further discussion, see section VIII.C.5. of today's preamble regarding specific export and import conditions for hazardous secondary materials excluded under today's rule.

## XV. General Comments on the Proposed Revisions to the Definition of Solid Waste

EPA received hundreds of comments on the October 2003 proposal and the March 2007 supplemental proposal, most of which were quite detailed and raised multiple issues. Below is an overview of some of the major comments on general aspects of the proposals and a summary of EPA's responses to those comments. For a complete discussion of all the comments and EPA's responses to those comments, please see *Revisions to the Definition of Solid Waste Final Rule Response to Comment Document* found in the docket for today's rulemaking.

### *A. EPA's Legal Authority To Determine Whether a Material Is a Solid Waste*

Comments: Legal Authority

EPA received many comments from environmental groups and the waste treatment and recycling industry regarding EPA's authority to define when recyclable hazardous secondary materials are solid wastes and how EPA used this authority in the proposed rulemaking. Some commenters argued that EPA has no authority under the RCRA statute to broadly exclude hazardous secondary materials from the definition of solid waste. These commenters asserted that Congress intended for hazardous secondary materials to be classified as solid wastes even when they are recycled. The commenters argued that the proposed exclusions are contrary to the plain statutory language of RCRA and that EPA may not lawfully exclude pollution control sludges and materials resulting from industrial, commercial, mining, and agricultural operations, according to accepted principles of statutory interpretation. Although the commenters acknowledged that EPA has promulgated such exclusions in the past, and that one such exclusion was recently upheld in court in *Safe Food and Fertilizer* v. *EPA*, they stated that they believed that the DC Circuit erred in *Safe Food*. The commenters argue that, in the fertilizer rule upheld in *Safe Food*, EPA considered impermissible factors (e.g., market participation, management practices, and chemical identity) in defining which materials are not discarded under RCRA, and that the Agency has done so again in the current rulemaking effort.

EPA's Response: Legal Authority

EPA disagrees with comments that state that we have exceeded our authority by the exclusions being finalized today. While EPA clearly has the authority to regulate hazardous secondary materials that are reclaimed under Subtitle C of RCRA when discard is involved, the Agency also believes (and the courts have generally confirmed) that when hazardous secondary materials are reclaimed and such recycling operations do not involve discard, the hazardous secondary materials involved are not solid wastes under RCRA. EPA also has the authority to determine which types of recycling do not involve discard and, therefore, which types of hazardous secondary materials are not solid wastes. As EPA noted in the March 2007 supplemental proposal, "[u]nder the RCRA Subtitle C definition of solid waste, many existing hazardous secondary materials are not solid wastes and, thus, not subject to RCRA's 'cradle-to-grave' management system if they are recycled. The basic idea behind this construct is that recycling of such materials often closely resembles normal industrial manufacturing, rather than waste management" (72 FR 14197). Existing exclusions, found in 40 CFR 261.4(a), provide a long historical precedent for EPA's authority to exclude reclaimed materials from the definition of solid waste. EPA refers these commenters to the discussion of case law, above, and asserts that this rule follows valid precedent in the DC Circuit, including the court's opinion in Safe Food.

### *B. Adequacy of Conditions and Restrictions Used To Determine Whether a Material Is a Solid Waste*

Comments: Adequacy of Conditions

Other commenters did not dispute EPA's authority to exclude hazardous secondary materials from the definition of solid waste, but instead argued that before EPA can lawfully claim that excluded materials are not discarded, the Agency would need to strengthen the conditions to protect human health and the environment. For example, one commenter believed that all legitimacy criteria should be mandatory, that performance standards, such as secondary containment are needed for materials stored in tanks and containers, and that EPA should require engineered liner systems and monitoring for materials stored in land-based units.

EPA's Response: Adequacy of Conditions

EPA disagrees that the restrictions we are requiring for the under the control of the generator exclusions or the conditions and restrictions we are requiring for the transfer-based exclusion are inadequate. Each of the restrictions and/or conditions is specifically linked to defining when the hazardous secondary materials are not discarded and to ensuring that the regulatory authority has the information needed to oversee the exclusion. Specifically, for hazardous secondary materials reclaimed under the control of the generator, the fact that the generator maintains control and liability for the hazardous secondary materials, either by managing them on-site, within the same company, or under a specific tolling contract, is itself an indication that the materials are not discarded. The prohibition on speculative accumulation (as defined in 261.1(c)(8)), addresses both the situation in which a large percentage of the hazardous secondary material is accumulated over the year without being recycled and the situation where there is no feasible means of recycling the hazardous secondary material, regardless of volume. Finally, the requirement that the hazardous secondary materials must be contained in the unit recognizes the reality that hazardous secondary materials that are released to the environment are discarded.

For hazardous secondary materials transferred to another party for reclamation, the fact that the generator is required to make reasonable efforts to ensure that its hazardous secondary materials are properly and legitimately reclaimed demonstrates that the generator is not simply disposing of the material, but instead is taking responsibility that the hazardous secondary materials will be recycled. In addition, by maintaining a record of each shipment and a confirmation of receipt, the generator demonstrates that it continues to take responsibility for knowing the ultimate disposition of its hazardous secondary materials. Furthermore, by obtaining financial assurance, the reclamation facility demonstrates that it has also taken on the responsibility to ensure that the hazardous secondary materials will not be abandoned in the event that circumstances make it impossible for the facility to reclaim the hazardous secondary materials. For further discussion of how these and other restrictions and/or conditions of the exclusions are linked to defining when hazardous secondary materials are not discarded, see section V of this preamble, as well as sections VII–IX and sections XVI–XVIII. Support for the Agency's determination regarding which materials are not discarded is also found throughout the rulemaking record in this proceeding.

EPA also disagrees that specifying further engineering conditions, such as secondary containment, liners, and leak detection systems, is needed to determine which hazardous secondary materials are not being discarded. The restrictions EPA has established and the conditions that EPA is finalizing today address a variety of hazardous secondary materials and reclamation operations that are linked to defining the act of discard, rather than specifying a particular technology that may not be appropriate in some cases.

Furthermore, hazardous secondary materials excluded under today's rule may remain subject (or become subject) to requirements under other statutory programs. For example, hazardous secondary material generators, transporters, intermediate facilities and reclaimers may be subject to regulations developed under:

- The Occupational Safety and Health Act of 1970, which requires hazard communication programs, labeling, material safety data sheets (MSDS) and employee information and training (29 CFR part 1910). The Occupational Safety and Health Administration (OSHA) regulations also require emergency response planning and training under their Emergency Response Program to Hazardous Substance Releases (29 CFR 1910.120);
- The Hazardous Materials Transportation Act of 1975 and the subsequent Hazardous Materials Transportation Uniform Safety Act of 1990, which requires hazardous secondary materials meeting DOT's defining criteria for hazard classes and divisions to comply with hazard identification, shipping papers, labeling and placarding, incident reporting and security plans (49 CFR part 107 and parts 171–180);
- The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), Emergency Planning and Community Right-to-Know Act (EPCRA) and the Superfund Amendments and Reauthorization Act (SARA) of 1986 which, combined, require notification of hazardous substance releases above a reportable quantity, emergency planning and, if applicable, MSDS and inventory reporting (40 CFR 302.6, 40 CFR parts 355 and 370). Hazardous secondary material generators and reclaimers meeting defined criteria are also subject to toxic chemical release reporting (i.e., Toxics Release Inventory (TRI) under EPCRA (40 CFR part 372)).

While not exhaustive, this list provides examples of regulatory programs designed to protect human health and the environment developed under other statutory authorities alongside of RCRA. For more information on these regulatory programs, please see "Memorandum: Requirements that other Regulatory Programs would place on Generators, Reclaimers and Transporters of Hazardous Secondary Materials" located in the docket for this rulemaking.

*C. EPA's Authority To Regulate Recycling*

Comments: EPA's Authority

EPA also received comments from the hazardous waste generating industry disputing EPA's authority to promulgate today's rule. Unlike the environmental groups' and waste treatment and recycling industry's comments, which argued that EPA has no authority to deregulate hazardous secondary materials recycling, many of the generator industry comments asserted that EPA has no authority to regulate such recycling, even to prohibit speculative accumulation or require that the hazardous secondary materials be contained.

While most such commenters applauded EPA's decision in the March 2007 supplemental proposal to explicitly link the proposed exclusions to the concept of defining when hazardous secondary materials are not discarded, many of these comments argued that EPA has over-reached its statutory authority by imposing restrictions or conditions that the commenters argued have no relationship to discard.

Some commenters asserted that limiting the exclusions for hazardous secondary materials reclaimed under the control of the generator and imposing conditions on the exclusion for hazardous secondary materials transferred to a third party for reclamation, EPA has misread the intent of Congress. These comments cite previous court cases, noting the "analysis of the statute reveals clear Congressional intent to extend EPA's authority only to materials that are truly discarded, disposed of, thrown away, or abandoned" (*AMC I*, 824 F2d. at 1190). They go on to argue that materials being recycled do not fall into one of these enumerated activities.

Specifically, many of the comments cite the *ABR* decision (which in turn cites earlier court decisions), where the

court noted that EPA's authority is "limited to materials that are 'discarded' by virtue of being disposed of, abandoned, or thrown away" and that "[s]econdary materials destined for recycling are obviously not of that sort. Rather than throwing them away, the producer saves them, rather than abandoning them, the producer reuses them" (*ABR* 208 F.3d at 1051). "To say that when something is saved it is thrown away is an extraordinary distortion of the English language" (*Id.* at 1053). The commenters assert that, by limiting the exclusion to hazardous secondary materials intended for recycling that are "contained" in the unit, EPA is illegally imposing conditions on a material that has not been discarded.

Other comments take issue with EPA's decision to impose conditions for the transfer-based exclusion. These comments criticize EPA's rationale that, in part, bases the conditions on the fact that "subsequent activities are more likely to involve discard, given that the generator has relinquished control of the hazardous secondary material" (72 FR 14178). One commenter specifically challenged the proposed financial assurance requirement, claiming that the condition does not define the absence of discard and would effectively impose a waste management requirement upon a non-waste.

EPA's Response: EPA's Authority

EPA disagrees with the comments that Congress did not intend to give EPA the authority to regulate hazardous waste recycling. As EPA noted in both the October 2003 proposal and the March 2007 supplemental proposal, the RCRA statute and the legislative history suggest that Congress expected EPA to regulate as solid and hazardous wastes certain materials that are destined for recycling (*see* 45 FR 33091, citing numerous sections of the statute and *U.S. Brewers' Association* v. *EPA,* 600 F. 2d 974 (DC Cir. 1979); 48 FR 14502–04, April 3, 1983; and 50 FR 616–618). Moreover, the case law discussed above clearly shows instances where EPA properly regulated the recycling of solid and hazardous wastes.

EPA also disagrees that requiring the hazardous secondary materials to be "contained" contradicts the court's finding in *ABR* that EPA does not have the authority to define when hazardous secondary materials are not discarded. By limiting the exclusion to hazardous secondary materials that are contained, EPA is defining "discard" for this material. While it is true that the court has said that materials recycled in a continuous process by the generating industry are not solid wastes, commenters have failed to demonstrate how hazardous secondary materials that are *not* contained meet that description. By "contained," EPA means not released to the environment. It is a self-evident fact that hazardous secondary materials released to the environment (e.g., causing soil and groundwater contamination) are not "destined for recycling" or "recycled in a continuous process"; thus, they are part of the waste management problem. Moreover, as discussed above in section VII.C, to the extent that significant releases to the environment from a storage unit have occurred and remain unaddressed, it is reasonable to conclude that the material remaining in the unit is also actively being discarded. It is important to note that the hazardous secondary materials that remain in the unit are not solid wastes, unless the releases from the storage unit indicate that these materials are not being managed as valuable commodities and are, in fact, discarded. For examples of releases from a hazardous secondary materials storage unit that indicate that the hazardous secondary material in the unit is discarded and examples of releases that do not indicate discard, see section VII.C. of this preamble.

EPA also disagrees with comments that, under the transfer-based exclusion, EPA cannot consider the fact that the generator has relinquished control of the hazardous secondary material (along with other factors that indicate discard) in determining what conditions are needed for this exclusion. EPA's authority to regulate such transfers is clear: as the Court noted in *Safe Food,* "materials destined for future recycling by another industry *may* be considered 'discarded'; the statutory definition does not preclude application of RCRA to such materials if they can reasonably be considered part of the waste disposal problem" (350 F.3d at 1268).

EPA's record for today's rulemaking demonstrates that third-party recycling of hazardous secondary materials has been and continues to be part of the waste disposal problem, and, without the conditions being finalized today, these hazardous secondary materials would be solid wastes. Of the 208 damage cases in EPA's study of environmental problems associated with post-RCRA, post CERCLA hazardous secondary materials recycling, 94% appeared to take place at commercial off-site facilities. Moreover, EPA's study of how market forces impact recycling demonstrates that these damages are consistent with our understanding of how the business model for commercial recycling can lead to sub-optimal results. As opposed to manufacturing, where the cost of inputs, either raw materials or intermediates, is greater than zero and revenue is from the sale of the output, recycling conducted by commercial hazardous secondary materials recyclers involves generating revenue from receipt of the hazardous secondary materials, as well as from the sale of the output. Recyclers of hazardous secondary materials in this situation can have a short-term incentive to accept more hazardous secondary materials than they can economically or safely recycle, resulting in the hazardous secondary materials eventually being discarded.

The financial assurance condition for the transfer-based exclusion being finalized today is directly linked to this situation. By obtaining financial assurance, the owner or operator of the reclamation facility is making a direct demonstration that it will not abandon the hazardous secondary material. Of the 208 damage cases, 69 (or 33%) were primarily caused by abandonment of the hazardous secondary material by the recycler. None of 69 facilities whose damages were primarily caused by abandonment had financial assurance.

Under the transfer-based exclusion, financial assurance is the means by which the recycler demonstrates an investment in the future of the recycled materials; even if the market changes in such a way that the recycler can no longer process the hazardous secondary materials, by obtaining financial assurance, it has made certain that the hazardous secondary materials will not be abandoned and therefore not discarded. EPA therefore disagrees with the comment that the financial assurance condition is not related to discard of the material.

Moreover, financial assurance also addresses the correlation of the financial health of a reclamation facility with the absence of discard of hazardous secondary materials. According to the successful recycling study, an examination of a company's finances is an important part of many of the environmental audits generators currently use to determine that their hazardous secondary materials will not be discarded. In addition, the environmental problems study showed that bankruptcies or other types of business failures were associated with 138 (66%) of the damage cases, and the market forces study identified a low net worth of a firm as a strong indication of a sub-optimal outcome of recycling (i.e., over-accumulation of hazardous secondary materials, resulting in releases to the environment and

abandonment of hazardous secondary materials).

In the March 2007 supplemental proposal, EPA proposed to require that reclamation facilities obtain financial assurance to ensure that the reclamation facility owner/operators who would operate under the terms of this exclusion are financially sound (72 FR 14191), and many commenters supported this condition and EPA's rationale. EPA continues to believe that the findings in the recycling studies indicate a correlation between financial health of a reclaimer and the likelihood he will not discard the hazardous secondary materials.

*D. Comments on Recycling Studies*

1. Environmental Problems Study

EPA completed *An Assessment of Environmental Problems Associated with Recycling of Hazardous Secondary Materials* in order to identify and characterize environmental problems attributed to hazardous secondary materials recycling activities and to provide the stakeholders with a clearer picture of the recycling industry in the United States.

The environmental problems study (or study) was conducted in response to public comments received on the October 2003 proposal and to guide EPA's deliberations on how to proceed with the March 2007 supplemental proposal. In the public comments to the October 2003 proposal, a number of commenters expressed concern that deregulating hazardous secondary materials that are reclaimed in the manner described in that proposal could result in mismanagement of the hazardous secondary materials, and thus could create new cases of environmental damage requiring remedial action under federal or state authorities. Some of these commenters illustrated their concern by citing specific examples of environmental damage related to hazardous secondary materials recycling. A number of other commenters expressed the view that the great majority of the damage cases cited by commenters had occurred before RCRA, CERCLA, or other environmental regulatory programs were established in the early 1980s and, therefore, that the cases represent "historical" recycling-related environmental damage and are not particularly relevant or instructive for revising the RCRA Subtitle C definition of solid waste. These commenters further argued that the environmental programs—most notably RCRA's hazardous waste regulations and the liability provisions of CERCLA—have created strong incentives for the proper management of recyclable hazardous secondary materials and recycling residuals.

In response to the March 2007 supplemental proposal and to the study, made public in the rulemaking docket in conjunction with that proposal, EPA received comments on the study from a variety of commenters. In general, the comments pertain to the scope and methodology of the study and how the study reflects on today's exclusions and restrictions and/or conditions of the exclusions.

Comments: Scope and Methodology

With respect to the scope and methodology of the study, a few commenters agreed with excluding historical damage cases from the study and stated that recycling operations have in fact improved since RCRA was enacted. A few commenters provided several types of recycling-related environmental problems familiar to state agencies and a few commenters suggested the review of several additional damage cases. A few commenters argued that inclusion of their facility in the study, or the inclusion of their industry representatives' facilities, was unfounded due to one or more of the following reasons: Hazardous secondary materials were exempt from RCRA when environmental problems occurred; environmental problems stem from historical or pre-RCRA activities; numerous facilities in the study shut down during the 1980s in response to the creation of regulatory disincentives; environmental problems were addressed pursuant to CERCLA; and problematic activities were clearly a result of non-compliance. Also, a commenter suggested that one damage case profiled in the study "is not a good example of a contaminated site caused by recycling." In support of their comment, the commenter cited a Record of Decision (ROD) which stated that the site's former foundry operations, which existed pre-RCRA, caused soil and groundwater contamination.

One commenter suggested EPA overlooked potential sources of information for the study, including television commentary, media reports, books, and other reports (specifically one state report), and one commenter suggested that EPA "may have missed reviewing relevant files" by not analyzing state and regional paper files. Another commenter expressed concern that the study was not peer reviewed.

EPA's Response: Scope and Methodology

EPA acknowledged in the preamble to the March 2007 supplemental proposal that we did not search every possible information source for damage cases for the environmental problems study. For example, we did not systematically survey all state environmental agencies for relevant cases, nor did we search paper files in EPA Regional offices. We did solicit damage cases from regional representatives and we solicited additional cases through the public comment process. We recognize that there are likely to be additional cases that we did not identify. However, we have no reason to believe that additional cases would substantially change the overall picture. In fact, information submitted to EPA does not indicate that EPA has failed to find a representative sample of environmental damage caused by recycling activities.

EPA maintains that historical recycling-related damage cases are much less relevant and instructive than cases which have occurred within the current regulatory and liability landscape, and several commenters shared our belief. We value state commenters' general discussion of environmental problems encountered at recycling operations and note that any facility taking advantage of today's exclusion will need to comply with all applicable protective restrictions and conditions.

We also appreciate the suggestion of additional damage cases to review for the study. Based on our analysis of these cases, we have added one new damage case site to the study and updated two existing damage case profiles with more information about environmental problems (*see Addendum: An Assessment of Environmental Problems Associated With Recycling of Hazardous Secondary Materials*). We also determined that three damage cases identified in the public comments already are included in the 2007 study and additional information was not revealed to supplement the profiles; determined that one damage case identified in the public comments was previously reviewed and the damage was deemed unrelated to recycling and that no additional information was provided to change this conclusion; and determined that two sites identified in the public comments had damage unrelated to recycling. We concluded that the new damage cases and the supplemental information added to existing cases are consistent with the damage cases previously cited in the study; therefore, the additional facts do

not substantially change our understanding of the hazardous secondary materials recycling damage cases.

EPA maintains that the damage cases captured in the environmental problems study fall within the study's scope and, as such, are relevant for guiding the development of today's rulemaking. As we discussed in the study, we are interested in whether damage may be more or less prevalent for hazardous secondary materials that are explicitly exempted or excluded from RCRA regulatory controls and we are less interested in historical or pre-RCRA cases (defined in the study as before 1982). We also indicated in the study that we are interested in "whether or not the recycler * * * went out of business" and which "government program is responsible for overseeing the cleanup of the site," and clearly we are interested in acts of non-compliance that resulted in environmental damage. These points of interest, among others cited on pages 4–5 of the study, are informative for the purpose of this rulemaking and are within the scope of the study. Consequently, we disagree with industry and association commenters who argued that certain damage cases did not warrant inclusion in the Environmental Problems Study.

We acknowledge that the particular damage case referenced by a commenter as "not a good example" for the study does in fact exhibit environmental damage which can be partially attributed to foundry operations pre-1982. However, as indicated in the damage case profile in Appendix II of the study, the damage case was included in the study due to the following factors, which do not include damage associated with pre-1982 operations: Abandonment of drums of spent catalyst, bankruptcy, and business closure. As a result, we maintain that this damage case is within the scope of the study.

While we acknowledge that we did not review all possible sources of information for our study and generally relied on readily available material, we did in fact rely on media reports for information and we collaborated with regional representatives who are very knowledgeable about the damage cases and who assisted us in fact checking and suggesting damage cases. With respect to a commenter's suggestion that we review the "Final Report of the Waste and Hazardous Materials Division, Fire & Explosions Task Force," produced by Michigan DEQ, we regret that the state has not yet made the report publicly available. However, we note that the scope of the draft Michigan study was not limited to hazardous secondary materials recycling operations, and shows that accidents can and do occur in all types of manufacturing facilities.

Despite the fact that we did not conduct an exhaustive review of all possible sources of damage case information, we believe that the restrictions and conditions of today's exclusions are sufficient to ensure safe recycling activities. For facilities operating under the transfer-based exclusion, sudden accidental liability coverage for bodily injury and property damage to third parties is required for all units, and non-sudden accidental liability coverage is required for land-based units (see section VIII.C.4. for a more detailed discussion of liability coverage). We also note that facilities may be subject to other regulations that ensure facility safety, such as the OSHA requirements and state and local requirements (*see* "Memorandum: Requirements that other Regulatory Programs Would Place on Generators, Reclaimers and Transporters of Hazardous Secondary Materials" made available in the docket for today's final rulemaking). While EPA has not done a definitive study of other regulatory requirements, we are reasonably comfortable with the fact that the available information indicates oversight by other regulatory agencies would significantly mitigate potential damage from the non-discarded materials.

With respect to the comment regarding peer review, we believe that while the study was not peer reviewed, the scope and methodology are sound, as evidenced by the small number of comments received on this issue. Additionally, peer review was not warranted by EPA peer-review standards because the study is not a scientific and/or technical work product. Rather, the study is an analysis of existing and publicly available information compiled to provide a representative view of hazardous secondary materials recycling.

Comments: Study's Relation to Today's Actions

EPA received a number of comments alleging that the study does not support today's exclusions. Several commenters strongly believe that the study reflected that recycling hazardous secondary materials is a high risk activity and thus should remain fully regulated. A few commenters wrote that the study does not support the transfer-based exclusion and these commenters collectively predicted that the exclusion will create future damage cases. To bolster their feedback, one commenter stressed that the majority of all damage cases cited in the study are located off-site from the facilities that generated the hazardous secondary materials. Commenters also used the study's findings (namely damage type, damage cause, cost of cleanup) to support their opposition to the transfer-based exclusion. In particular, commenters stressed the financial impact to states and communities if additional environmental clean-ups were to result from facilities taking advantage of the exclusions.

On the other hand, EPA also received responses from several commenters stating that the environmental problems study supports the proposed conditions of the transfer-based exclusion for reclaimers and generators. While several of these commenters opposed codification of the transfer-based exclusion, other commenters supported it as long as there were requirements to ensure protection of public health and the environment. For example, commenters responded that mismanagement of hazardous secondary materials, residuals, and recycled products or intermediates in the damage cases clearly represented a need to have requirements for protective management and storage, as well as a requirement for safe residuals management. Additionally, commenters believed in the importance of a financial assurance requirement to protect against the damage noted in the study related to bankruptcy and the abandonment of hazardous secondary materials and residuals. A commenter also responded that generators should assess whether the above protections exist at reclamation facilities in order to minimize their future liability. Additionally, in response to the study, EPA received one comment suggesting that each of the following safeguards be added to the exclusions: Tracking materials, restriction on land-based storage, and 90-day storage provisions in 40 CFR part 262 for all generators, including those who recycle on-site.

EPA's Response: Study's Relation to Today's Actions

While EPA agrees that the study reflects the risk and problems involved with recycling hazardous secondary materials, we disagree with those commenters who stated that the study does not support today's exclusions because of the perceived risk posed by the exclusions. Instead, we agree that the environmental problems highlighted in the study demonstrate the need to promulgate restrictions and conditions for the exclusions (e.g., requirements for

financial assurance, reasonable efforts, shipping documentation, hazardous secondary materials management, legitimate recycling, and speculative accumulation). EPA maintains that the restrictions and conditions finalized with today's exclusions, and discussed more in depth in sections VII.C. and VIII.C., will address the problems identified in the study and will limit the exclusions to materials that EPA has determined are not discarded. We also agree with those commenters who suggest that generators should assess whether reclamation facilities adequately manage hazardous secondary materials in order to mitigate the risk of future environmental problems. Consequently, we are finalizing the reasonable efforts condition for the transfer-based exclusion.

Comments: Restrictions on Mining and Mineral Processing

A few commenters responded that the study does not support controls on land-based storage of hazardous secondary materials at mining and mineral processing facilities. They cited that only 1 of the 208 damage cases is associated with a primary mineral processing facility. Thus, the commenters argued that the small number of environmental problems stemming from recycling at mining and mineral processing facilities does not warrant the proposed regulatory oversight of the industry.

EPA's Response: Restrictions on Mining and Mineral Processing

EPA acknowledges that the environmental problems study included one damage case from primary mineral processing and two damage cases from secondary mineral processing. We note that whether an industry has a single damage case represented in the study or numerous damage cases, all industries are treated equally within the final rulemaking for hazardous secondary materials generated, reclaimed, and managed in land-based units (40 CFR 261.4(a)(23)).

Moreover, further review of publicly available data revealed four additional damage case profiles from primary and secondary mineral processing facilities, which corroborates EPA's view that the findings from the environmental problems study apply across industries, including the mining and mineral processing industries (*see Addendum: An Assessment of Environmental Problems Associated with Recycling of Hazardous Secondary Materials* to review new damage case profiles). Of the four additional damage cases, three are primary mineral processing facilities and one is a secondary mineral processing facility. Improper disposal of residuals and improper management of recyclables are the most frequently observed primary damage cause at such facilities. The primary environmental damage type resulting from the above activities are soil contamination, wildlife exposure, and groundwater and surface water contamination.

We have concluded that the additional damage cases do not substantially change the overall picture of environmental problems caused by hazardous secondary materials recycling activities at facilities, including mining and mineral processing facilities. We also disagree with the commenters' assertion that restrictions on land-based storage units are not supported by the environmental problems study. Cumulative damage causes from the study support the restrictions imposed by 40 CFR 261.4(a)(23) and the identification of additional mining and mineral processing damage cases corroborates EPA's finding that no industry should be exempt from the restrictions and/or conditions due to the limited number of damage case profiles exhibited in the environmental problems study.

2. Good Recycling Practices Study

EPA completed *An Assessment of Good Current Practices for Recycling of Hazardous Secondary Materials* to provide a more complete picture of the hazardous secondary materials recycling industry in the United States. The study examines what practices responsible generators and recyclers currently use to ensure that their hazardous secondary materials are recycled responsibly.

One purpose of the study was to provide the Agency with another angle from which to view the hazardous secondary materials recycling industry. EPA has long heard from representatives of that industry that management of hazardous secondary materials has changed and improved since RCRA was implemented in the early 1980s. In addition, by indicating what controls responsible recyclers are using, the study was intended to help EPA determine which kinds of regulatory requirements would be most appropriate and effective as conditions of the exclusions.

Some of the comments on the successful recycling study supported the conclusions in the study. Particularly, these commenters stated that audits are typical, that they usually cover the subjects described in the study, and that RCRA and CERCLA liability are drivers of responsible recycling behavior. Several other commenters suggested that other incentives affecting the behavior of recyclers include economic concerns, the RCRA hazardous waste regulations, and environmental and safety regulations under other statutes.

Comments: Scope of the Successful Recycling Study

EPA received several critical comments in response to the study on responsible recycling behaviors. One comment that appeared more than once was that EPA's study focused too much on large companies and that many of the practices a large company undertakes with a full environmental staff would not be possible for a smaller company and, therefore, that the practices are not widespread among smaller companies.

EPA's Response: Scope of the Successful Recycling Study

EPA agrees with the focus on larger companies in the study and discusses it in the methodology section of the report's introduction. Because many of the contacts for interviews for the report came out of the public comments on the October 2003 proposed rule, much of the information in the report came from companies large enough to have staff responsible for submitting public comments to federal proposed rulemakings. However, where possible and appropriate, the study does examine the options for small businesses, as well as what small businesses are doing that approximates the audit programs and other practices of larger companies. The Agency did find that many small companies are concerned with questions of liability in their hazardous secondary materials recycling and often either belong to auditing consortiums or already do smaller audits by mail and telephone if they cannot afford to set up visits to the recycling facilities to examine them in person.

Comments: Purpose of the Successful Recycling Study

Another comment made by several commenters expressed a concern that circular logic was in place in the March 2007 supplemental proposal. The commenters stated that it was regulation under RCRA that led to the growth of the good practices being described and stated that EPA was using these practices as justification for taking away the very regulations that led to them.

EPA's Response: Purpose of the Successful Recycling Study

The Agency believes that those making this comment misunderstood

the relationship between the successful recycling study and the March 2007 supplemental proposal. The proposal did not state that this background material was a justification for why the Agency proposed the conditional exclusion for hazardous secondary materials not under the control of the generator. Rather, the Agency looked to the study to determine what the current responsible practices are and to use that information to inform decisions on what restrictions and/or conditions would be appropriate for the transfer-based exclusion. By promulgating restrictions and/or conditions that will lead to responsible management of hazardous secondary materials, the Agency intends to encourage hazardous secondary materials recycling, while protecting human health and the environment.

3. Market Forces Study

EPA received very few comments on *Potential Effects of Market Forces on the Management of Hazardous Secondary Materials Intended for Recycling.* The purpose of this study is to use economic theory to describe how various market incentives can influence a firm's decision making process when the recycling of hazardous secondary materials is involved. Different economic incentives between the recycling of hazardous secondary materials and manufacturing can arise due to differences in these two business models. As opposed to manufacturing, where the cost of inputs of either raw materials or intermediates is greater than zero and revenue is generated primarily from the sale of the output, some models of hazardous secondary materials recycling involve generating revenue primarily from the receipt of the hazardous secondary materials. Recyclers of hazardous secondary materials in this situation may thus respond differently to economic forces and incentives from traditional manufacturers.

Comments and EPA's Response: Market Forces Study

Most of the commenters agreed with the underlying premise of the study that market forces affect commercial recycling differently from how they affect manufacturing from virgin materials, thus creating a potential incentive for the over-accumulation of hazardous secondary materials in some circumstances. Thus, the study supports both the proposed conditions for the transfer-based exclusion and the "useful contribution" factor for the legitimacy criteria. EPA agrees with these comments.

One commenter stated that as a result of the market forces study, EPA should also include a requirement that the generator evaluate the financial health of the recycler before shipping a hazardous secondary material to the recycler. While EPA agrees that evaluating the financial health of a company can be useful and informative, and encourages companies to do so, it is not an activity that lends itself to an objective standard that would be appropriate for regulation. Instead, EPA is requiring recyclers under the transfer-based exclusion to have financial assurance in order to determine that negative economic factors will not result in the hazardous secondary materials being abandoned.

One commenter disagreed with the study's conclusion that intra- and inter-company recyclers have more flexibility in their waste management decisions than commercial recyclers do. The commenter noted that company politics and internal goals can make it difficult to switch from recycling to disposal, even if the market forces make it more economical, and that it may take two or more months to find a disposal contractor.

While EPA generally agrees that there are more factors at work than those described in the study, we continue to believe that intra- and inter-company recycling have more flexibility in waste management decisions than a commercial recycler does. When a commercial recycler's entire income is from accepting hazardous secondary materials for recycling and selling recycled products, there is no economic alternative for it to stop recycling and continue to stay in business unless it can afford the cost of a hazardous waste management permit and the cost of becoming a hazardous waste disposal facility. This finding is supported by the results of the damage cases, the overwhelming majority of which were at commercial recycling facilities.

*E. Use Constituting Disposal (UCD) and Burning for Energy (BFE)*

Comments: UCD and BFE

EPA received extensive comments on both the October 2003 proposal and the March 2007 supplemental proposal requesting that the scope of the proposed rules be expanded to include hazardous secondary materials used in a manner constituting disposal and hazardous secondary materials burned for energy recovery. Commenters argued that these operations do not involve discard, and that they can have many environmental benefits, including resource conservation and reduction in greenhouse gas emissions. In particular, commenters argued that hazardous waste that is indistinguishable from a commercial fuel should be not a solid waste. Other commenters supported keeping the exclusion focused on reclamation and not including use constituting disposal and burning for energy recovery. Commenters noted that these types of activities, in some cases, are akin to discard, that precedents exist for regulation of these hazardous secondary materials, and that recycling and reclamation are higher on the waste management hierarchy and more likely to conserve resources than burning for energy recovery.

EPA's Response: BFE and UCD

EPA continues to maintain that comments on UCD and BFE are outside the scope of the solid waste exclusions in today's final rule, which are focused on reclamation. EPA agrees that hazardous secondary materials that are comparable to commercial fuels should not be solid wastes, and the Agency has already promulgated an exclusion for certain of these materials (40 CFR 261.4(a)(16)). However, as stated earlier, such materials are outside the scope of today's final exclusions and are best addressed under separate rulemaking efforts.

## XVI. Major Comments on the Exclusion for Hazardous Secondary Materials Legitimately Reclaimed Under the Control of the Generator

*A. Scope of the Exclusion*

1. Exclusion for Materials Recycled On-Site

Comments: On-Site Exclusion

In our March 2007 supplemental proposal, EPA proposed to exclude from the definition of solid waste hazardous secondary materials that are generated and legitimately reclaimed at the generating facility. EPA proposed to define "generating facility" in 40 CFR 260.10 as "all contiguous property owned by the generator" (72 FR 14214). We noted that our proposed definition would include situations where a generator contracted with another company to reclaim hazardous secondary materials at the generator's facility, either temporarily or permanently. The Agency solicited comment on whether facilities under separate ownership, but located at the same site (*e.g.*, industrial parks), should be included within this proposed exclusion. We also solicited comment on other definitions which might be compatible with the concept of generator control.

Commenters who addressed this issue generally supported the proposed on-site exclusion. They agreed with EPA that hazardous secondary materials reclaimed by a generator at its facility are unlikely to be discarded because the materials will be managed and monitored by a single entity who is familiar with both the generation and recycling of the hazardous secondary materials. Several commenters also agreed with EPA that environmental risks were lessened if the hazardous secondary materials were not transported off-site, and that fewer liability questions would arise in the case of accidents or mismanagement.

With respect to companies under separate ownership, but located at the same site, commenter reaction was more mixed. Some commenters said that this situation is not compatible with generator control. They argued that unrelated companies would not be as likely to have knowledge of each other's operations and hazardous secondary materials, and that additional controls were necessary, such as financial assurance for the reclaimer and reasonable efforts on the part of the generator (conditions that EPA had proposed for the transfer-based exclusion).

Other commenters supported an exclusion for facilities under separate ownership, but located at the same site, (*i.e.*, co-located facilities). These commenters said that such an exclusion would encourage recycling. These commenters mentioned a variety of scenarios which they argued should be eligible for the exclusion. Some commenters described integrated chemical manufacturing operations with co-located facilities that are owned by different entities because of corporate mergers and acquisitions. Another commenter noted that at some steel plants, spent pickle liquor is reclaimed on-site by a company that is different from the company operating the steel plant. Other commenters noted that coke and tar plants at iron and steel facilities are sometimes owned by electric utilities. A few commenters argued that facilities at airports should be eligible for the exclusion, and other commenters mentioned various cooperative recycling ventures within the automotive industry. Some operations mentioned by commenters appeared to be prospective rather than actual.

EPA's Response: On-Site Exclusion

After evaluating these comments, EPA has decided to finalize this provision as proposed and to limit the exclusion to hazardous secondary materials that are generated and legitimately reclaimed by the hazardous secondary material generator at that generator's facility. We agree with the commenters that at least some of the situations they described are not necessarily incompatible with generator control. One of the situations—spent pickle liquor recycled on-site at a steel mill—is eligible for the generator-controlled exclusion if the generator has contracted with the company to reclaim the material at the generator's facility. However, the Agency does not have sufficient legal or factual information about other situations mentioned by the commenters to determine if there is a single entity who remains in control of the hazardous secondary material throughout the reclamation process.

For this reason, EPA believes that such situations may be more appropriately addressed under the exclusion for hazardous secondary materials transferred for reclamation (40 CFR 261.4(a)(24)) or under the case-by-case non-waste determination procedures finalized today in § 260.30.

For the sake of clarity and in response to comments, we are also adding a definition of "hazardous secondary material" and "hazardous secondary material generator" to § 260.10. "Hazardous secondary material" means a secondary material that, when discarded, would be identified as hazardous waste under part 261 of 40 CFR. "Hazardous secondary material generator" means any person whose act or process produces hazardous secondary material at the generating facility. A facility that collects hazardous secondary materials from other persons is not the hazardous secondary material generator. These definitions would apply to all of the exclusions promulgated today. We note that generators sometimes contract with a second company to collect hazardous secondary materials at the generating facility, after which the hazardous secondary materials are subsequently reclaimed at the facility of the second company. In that situation, the hazardous secondary materials would no longer be considered "under the control of the generator" because the materials are not reclaimed at the generating facility. The materials should instead be managed under the exclusion for materials transferred for reclamation.

EPA agrees with certain comments that a facility that generates hazardous secondary materials may lease the property where it conducts operations, rather than own the property and that our proposed definition of "generating facility" would not cover such arrangements. EPA has therefore changed the definition of "generating facility" in 40 CFR 260.10 to read "all contiguous property owned, leased, or otherwise controlled by the hazardous secondary material generator." We have also amended the existing definition of "facility" in § 260.10 to include a reference to management of hazardous secondary materials. Therefore, any references to "facilities" or "units" of a facility in today's rule also refers to facilities or units managing hazardous secondary materials excluded under this rule.

2. Exclusion for Materials Recycled by the "Same Company"

In its March 2007 supplemental proposal, EPA proposed to exclude from the definition of solid waste hazardous secondary materials that were generated and reclaimed by the same "person" as defined in 40 CFR 260.10, if the generator certified the following: "on behalf of [insert company name], I certify that the indicated hazardous recyclable material will be sent to [insert company name], that the two companies are under the same ownership, and that the owner corporation [insert company name] has acknowledged full responsibility for the safe management of the hazardous secondary material" (72 FR 14214). "Person," as defined in § 260.10, means an individual, trust, firm, joint stock company, Federal Agency, corporation (including a government corporation), partnership, association, State, municipality, commission, political subdivision of a State, or any interstate body. EPA proposed the certification requirement because of existing complexities in corporate ownership and liability. The certification would clarify the responsibilities of the generator and reclaimer and would help regulatory authorities determine whether a facility was eligible for this exclusion. The Agency solicited comment on any other certification language that might accomplish the same end, and on other definitions of "same-company" (72 FR 14186).

Comments: Same-Company Exclusion

Many commenters supported this exclusion and stated that hazardous secondary materials sent from one company's facility to another remained essentially under the control of the generating company. According to these commenters, if a generator sends materials to a reclaimer that is part of the same corporate structure, the generator is likely to be familiar with the recycling and materials management processes employed by the reclaimer. In addition, questions regarding liability

and responsibility for such hazardous secondary materials are likely to be clearer than is the case with facilities from unrelated companies.

Other commenters stated that when hazardous secondary materials are generated and transported off-site for reclamation, additional controls were needed to avoid discard and protect human health and the environment even in the case of intra-company recycling. Some of these commenters preferred such reclamation to be regulated under the proposed conditional exclusion for hazardous secondary materials transferred for the purpose of reclamation. This measure would ensure that generators would have to perform reasonable efforts and that reclaimers would have to obtain financial assurance. Other commenters suggested additional notification and recordkeeping requirements for any hazardous secondary materials transported off-site.

EPA's Response: Same-Company Exclusion

After evaluating these comments, the Agency has decided to retain "same-company" recycling under the exclusion for hazardous secondary materials legitimately reclaimed under the control of the generator. We do not believe that facilities exchanging hazardous secondary materials within the same corporate structure should be subject to the requirements for our exclusion at § 261.4(a)(24), as long as appropriate control of the recycling process is maintained. In particular, it is unnecessary for the generator to perform reasonable efforts on the reclaimer, because the generator is likely to be knowledgeable about the reclaimer's ability to recycle the hazardous secondary materials properly and legitimately. Similarly, if the generator and reclaimer are part of the same corporate structure and if common control is maintained over the policies of both facilities, there are strong incentives to ensure that the hazardous secondary materials are properly and legitimately reclaimed, thus making a financial assurance requirement for the reclaimer unnecessary.

In response to commenters who suggested additional notification and recordkeeping requirements, we note that the Agency is revising our proposed requirements for notification and recordkeeping for all exclusions promulgated today. These revisions are discussed in sections VII.C. and VIII.C. of this preamble.

Comments: Certification of Same Company

Some commenters argued that no certification should be necessary when hazardous secondary materials are sent between the same or related companies because generator knowledge of the materials and the potential CERCLA liability should suffice to ensure safe and legitimate recycling. Other commenters supported a certification provision, but suggested alternative language that they stated would be more compatible with generator control. Still other commenters disagreed with our proposed requirement for certifying that the generator and reclaimer of hazardous secondary materials were under the same ownership and that the owner corporation must acknowledge responsibility for the safe management of the hazardous secondary materials.

According to these commenters, under existing corporate law, parent companies do not (and sometimes cannot) assume legal liability for their subsidiaries. EPA's proposed certification requirement regarding the owner company would therefore have little legal effect and could actually discourage same-company recycling. Some of these commenters suggested that either the generator or the reclaimer should acknowledge responsibility for properly managing the hazardous secondary material, not a third-party owner corporation.

Other commenters said that the proposed requirement that the hazardous secondary materials be generated and reclaimed by the same "person" under 40 CFR 260.10 was not appropriate because a corporation and its affiliates or subsidiaries are legally distinct and not the same "person." Therefore, one commenter suggested that we refer to related "facilities" rather than "companies." Some other commenters suggested that we focus on the concept of "control" rather than "ownership."

EPA's Response: Certification of Same Company

After evaluating these comments, EPA does not agree with the commenters who argued that a certification requirement is not needed. We note that the purpose of the certification is not to directly ensure proper and legitimate recycling, but to clarify responsibility for the hazardous secondary materials and to demonstrate to regulatory officials that the hazardous secondary materials are not discarded and are within the terms of the generator-controlled exclusion. We are therefore retaining a certification requirement for this exclusion.

However, the Agency has also decided that its proposed certification language should be revised to avoid confusion and to ensure more effective generator control. We have therefore revised our proposed regulatory definition for this exclusion to refer to "facilities" rather than companies. Under the definition finalized today at 40 CFR 260.10, the reclaiming facility must be "controlled" by the generating facility or by a person (under § 260.10) who controls both the generating facility and the reclaiming facility. "Control," for purposes of this exclusion, means "the power to direct the policies of the facility, whether by the ownership of stock, voting rights, or otherwise, except that contractors who operate facilities on behalf of a different person shall not be deemed to "control" such facilities" (see § 260.10). Our final certification language requires the generating facility to certify that it controls the reclaiming facility, or that the generating facility and the reclaiming facility are under common control. In addition, the generator must certify that either the generating facility or the reclaiming facility acknowledges full responsibility for the proper management of the hazardous secondary materials. To avoid confusion, we have also amended the definition of "facility" at 40 CFR 260.10 to include facilities which manage hazardous secondary materials. Therefore, any reference to "facilities" in this rule also includes facilities which manage materials excluded under the regulations promulgated today.

EPA believes that this revised language more appropriately reflects the concept of "generator control" that underlies the exclusions at 40 CFR 261.2(a)(2)(ii) and 261.4(a)(23). Requiring that a generating facility control the reclaiming facility, or that both be under common control, ensures that there is an ongoing relationship between the generator and reclaimer and that the two facilities are more likely to be familiar with each others' waste management practices, thereby minimizing the possibility of discard. If there is no such relationship, the two facilities should not be eligible for this exclusion and the use of the transfer-based exclusion would be more appropriate. In addition, requiring the hazardous secondary material generator to certify that either the generating facility or the reclaiming facility acknowledges responsibility for the safe management of hazardous secondary materials ensures that the responsibility rests with the party most capable of assuming such responsibility. This

certification should be made by an official familiar with the corporate structure of both the generating and the reclaiming facilities and should be retained at the site of the generating facility.

Comments and EPA's Response: Application to Government Agencies and Universities

Some commenters requested that EPA clarify whether two government agencies (such as the Department of Defense and the Department of Energy) would be considered the same "person" under 40 CFR 260.10 if hazardous secondary materials are generated by one agency and reclaimed by another. In response, we note that for purposes of RCRA, the federal government is not a single "person"; rather, each agency or department would be considered a separate "person." We also note that under today's final rule, a federal agency that is a generating facility does not normally have the power to direct the policies of a different federal agency that is a reclaiming facility, nor is there a "person" under § 260.10 who directs the routine policies of both facilities. In certain situations, the two different federal agencies involved may wish to apply for a case-by-case non-waste determination under 40 CFR 260.30, as appropriate, or use the transfer-based exclusion.

Other commenters requested that EPA clarify whether the same-company exclusion extends to hazardous secondary materials that are generated and reclaimed at different facilities, when both facilities are owned by the same government agency or university, but operated by a contractor. In some of these situations, the same contractor operates both the generating facility and the recycling facility, but, in other situations, the generating facility and the reclaiming facility are operated by different contractors. In those situations where the generating facility and the reclaiming facility are both owned by the same government agency or university, the two facilities would be under common control because the agency or university in question has the power to direct the policies of both the generating facility and the reclaiming facility. Under this scenario, both facilities would therefore be eligible for the same-company exclusion, even if operated by different contractors. However, if the generating facility and the reclaiming facility were each owned by a separate government agency or university, they would not be eligible for this exclusion even if both facilities were operated by the same contractor, because the element of common control would be lacking. We have revised the certification language of 40 CFR 260.10 to reflect this approach. The parties involved may apply for a case-by-case non-waste determination under 40 CFR 260.30, as appropriate, or use the transfer-based exclusion.

3. Types of Tolling Arrangements Eligible

In its March 2007 supplemental proposal, the Agency proposed to exclude from the definition of solid waste certain hazardous secondary materials that are generated pursuant to a written contract between a tolling contractor and a toll manufacturer. Through the contract, the tolling contractor would arrange for the manufacture by the toll manufacturer of a product made from unused materials specified by the tolling contractor. To be eligible for the exclusion, the tolling contractor would have to retain ownership of and responsibility for the hazardous secondary materials that were generated during the course of the production of the product. EPA solicited comment on other types of contractual arrangements under which discard is unlikely to happen and which could appropriately be covered by the exclusion for generator-controlled hazardous secondary materials. For example, one company could enter into a contractual arrangement for a second company to reclaim and reuse (or return for reuse) the first company's hazardous secondary materials. The first company could create a contractual instrument that exhibits the same degree of control over how the second company manages the hazardous secondary materials as is found in a tolling arrangement (72 FR 14186).

Comments: Tolling Arrangements

Some commenters stated that tolling arrangements are incompatible with "generator control" and are best regulated under the proposed exclusion for materials that were transferred for legitimate reclamation. They argued that requirements such as reasonable efforts (by generators) and financial assurance (for reclaimers) were necessary to avoid discard in the case of off-site reclamation. Some of the commenters argued that the physical generator of the hazardous secondary material (in this case, the toll manufacturer) retains legal liability for the material. They stated that contracts which reallocated resources to address financial responsibility for mismanagement or mishap could contain loopholes that would allow tolling contractors to dispose of hazardous secondary materials or send them to a third party for reclamation.

Other commenters, on the other hand, urged EPA to expand the tolling exclusion to other types of contractual arrangements. A few commenters said that the exclusion should be allowed for any contract between a generator and a reclaimer where the generator was willing to retain ownership of and/or responsibility for the hazardous secondary materials. Other commenters mentioned specific contractual situations in which they argued the hazardous secondary materials in question were clearly handled as a commodity and discard was therefore highly unlikely. One example given was a facility that reclaims metals from electric arc furnace dust and then sends the metals back to steel mills to be reused. Another example was a facility that takes spent copper etchant from manufacturers of printed wiring boards and uses the material to make new copper compounds. Still another example was a facility that collects used paint purge solvent from auto body paint operations, reclaims it, and sells regenerated solvent back to the auto body facility.

EPA's Response: Tolling Arrangements

After considering these comments, the Agency has decided to retain the tolling exclusion, but not to broaden its scope. The exclusion will therefore be limited to situations where a tolling contractor contracts with a toll manufacturer to make a product from specified unused materials. We do not agree with those commenters who said that tolling contracts are not compatible with "generator control." The typical tolling contract contains detailed specifications about the product to be manufactured, including the management of any hazardous secondary materials that are generated and returned to the tolling contractor for reclamation. In addition, the tolling contractor will enter into a tolling contract with such requirements only if it has decided that the economic benefit from such recycling is justified. For these reasons, we do not believe that tolling arrangements should be subject to the conditions applicable to the transfer-based exclusion.

On the other hand, the Agency also does not agree with those commenters who urged that we should allow the generator-controlled exclusion for any hazardous secondary materials generated under a contract between a generator and a reclaimer. We believe that the exclusion should be limited to the types of tolling arrangements specified in 40 CFR 260.10. When hazardous secondary materials are

transferred off-site for reclamation, there is, in general, less likelihood of generator control, and, hence, more likelihood of discard, in the absence of conditions that ensure the hazardous secondary materials will be handled as valuable products. In these situations, additional requirements are needed for the Agency to determine that no discard has occurred. Conversely, in the specific situations included in the generator-controlled exclusion (on-site, same-company, and tolling reclamation), we believe that the generator is much more likely to be familiar with the reclaimer and to have powerful incentives to see that the hazardous secondary materials are reclaimed properly and legitimately. In these cases, the requirements that we have finalized today (notification, legitimate recycling, compliance with speculative accumulation limits, and containment) are sufficient for the Agency to determine that such hazardous secondary materials are not discarded. These requirements may not be sufficient in the case of unrelated generators and reclaimers who have a non-tolling type of contract.

To clarify the requirements for tolling contracts under today's rule, and to assist regulatory authorities in determining whether a facility is eligible for an exclusion under a tolling contract, EPA has also added a certification requirement to the definition of hazardous secondary material generated and reclaimed under the control of the generator in § 260.10 of the final rule. This provision would require the tolling contractor to certify that it has a written contract with the toll manufacturer to manufacture a product or intermediate which is made from unused materials specified by the tolling contractor, and that the tolling contractor will reclaim the hazardous secondary materials generated during the course of this manufacture. The tolling contractor must also certify that it retains ownership of, and responsibility for, the hazardous secondary materials that are generated during the course of the manufacture, including any releases of hazardous secondary materials that occur during the manufacturing process. This certification should be made by an official familiar with the terms of the written contract and should be retained at the site of the tolling contractor.

In response to those commenters who described specific types of contractual arrangements that should be eligible for the generator-controlled exclusion, we note that facilities operating under such arrangements may apply for a non-waste determination under § 260.30, as appropriate. In some cases, commenters did not include enough detail about the contracts to enable the Agency to draft appropriate regulatory language. In other cases, the arrangement suggested was industry specific and the conditions or requirements suggested by the commenters were not appropriate for an exclusion covering many different types of facilities. We believe that such arrangements are best evaluated on a case-by-case basis by the regulatory authority, possibly under 40 CFR 260.30, to determine their eligibility for exclusion.

Comments: Terms Used in Tolling Exclusion

One commenter suggested that we replace the term "batch manufacturer" with "toll manufacturer." This commenter stated that "batch manufacturer" was too broad and generally referred to a facility which engages in a distinct, short production campaign, not necessarily tied to a two-party contractual agreement. "Toll manufacturer," this commenter stated, is a subset of batch manufacturers and generally refers to a party which undertakes manufacturing pursuant to a contract with a tolling contractor, such as the arrangement we proposed. This commenter also requested that EPA clarify that the "product" required to be produced under a tolling contract can include intermediates, as well as final products, and that materials used in toll manufacturing were sometimes specialty chemicals or intermediates that could not be described as "raw materials," as would be required under our proposal. They suggested that we use the term "specified materials" instead.

EPA's Response: Terms Used in Tolling Exclusion

The Agency agrees that the suggested term "toll manufacturer" is more accurate and has revised the definition in § 260.10 accordingly. EPA also agrees that a product produced under a tolling contract can be an intermediate or a final product and has revised the definition in § 260.10 to refer to "production of a product or intermediate." Finally, the Agency agrees that the term "raw materials" may not be accurate, but prefers to use the term "unused materials" instead of "specified materials," because we believe that term encompasses specialty chemicals and intermediates without also including spent or secondary materials, which are not included in our definition of toll manufacturing.

*B. Restrictions on Exclusions for Hazardous Secondary Materials Managed Under the Control of the Generator in Land-Based Units and Non-Land-Based Units*

In its March 2007 supplemental proposal, the Agency proposed in 40 CFR 261.4(a)(23)(i) that hazardous secondary materials generated and legitimately reclaimed under the control of the generator must be contained if they were stored in land-based units (72 FR 14216). EPA proposed to use the existing definition of land-based units and defined a land-based unit in 40 CFR 260.10 as a landfill, surface impoundment, waste pile, injection well, land treatment facility, salt dome formation, salt bed formation, or underground mine or cave. EPA did not propose a containment limitation for such materials if they were stored in non-land-based units.

EPA did not propose a regulatory definition of "contained," nor did we propose specific performance or storage standards. We stated that whether hazardous secondary materials are contained would be decided on a case-by-case basis, and that such materials are generally contained if they are placed in a unit that controls the movement of the hazardous secondary materials out of the unit. We solicited comment on whether additional requirements might be necessary to demonstrate absence of discard when hazardous secondary materials were recycled under the control of the generator. In particular, we asked whether additional requirements for storage would be appropriate, such as performance-based standards designed to address releases to the environment. We also indicated that if commenters believed such requirements were appropriate, they should specify the technical rationale for each requirement suggested and why the requirement is necessary if the hazardous secondary material remains under the control of the generator.

Comments and EPA's Response: Definition of "Land-Based Unit"

EPA received several comments expressing confusion over our proposed definition of "land-based unit." We proposed land-based unit to mean "a landfill, surface impoundment, waste pile, injection well, land treatment facility, salt dome formation, salt bed formation, or underground mine or cave." Commenters noted that including "landfills" and "injection wells" was not necessary for the proposed exclusion, since these management units are clearly inappropriate for

hazardous secondary materials intended for recycling. Furthermore, commenters also noted that Subtitle C defines these terms waste-centrically (i.e., as a unit that handles "waste" in one way or another). This could create confusion because a hazardous secondary material would not, by definition, be "managed" (or "stored") in one of these "waste" units. EPA agrees with these comments, and in the final rule has defined "land-based unit" as an area where hazardous secondary materials are placed in or on the land before recycling. However, as discussed below, the Agency has clarified that land-based units that are production units are not included in the definition.

Comments and EPA's Response: Mineral Processing Industry

Some commenters asserted that the Agency has no jurisdiction over land-based production units in the mineral processing industry. As previously stated, EPA agrees that the Agency does not regulate the production process. (*See* 63 FR 28580). Accordingly, EPA has clarified the definition of "land-based unit" to clarify that production units are not included in that definition. However, these commenters also asserted that EPA cannot legally require containment for these units. To the extent that these comments are intended to mean that EPA cannot regulate material that has been released into the environment, these comments are addressed in section XV.C. of this preamble, and also in the response to comments document in the record for this rulemaking.

Comments: Standards for Units (Both Land-Based and Non-Land-Based)

Other commenters, however, were opposed to allowing any land-based storage, at least without a RCRA Part B permit or strict requirements, such as secondary containment, leak detection measures, regular inspections, monitoring, or financial assurance. Most of these commenters did not appear to distinguish between land-based units under the generator-controlled exclusion and those under the exclusion for hazardous secondary materials transferred for reclamation; presumably, they wanted the same conditions for both.

Regarding non-land-based units such as tanks, containers, or containment buildings, some commenters agreed with EPA's approach, but other commenters preferred minimum storage standards for these units. Some commenters wanted Subtitle C standards to apply. Other commenters believed that the RCRA hazardous waste requirements were not necessary, but suggested other standards, such as requiring tanks to be in good condition, to be compatible with the stored material, to have secondary containment, or to be subject to routine inspections.

EPA's Response: Standards for Units (Land-Based and Non-Land-Based)

After evaluating these comments, the Agency has decided not to add performance standards or other requirements for managing hazardous secondary materials excluded under any of the exclusions promulgated today (§§ 261.2(a)(2)(ii), 261.4(a)(23), or 261.4(a)(24)). Such detailed measures are unnecessary for hazardous secondary materials that are handled as valuable products that are destined for recycling. Under today's rule, regulatory authorities can determine whether such materials in a unit are contained by considering all such site-specific circumstances. For example, local conditions can greatly affect whether hazardous secondary materials managed in a surface impoundment are likely to leak and cause damage, and, therefore, whether the unit could be considered contained. Similarly, facilities may employ such measures as liners, leak detection measures, inventory control and tracking, control of releases, or monitoring and inspections. Any or all of these practices may be used to determine whether the hazardous secondary materials are contained in the unit.

EPA also believes that detailed standards are not necessary to determine that valuable materials destined for recycling are not discarded when managed in non-land-based units. As with land-based units, the regulatory authorities can identify hazardous secondary materials that have been released from the unit and determine that the released material is discarded. To clarify this approach and to facilitate its implementation, however, EPA has revised its regulatory language to require that hazardous secondary materials that are generated and reclaimed under the control of the generator and managed in non-land-based units must also be contained (§ 261.4(a)(23)(i)).

Comments and EPA's Response: State Regulatory Program-Compliant Units

A few commenters indicated that hazardous secondary materials managed in units complying with state regulatory programs to address releases should be considered contained. Because of the variety of such programs, and because the Agency has not conducted an in-depth evaluation of such state requirements, we are not adding a definition of "contained" that would incorporate this suggested element. However, regulatory authorities may consider compliance with such requirements as one of the factors in determining whether the hazardous secondary materials are contained in the units.

Comments: Releases

In the March 2007 supplemental proposal, the Agency stated that hazardous secondary materials that remain contained in these units would still meet the terms of the exclusion even if a release occurred, unless the hazardous secondary materials are not managed as a valuable product, and, as a result, a significant release from the unit takes place. If such a significant release occurred, the hazardous secondary material remaining in the unit may be considered a solid and hazardous waste. Some commenters noted that a series of small releases from a unit could occur over time, causing cumulative environmental harm even though no single release was significant in terms of volume. These commenters said that such a series of releases should generally lead to the conclusion that the hazardous secondary material remaining in the unit was a waste.

EPA's Response: Releases

EPA agrees with the comment concerning small releases from a unit over time. Thus, a "significant" release is not necessarily large in volume, but would include an unaddressed small release from a unit that, if allowed to continue over time, could cause significant damage. Any one release may not be significant in terms of volume. However, if the cause of such a release remains unaddressed over time and hazardous secondary materials are managed in such a way that the release is likely to continue, the hazardous secondary materials in the unit would not be contained. For example, a rusting tank or containers that are deteriorating may have a slow leak that, if unaddressed, could, over time, cause a significant environmental impact. Similarly, a surface impoundment with a slow, unaddressed leak to groundwater could, over time, result in significant damage. Another example would be a large pile of lead-contaminated finely ground material without any provisions to prevent wind dispersal of the particles. Such releases, if unaddressed over time and likely to continue, would mean that the hazardous secondary materials remaining in the unit were not being

managed as a valuable raw material, intermediate, or product and that the materials had been discarded. As a result, the hazardous secondary materials in the unit would be hazardous wastes and these units would be subject to the RCRA hazardous waste regulations.

## XVII. Major Comments on the Exclusion for Hazardous Secondary Materials Transferred for the Purpose of Legitimate Reclamation

### *A. Status of Facilities Other Than the Generator or Reclaimer ("Intermediate Facilities")*

Comments: Intermediate Facilities

In its March 2007 supplemental proposal, EPA requested comment on its proposal that under the proposed exclusion for hazardous secondary materials transferred for reclamation, such materials would have to be transferred directly from the generator to the reclaimer and not be handled by anyone other than a transporter.

EPA received many comments on this provision. Some commenters supported the provision as proposed because they were concerned that if hazardous secondary materials were transferred to a "middleman," the generator would not have a reasonable understanding of who would reclaim the hazardous secondary materials and how they would be managed and reclaimed. If the generator was unable to ascertain whether the hazardous secondary materials in question could be properly and legitimately recycled, the materials should be considered discarded.

Other commenters objected to this proposed limitation. They argued that many persons who generate smaller quantities of hazardous secondary materials need help in consolidating shipments to make reclamation economically feasible. Some of these commenters also argued that intermediate facilities provided valuable assistance to generators by helping them properly transport, package, and store material, and by helping them find responsible reclaimers. These commenters believed that EPA's proposed limitation could discourage reclamation by persons who generate smaller quantities of such hazardous secondary materials.

Most of the commenters who suggested that intermediate facilities be eligible for the exclusion also suggested conditions for these facilities. These conditions included requiring the generator to select the reclaimer, requiring the generator to perform reasonable efforts on the intermediate facility, as well as the reclaimer, and requirements for notification and recordkeeping. A few commenters argued that intermediate facilities should be required to have a RCRA Part B permit or interim status.

EPA's Response: Intermediate Facilities

After evaluating these comments, the Agency has decided that intermediate facilities storing hazardous secondary materials should be eligible for the exclusion at 40 CFR 261.4(a)(24) under certain conditions. We believe that such facilities make it easier for generators that generate smaller quantities of hazardous secondary materials to send these materials for reclamation and that storage at such facilities under the conditions designed to address discard is completely consistent with handling the hazardous secondary materials as valuable commodities. To this end, we have added a new definition of "intermediate facility" to 40 CFR 260.10. We note that this rule does not address "brokers" because that term is commonly understood to mean a person who helps arrange for the transfer of hazardous waste or hazardous secondary material, but does not take possession of the material or manage it in any way. Brokers that never take possession of hazardous secondary materials would not have been affected under the supplemental proposal, nor are they affected by today's rule.

Under today's rule, an intermediate facility is a facility that stores hazardous secondary materials for more than 10 days, other than a generator or reclaimer of such materials. If an intermediate facility treats the hazardous secondary materials or commingles it with other hazardous secondary materials or with hazardous waste, it would not be eligible as an "intermediate facility" as defined in § 260.10 under today's regulation. Under 40 CFR 260.42, intermediate facilities must submit the same notification required of generators and reclaimers of hazardous secondary materials transferred for reclamation. In addition, under § 261.4(a)(24)(v) of today's rule, generators must also perform appropriate reasonable efforts on the intermediate facility, as well as the reclamation facility, and generators are responsible for the ultimate selection of the reclamation facility. These requirements will ensure that the intermediate facility is handling the hazardous secondary materials as a commodity.

Today's rule also requires intermediate facilities to comply with the applicable requirements for reclaimers of hazardous secondary materials under 40 CFR 261.4(a)(24)(vi), including recordkeeping, storage of excluded materials, financial assurance, and speculative accumulation. The Agency believes that these conditions are fully sufficient to ensure that hazardous secondary materials stored at intermediate facilities are handled as valuable products and not discarded. Therefore, we do not agree with those commenters who suggested that intermediate facilities should be required to operate under Part B permits or interim status.

The Agency notes that in some cases, the intermediate facility performs the physical measures associated with generator reasonable efforts to ensure that the reclaimer will properly and legitimately recycle the hazardous secondary materials. These measures may include facility inspections and preparation of audits. In those cases, the generator must carefully review such measures to ensure that any information provided is credible.

Under today's rule (*see* 40 CFR 261.4(a)(24)(ii)), if hazardous secondary materials are stored for 10 days or less at a transfer facility, the transit is not subject to the requirements applicable to intermediate facilities under the transfer-based exclusion. Instead, it must only be packaged in accordance with applicable DOT requirements. The Agency considers hazardous secondary materials stored by transfer facilities for short periods of time to be in transit, similar to hazardous waste stored by similar facilities for the same time period. They are therefore not discarded. We have revised the existing definition of "transfer facility" at 40 CFR 260.10 to clarify that such facilities may store hazardous secondary materials, as well as hazardous waste. The generator need not perform reasonable efforts on such facilities, nor must such facilities comply with the requirements applicable to reclaimers of hazardous secondary materials under 40 CFR 261.4(a)(24)(vi). In addition, hazardous secondary materials at transfer facilities may be repackaged from one container to another (e.g., the materials may be consolidated from smaller to larger containers) or transferred to different vehicles for shipment (*see* 45 FR 86966, December 31, 1980). However, different hazardous secondary materials may not be mixed together. In addition, if there is a release of the hazardous secondary materials at the transfer facility that is not cleaned up immediately, such materials become solid waste, and, if they exhibit a hazardous characteristic or are specifically listed by EPA, a hazardous waste as well. Depending on the nature of the release, the hazardous secondary materials remaining in the unit could

also become a solid and hazardous waste subject to Subtitle C regulation (for a discussion of when such units are considered "contained," see section XVI of this preamble).

*B. Reasonable Efforts Condition*

EPA received many comments on the condition proposed in the March 2007 supplemental proposal that generators "make reasonable efforts to ensure that the reclaimer intends to legitimately recycle the material and not discard it * * * and that the reclaimer will manage the material in a manner that is protective of human health and the environment." This condition was proposed to be fulfilled by hazardous secondary material generators sending hazardous secondary materials to any reclamation facility not operating under a RCRA Part B permit or interim status standards, and the condition would have to be satisfied prior to transferring the hazardous secondary materials to the reclamation facility (72 FR 14190–14194). Below is a summary of six major issues raised in the comments and EPA's responses. For more detailed comment responses, please see *Revisions to the Definition of Solid Waste Response to Comments Document.*

Comments: An Objective Standard for Reasonable Efforts

As proposed, the codified reasonable efforts provision for generators was a general standard, rather than a more specific standard with clearly stated requirements. EPA requested comment on establishing a more objective standard for making reasonable efforts, such as requiring generators to answer the questions discussed in the preamble. EPA acknowledged that creating an objective standard could provide generators and overseeing agencies with more regulatory certainty and requested comment on codifying the six questions outlined in the preamble.

EPA received many comments in support of an objective standard for satisfying the reasonable efforts condition. Commenters suggested that a minimum standard was needed to determine whether a generator fulfilled the condition and as a way of determining what is "reasonable." Many of these commenters also believed that a standard that generators must meet was necessary to delineate liability for hazardous secondary materials that are transferred from a generator to a reclamation facility. In contrast, several commenters suggested that formalizing a minimum standard which all generators must meet is inappropriate since recycling is inherently case-specific.

On the issue of whether to codify a reasonable efforts standard, which several commenters addressed separately from the development of a standard, EPA received many comments both in support of and against codification. A large number of commenters addressed this issue by commenting on the six questions EPA discussed in the preamble. Those in favor of codification believed that establishing a minimum, objective standard was important in order to provide regulatory certainty for generators regarding what is "reasonable" and for overseeing agencies needing to make consistent determinations that the condition is satisfied. Industry commenters responding in support of codification believed the six questions resemble existing audit questions, and would therefore be straightforward to answer and satisfy. Recyclers and waste management commenters believed that small quantity generators would benefit from having a clear standard and also that the standard would make additional clarifying guidance unnecessary in the future. Some commenters conditionally supported codification contingent upon severance of RCRA liability for generators that meet the minimum condition. These commenters supported EPA's proposal to create what they termed as a "safe harbor" for generators that, having met the reasonable efforts condition, would be shielded from any future RCRA liability caused by environmental damage at a reclamation facility.

On the other hand, several commenters (mostly from the generating industry) opposed codifying a standard. They believed a standard would be unnecessary since generators that already audit recyclers have existing criteria for making reasonable efforts. Some of these commenters also stressed a need to maintain flexibility in their activities and to avoid additional burdensome requirements. One state commenter requested that EPA allow generators to establish their own standard for reasonable efforts so that generators will weigh their own level of risk and ultimately be responsible for their decisions. This commenter also believed that one standard is impractical for both "a large industrial generator of a highly toxic hazardous secondary material" and "a small generator of a barely ignitable hazardous secondary material."

Of the commenters that responded to the March 2007 supplemental proposal to codify a standard for reasonable efforts, many also provided comments on the six questions in the preamble. In general, commenters were divided between supporting and opposing codification of all six questions, but responses were generally favorable when commenters discussed the value of individual questions within a reasonable efforts inquiry. One exception to this is with respect to proposed question (B) ("Does the reclamation facility have the equipment and trained personnel to properly recycle the hazardous secondary material?"), which several commenters believed to be difficult for a hazardous secondary material generator to answer with existing knowledge. A few commenters also noted that questions (D) and (E), the two proposed questions pertaining to legitimacy within the preamble discussion of reasonable efforts, did not represent the legitimacy "factors to be considered" that were proposed in the March 2007 supplemental proposal at 40 CFR 261.2(g). These commenters suggested that a reasonable efforts inquiry should include all criteria and factors in the proposed legitimate recycling requirement. A few commenters also suggested including an additional question about the financial health of a reclaimer.

EPA's Response: An Objective Standard for Reasonable Efforts

After evaluating these comments, EPA agrees that an objective minimum standard is appropriate and necessary for hazardous secondary material generators to determine that they have fulfilled the reasonable efforts condition. We believe that without such a standard, both generators and the regulatory agencies would experience difficulty in determining whether the condition is met. However, in defining the standard, it would in no way limit a generator's ability to tailor and enhance its reasonable efforts inquiry to evaluate a particular industry or recycler.

We also agree with the commenters who stated that the six questions from the preamble to the March 2007 supplemental proposal, with two modifications noted below, serve as a minimum objective standard. Therefore, we are codifying them, with certain modifications. We strongly believe that any generator who takes advantage of today's transfer-based exclusion must be able to answer all reasonable efforts questions affirmatively for each reclamation facility (and intermediate facility, if such hazardous secondary materials are sent to such a facility) in order to demonstrate that its hazardous

secondary materials will be properly and legitimately recycled and not discarded. In EPA's view, a generator who is unable to satisfy the reasonable efforts condition has not demonstrated that its hazardous secondary materials are not discarded when recycled. The hazardous secondary materials would thus be ineligible for today's transfer-based exclusion.

With respect to question (4) ("Does the available information indicate that the reclamation facility and any intermediate facility that is used by the hazardous secondary material generator have the equipment and trained personnel to safely recycle the hazardous secondary material?"), we believe that its inclusion within reasonable efforts is appropriate and necessary since the question informs a generator's inquiry as to whether its hazardous secondary materials will be properly and legitimately recycled. If a reclamation facility were found to have inadequate equipment or untrained personnel, it would raise serious questions as to whether the facility would be engaged in proper recycling or discard. Without exploring this question, we believe that a generator cannot ascertain that a reclamation facility will properly and legitimately recycle its hazardous secondary materials. However, we also agree that, as drafted in the proposed rule, answering this question may require specialized knowledge and expertise. Accordingly, EPA is changing this question to allow the generator to rely on the reclamation facility to explain why its equipment and personnel are appropriate. Of course, the generator must have an objectively reasonable belief that the reclamation facility's equipment and trained personnel are adequate for safe recycling. Accordingly, if the equipment and personnel described by the reclamation facility would be, to an objective reasonable person, clearly inadequate for safe recycling of the generator's hazardous secondary material, then the generator would not have met this condition. However, EPA does not require nor expect the generator to have specialized knowledge or expertise of the recycling process. We also discuss in more detail how a generator can answer this question in section VIII.C.2. of this preamble.

As noted previously, we are codifying the questions with two modifications. The first modification to the questions is language that accommodates the inclusion of intermediate facilities within the transfer-based exclusion. As discussed in section VIII.C. of this preamble, if a generator sends hazardous secondary materials to an intermediate facility where they are stored for longer than 10 days prior to being transferred to a reclamation facility, the generator will need to perform reasonable efforts for both the intermediate facility and reclamation facility.

The second modification is to the questions pertaining to legitimate recycling activities. EPA acknowledges that one source of confusion for commenters regarding the relationship between the reasonable efforts condition and the legitimate recycling requirement may have been the two questions pertaining to legitimacy (proposed questions (D) and (E)) within the reasonable efforts preamble discussion and the proposed legitimacy requirement at 40 CFR 261.2(g). Questions (D) and (E) and the proposed regulatory language for legitimacy did not share the exact same wording, although both concepts were intended to be consistent. Furthermore, we understand the concern commenters raised that questions (D) and (E) did not represent the legitimacy "factors to be considered" that were proposed within 40 CFR 261.2(g). As a result, we have restructured the reasonable efforts questions pertaining to legitimacy to read as a single question that ensures that a reclamation facility receiving hazardous secondary materials intends to legitimately recycle the hazardous secondary materials. Because of changes to the legitimacy provision in this final rule as compared to the March 2007 supplemental proposal, this question now refers to the legitimacy requirement in § 260.43 of today's final rule.

Comments: Liability Related to Reasonable Efforts

EPA proposed the reasonable efforts condition as a way for hazardous secondary material generators to demonstrate that they met their regulatory obligation to ensure that their hazardous secondary materials, when transferred to a reclamation facility, would not be discarded. Based on our assessment of good recycling practices and the comments received, we believe that the reasonable efforts condition reflects current industry best practices of auditing or assessing reclamation facilities prior to entering into business relations; this is done to minimize potential regulatory and liability exposures and to demonstrate a commitment to environmental stewardship.

We received many comments related to liability and the reasonable efforts condition. Many commenters stated that making reasonable efforts to evaluate a reclaimer is a good method for limiting future liability and that many generators already employ some form of the practice. These commenters largely supported the provision. Other commenters expressed concern that the reasonable efforts condition is an unnecessary requirement since existing incentives, such as economic motivations and CERCLA liability, would cause a generator to perform evaluations of reclaimers without being mandated as a condition of the exclusion.

Additionally, EPA received comments about whether satisfying the reasonable efforts condition would sever a generator's regulatory liability if, after being sent to a reclamation facility, its hazardous secondary materials were discarded or involved in environmental damage. Several commenters (namely from industry) asked that EPA clarify that upon conducting a reasonable efforts evaluation of a reclamation facility, a generator would not be liable for a reclaimer's subsequent environmental violations or if a reclaimer's actions caused or contributed to some environmental harm or damage. Many of these commenters supported the codification of a reasonable efforts standard, provided that liability would be severed upon meeting the condition. Conversely, several commenters stated that generator liability should be maintained into the future regardless of satisfying the condition. In general, these commenters were concerned that hazardous secondary material generators could subvert RCRA liability by conducting incomplete and superficial evaluations of reclaimers, and that future environmental damage would result at reclamation facilities. A few of these commenters suggested that EPA clarify that a hazardous secondary material generator would be held liable for violating the condition of the exclusion into the future if it was shown that the generator did not conduct a thorough assessment of the reclaimer.

EPA's Response: Liability Related to Reasonable Efforts

EPA disagrees that the reasonable efforts condition is unnecessary in light of economic forces or CERCLA liability, which may motivate some generators to evaluate recyclers. We proposed the reasonable efforts condition as a way for hazardous secondary material generators to demonstrate that they are not discarding the hazardous secondary materials when sending them to a third party for reclamation. The language of the condition is intended to capture within the regulatory text how

responsible generators currently inquire and make decisions about recycling of hazardous secondary materials and how generators manage potential liability and regulatory non-compliance risks. Several commenters suggested that not all generators currently audit or evaluate reclamation facilities despite having economic interests and existing liability concerns. Analysis of the environmental problems study also suggests that CERCLA liability alone is not enough to prevent damage and that increased generator inquiry of reclamation facilities may help avoid future cases of abandonment or discard, residuals mismanagement, sham recycling, and improper management of hazardous secondary materials and recycled products.

By proposing the reasonable efforts condition, EPA intended to maintain RCRA liability for any hazardous secondary materials that are discarded. The condition clearly holds a generator accountable for determining that its hazardous secondary materials will not be discarded at a reclamation facility or any intermediate facility prior to transferring such materials to the facility. If a generator does not meet the condition, then the generator's hazardous secondary materials would not be eligible for the transfer-based exclusion and would be considered by EPA to be hazardous waste subject to the RCRA Subtitle C controls from the point of generation.

EPA did intend, however, that if the hazardous secondary materials generator had satisfied the reasonable efforts condition and discard subsequently occurred while hazardous secondary materials were under the control of the reclamation or intermediate facility, then the reclamation or intermediate facility, not the generator, would be liable under RCRA. EPA acknowledges that meeting this condition will not affect CERCLA liability. (*See* section XIII for more information on CERCLA liability.) We recognize commenters' concern that in order to satisfy the reasonable efforts condition and be released from RCRA liability, hazardous secondary material generators could be tempted into making incomplete evaluations of reclamation and intermediate facilities. EPA believes that codifying an objective reasonable efforts standard that all generators must meet in order to satisfy the condition will alleviate this concern (*see* section VIII.C. of today's rulemaking for more discussion). We also believe that specifying a standard that hazardous secondary material generators must satisfy will assist both regulatory agencies and the regulated community in determining whether the condition of the exclusion has been met or violated.

Comments: Relationship Between the Reasonable Efforts Condition and the Legitimate Recycling Requirement

EPA received a variety of comments on the relationship between the condition that hazardous secondary material generators must make a reasonable efforts inquiry of reclamation facilities and the requirement that hazardous secondary materials must be legitimately recycled. Several commenters stated that evaluating whether a reclaimer meets the legitimacy criteria should be part of a reasonable efforts inquiry to ensure that a generator's hazardous secondary materials are legitimately recycled. One commenter stated that while a hazardous secondary material generator would need to ensure that a recycling activity being considered is legitimate in order to protect its own liability interests, a legitimacy determination should be entirely separate from the reasonable efforts condition. Another commenter also stressed that, as a matter of good practice, many responsible generators already ensure that they send hazardous secondary materials to facilities engaged in legitimate recycling; therefore, a legitimacy evaluation within reasonable efforts is unnecessary. Furthermore, several commenters (mostly from industry) stated that a reasonable efforts condition is redundant since the proposed legitimate recycling requirement in 40 CFR 261.2(g) ensures that hazardous secondary materials transferred off-site are safely recycled.

EPA's Response: Relationship Between the Reasonable Efforts Condition and the Legitimate Recycling Requirement

EPA agrees with the commenters who stated that determining whether a recycling activity is legitimate is a sound practice and, based on comments we received, that many responsible generators already use existing legitimacy guidance as a way to manage their potential liability. The reasonable efforts condition is intended to assist generators in determining that their chosen reclamation facilities will properly and legitimately recycle the generators' hazardous secondary materials. Consequently, EPA strongly believes that the reasonable efforts condition must contain a provision that explicitly refers generators to their obligation to ensure that their hazardous secondary materials are legitimately reclaimed. Including legitimacy as part of the reasonable efforts condition means that if the generator made reasonable efforts to ensure that its hazardous secondary materials are legitimately recycled in a way that satisfies this condition and, subsequently, the reclamation facility fails to recycle the materials legitimately, the reclamation facility, not the generator, becomes liable for violating RCRA (*see* section VIII.E. for more information).

Comments: Periodic Updates to Reasonable Efforts

EPA requested comment on a requirement for making periodic updates to reasonable efforts, but did not propose an explicit time period. Some commenters favored requiring a specific time limit for updating the reasonable efforts provision, while others (a slightly smaller number) favored a flexible time frame for updating reasonable efforts, to be determined by the hazardous secondary material generator. The commenters who supported a specific time frame for updating the reasonable efforts condition included states, several representatives of the recycling industry, one industry generator, and one environmental organization. Several of these commenters stated that the hazardous secondary material generator needed to evaluate changes over time to the recycling facility (e.g., compliance status, financial assurance, permit renewals, impact of changes in recycling markets) to ensure that their hazardous secondary materials continue to be recycled properly and legitimately. Commenters also suggested that generators re-evaluate recyclers whenever the generator becomes aware of new, "material" information about or changes to a reclamation facility. These commenters asked EPA to set a minimum schedule for updating reasonable efforts. The suggested schedules ranged from annually to every five years.

Several industry generators and associations, as well as one waste management association, submitted comments in opposition to requiring specific periodic updates of the reasonable efforts provision. Commenters expressed concern that an arbitrary time frame would unnecessarily change generators' current schedules for auditing or making inquiries of recycling facilities. Several commenters suggested that schedules for evaluating reclaimers should vary from facility to facility and by industry and that a generator should be allowed to decide when to update reasonable efforts given a facility's history and the generator's familiarity

with the facility. One commenting organization cited its use of an internal risk-based audit schedule to determine when to review a reclamation facility. The stated criteria for judging the level of risk included facilities with lower financial health and the addition of "new processing capabilities and when ownership changes." Another generator requested EPA to "suggest, and not require, the frequency of periodic updates."

EPA's Response: Periodic Updates to Reasonable Efforts

EPA agrees with the comments stating that requiring generators to conduct specific periodic updates of the reasonable efforts provision is critical for ensuring that reclamation facilities continue to properly and legitimately recycle the hazardous secondary materials into the future. We believe that if a hazardous secondary material generator evaluated a reclamation facility (or an intermediate facility if hazardous secondary material is sent to such a facility) only once before the initial transfer of hazardous secondary materials for recycling, it would not provide adequate assurance to regulators that hazardous secondary material generators have met the reasonable efforts condition to ensure discard will not occur 5, 10, or 20 years into the future. We understand that generators often evaluate recyclers or intermediate facilities on a recurring schedule determined by the generator's particular interests, concerns, and experience. However, EPA believes that hazardous secondary material generators are also interested in having regulatory certainty regarding the time frame for which reasonable efforts must be conducted, rather than a completely discretionary "generator decides" approach, which will present many disagreements and challenges as to what a "reasonable" schedule is. We are also aware that many generators do not currently conduct reasonable efforts, let alone re-evaluate such facilities over time. For these reasons, we are requiring that hazardous secondary material generators update their reasonable efforts evaluation at least every three years, at a minimum. Based on public comments, this appears to represent general industry practice and to be within the average time frame for those generators who currently conduct environmental audits of facilities to which they send their hazardous secondary materials.

By specifying a time frame for periodic updates, EPA in no way intends to limit a generator to conducting evaluations only every three years. In fact, we acknowledge that shorter time frames could be appropriate for certain industries. Additionally, we would expect that any hazardous secondary material generator who has concerns about a reclamation or intermediate facility, or who gains new knowledge of significant changes or extraordinary situations at such facilities, would conduct reasonable efforts regardless of the minimum required update schedule.

Comments: Requiring Generators to Certify Reasonable Efforts

EPA solicited comment on requiring hazardous secondary material generators to certify that they made reasonable efforts prior to arranging for transport of hazardous secondary materials to be recycled. As discussed in the preamble to the March 2007 supplemental proposal, the certification statement would be a form of documentation necessary for each reclamation facility and would be signed and dated by an authorized representative of the generator company. We also provided certification language as an example.

Several commenters including recyclers, all responding states but one, and a few industry generators and associations, commented in favor of requiring hazardous secondary material generators to certify that they had met the reasonable efforts condition. All commenters that responded regarding the example certification statement supported the language. A few commenters reiterated that generators must certify reasonable efforts for each reclamation facility and that certification should not be necessary for RCRA Part B permitted facilities. One commenter requested that the certification must be made "prior to implementing exempt operations." Another commenter believed that a certification statement would improve the enforceability of the reasonable efforts condition. A generator that currently audits its waste facilities stated that "a letter signed and dated by the department manager is mailed to the audited facility stating the results of the audit," and that the letter should act as a certification. Another commenter suggested that given the large number of facilities for which reasonable efforts are required, having a company representative, as opposed to an "authorized representative," sign and date a certification should be sufficient and would be less burdensome. One recycler requested that the generator certification and signature be built into the one-time notification that EPA is requiring for the exclusion.

A smaller number of comments from generators opposed the certification requirement. A few generators found the certification statement to be overly burdensome and stated that it would stifle the use of third-party reclaimers. One generator, who currently audits reclamation facilities, stated it could not certify the accuracy of information prepared by third parties, nor could it certify responses by reclamation facilities to questions (B) through (E), which EPA discussed in the preamble. Another generator responded that without further clarification as to the minimum requirements for satisfying reasonable efforts, the generator could not certify that the condition was met. A commenter also suggested that requiring certification of reasonable efforts for reclamation facilities that recycle hazardous secondary materials was unnecessary if certification is not required for the storage, treatment, and disposal of hazardous waste.

EPA's Response: Requiring Generators To Certify Reasonable Efforts

After evaluating the comments, EPA has concluded that certifying the reasonable efforts provision is a necessary and minimally burdensome requirement for ensuring that the reasonable efforts condition is met prior to transferring the hazardous secondary materials to a reclamation facility. We also strongly believe that requiring the signature of an authorized representative of the generator company, who can be any appointed company representative, is critical for ensuring accountability for satisfying the condition. In the event of an enforcement action, we believe that the certification will lend support to hazardous secondary material generators needing to prove that the reasonable efforts condition was met. Therefore, in today's final rulemaking, we are finalizing a requirement that hazardous secondary material generators must certify that reasonable efforts were made for each reclamation and intermediate facility prior to transferring hazardous secondary materials to such facilities.

With respect to those commenters who opposed certification and specifically argued that requiring such certification would stifle the use of third-party auditors, it is our understanding that third-party auditors do not generally draw any conclusions based on their audits, but simply report the results. In addition, the reasonable efforts condition requires that the hazardous secondary material generator decide whether a reclaimer is acceptable. Therefore, we disagree with

those commenters who stated that requiring a certification would constitute a significant new burden. Rather, EPA believes that requiring a hazardous secondary material generator to certify the reasonable efforts condition would provide them the flexibility to use audits or other information necessary in certifying that the condition of the exclusion was met. We find that the commenter example of an existing practice of sending a letter with audit results to an audited facility would need to include the certification language in 40 CFR 261.4(a)(24)(v)(C)(2) in order to meet the reasonable efforts condition.

Comments: Documenting of Reasonable Efforts

While EPA proposed that generators conduct reasonable efforts before sending hazardous secondary materials to the reclamation facility, we did not propose that documentation records must be kept of such demonstrations. However, EPA requested comment on whether to require hazardous secondary material generators to maintain documentation at the generating facility demonstrating that the reasonable efforts condition was satisfied prior to transferring the hazardous secondary materials to a reclamation facility. No form of documentation or format was specified, although EPA did cite audits as one type of documentation that could be relevant. Additionally, EPA requested comment on whether hazardous secondary material generators should be required to maintain certification statements that reasonable efforts were conducted for each reclamation facility to which the generator transferred the hazardous secondary materials to be reclaimed.

A majority of commenters supported a requirement that generators maintain documentation of reasonable efforts. A few commenters asked that documentation be kept on-site, while a few commenters asked that the documentation could be kept at a headquarters or other off-site location. Other commenters specifically requested that EPA not specify a location for the documentation. Commenters in favor of this requirement stated that documentation would be necessary for showing the basis for the reasonable efforts determination, as well as for improving the enforceability of the condition. A few commenters suggested that documentation be maintained for three years and one industry commenter asked that EPA set a time requirement specifying how long such documentation must be kept.

On the other hand, a few commenters were opposed to a documentation requirement. These commenters cited the confidential and proprietary nature of the audits and reports used by generators for making reasonable efforts and stated they did not believe they should share this information with regulators. A few commenters, including one state, also argued that a certification statement of having made reasonable efforts, signed by an authorized representative of the generator company, would provide adequate documentation that reasonable efforts were made. One state commenter also suggested that it would be difficult for states to enforce the requirement of documentation, presumably because EPA proposed that "any credible evidence available" could be used to demonstrate that the condition is met.

EPA's Response: Documenting Reasonable Efforts

After evaluating the comments, EPA has concluded that it is important for hazardous secondary material generators to produce documentation to demonstrate that the reasonable efforts condition has been met prior to transferring hazardous secondary materials to a reclamation and/or intermediate facility. We do not believe it is necessary to mandate that, for example, audits are specifically required for documentation and we prefer to maintain some flexibility in terms of the format for documenting the condition based on commenter input and the knowledge that each reasonable efforts inquiry will be unique. This flexibility for documentation is also in response to commenter concern about the confidentiality of audits. We do not believe that this flexibility will in any way impact the ability of regulatory authorities to determine whether the condition is satisfied. We believe that the certification statement is critical for ensuring accountability for satisfying the condition and that the act of making reasonable efforts is in fact genuine. We believe this requirement helps generators support their position that hazardous secondary materials have not been discarded and helps regulators determine whether a generator has satisfied this condition. Since updates of reasonable efforts are required at a minimum of every three years, EPA believes that such generators should maintain documentation for a minimum of three years to show that the requirement to update reasonable efforts has been satisfied.

We understand that audits and evaluations of reclamation facilities are not always kept on-site and may be maintained at a generator's headquarters or at another off-site location. For this reason, EPA is requiring that documentation must be made available, upon request by a regulatory authority, within 72 hours, or within a longer period of time as specified by the regulatory authority. We understand that in the age of near-instantaneous communication, a hazardous secondary material generator that performed reasonable efforts prior to transferring hazardous secondary materials should be able to retrieve documentation with relative ease. We also note that time frames for producing documentation are generally determined by regulatory authorities on a case-by-case basis and time frames are clearly outlined by authorities within RCRA Section 3007 information request letters.

*C. Financial Assurance Requirement*

In EPA's March 2007 supplemental proposal, EPA proposed that reclamation facilities receiving and recycling hazardous secondary materials under the transfer-based exclusion be required to demonstrate financial assurance in accordance with the requirements of subpart H of 40 CFR part 265. As part of this proposal, EPA sought comment on whether the existing subpart H requirements should be modified in some way specifically for reclamation facilities affected by the proposed exclusion. EPA also requested comment on whether EPA should tailor the costing requirements associated with the subpart H financial assurance requirements. Because of these comments, EPA has made several revisions to the financial assurance condition, as explained below.

Comments: Financial Assurance

Many commenters supported EPA's proposal that reclamation facilities receiving and recycling hazardous secondary materials under the transfer-based approach be required to demonstrate financial assurance in accordance with the current requirements of subpart H of 40 CFR part 265 in order to demonstrate that the hazardous secondary materials are not being discarded. Commenters argued that without a codified financial assurance requirement, recyclers that mismanage hazardous secondary materials could simply close their doors (as has happened previously) and abandon their hazardous secondary materials, leaving an environmental problem for the public to address and imposing the financial burden of cleaning up recycling facilities on states and local authorities, which may not have the resources to do so.

Commenters also noted that EPA's environmental problems study shows that the primary cause of damage incidents has been the business failure of recycling facilities. Without financial assurance, the commenters argue that states and taxpayers have been left with the bill for cleaning up these abandoned sites. Finally, these commenters stated that a recycling facility that does not meet the financial test, cannot obtain an insurance policy or other financial instrument, and does not have the resources to establish a trust fund or other mechanism, should not be handling hazardous secondary materials under the conditional exclusion.

Other commenters supported EPA's proposal on financial assurance, but also made suggestions for modifications. One commenter recommended that a financial assurance program be developed specifically for reclaimers. A few commenters recommended that reclamation facilities taking advantage of the exclusion maintain a closure plan that would be available for review, upon request, that substantiates and verifies the amount of financial assurance required.

Still other commenters stated that reclamation facilities that receive hazardous secondary materials from off-site generators under the transfer-based approach should not be held to the same financial assurance standards as facilities with permits to manage hazardous waste. Instead, the financial assurance requirements for recycling facilities should reflect the relatively lower risks associated with the manufacturing/recycling activities. Commenters claimed that reclamation facilities are essentially processing raw materials for beneficial use as opposed to RCRA-permitted facilities that are treating, storing, and disposing hazardous waste.

Finally, some commenters disagreed completely with EPA's approach to financial assurance. Commenters stated that EPA lacks the authority to subject facilities to the requirements or conditions when using hazardous secondary materials in production operations in which these materials are never discarded. Commenters stated that proposed conditions for the exclusion do not define the absence of discard and would effectively impose a waste management requirement upon a non-waste.

EPA's Response: Financial Assurance

EPA finds those comments that support the financial assurance condition persuasive and agrees with their conclusions. Requiring financial assurance for reclamation facilities (and intermediate facilities, which are included in the final rule) operating under the transfer-based exclusion is appropriate and reasonable for the Agency to determine that the hazardous secondary materials managed at these facilities are not discarded and is supported by the findings of the recycling studies conducted as part of this rulemaking effort. Financial assurance as a condition will ensure that the reclamation and intermediate facilities either have the financial wherewithal themselves, as demonstrated by qualifying for self insurance under the financial test, or that funds from a third party will be available to ensure that the hazardous secondary materials will not be abandoned. An owner or operator who must fully fund a trust to cover the retirement cost estimate will be careful not to discard the hazardous secondary materials so that he may recover the funds from the trust. Sureties, banks providing letters of credit and insurers will screen applicants to ensure that they are only providing assurance for good risks who are unlikely to abandon or discard such materials, thus demonstrating that the hazardous secondary material is not being discarded. As noted by the commenters, at least 138 of the 208 damage cases were firms that had gone out of business and abandoned the "hazardous secondary material," a material that they presumably believed could be reclaimed.

In addition, the market forces study indicates that recyclers of hazardous secondary materials can behave differently from traditional manufacturers due to differences in the economic forces and incentives involved in recycling. Unlike manufacturing, where the cost of raw materials or intermediates (or inputs) is greater than zero and revenue is generated primarily from the sale of the output, some models of hazardous secondary materials recycling involve generating revenue primarily from receipt of the hazardous secondary materials. This situation can lead to over-accumulation and abandonment of hazardous secondary materials, particularly in cases where the product of the recycling process has low value, the prices are unstable, and/or the firm has a low net worth.

By requiring financial assurance, the public and federal, state and local governments can have confidence that the recycler's business model takes these market factors into consideration and that it will therefore not abandon the hazardous secondary materials, even if unforeseen market changes occur. The successful recycling study indicated that one of the main reasons that generators audit recyclers is to evaluate their financial health and resources to respond to accidents or other problems that could cause adverse environmental or human health consequences. This is primarily because of the joint-and-several liability provisions of CERCLA, under which a generator becomes a "responsible party" obligated to pay (in part or in whole) for remediation expenses if (in this example) a recycler to whom he sent recyclable hazardous secondary materials were to create contamination problems, but lacked the resources to pay for the cleanup.

Because American manufacturers have considerable experience with these types of CERCLA liability issues, evaluating the financial health of the reclamation facility before shipping recyclable hazardous secondary materials to them has become a standard business precaution for responsible generators. The condition for financial assurance thus can be seen as a way of addressing the same concern, thus ensuring that the reclamation and intermediate facility owner/operators who operate under the terms of this exclusion are financially sound and will not abandon or otherwise discard their hazardous secondary materials.

Thus, EPA disagrees with the commenters who argued that recycling hazardous secondary materials is, as a general matter, the same as processing raw materials for beneficial use. Because of the nature of these materials (i.e., hazardous spent materials and listed by-products and listed sludges), they are frequently more difficult to process than most raw materials, and the nature of the economics of the transfer of these materials can create an incentive for discard. Requiring financial assurance is essential for helping to define those situations where the hazardous secondary material is not being discarded.

However, EPA agrees that some adjustments to the existing 40 CFR part 265 financial assurance requirements would help better tailor them to hazardous secondary material reclamation and intermediate facilities. The current hazardous waste financial assurance regulations include provisions (such as post-closure) not appropriate to hazardous secondary material units, and the terminology is directed towards permitted TSDFs. EPA also agrees that the regulations need to be more explicit as to the documentation requirements for the financial assurance cost estimate. The financial assurance requirements in 40 CFR part 265 subpart H in turn

reference and rely on certain requirements in the 40 CFR part 265 subpart G closure regulations. Although the hazardous secondary material units are not required to undergo Subtitle C closure, some of the provisions of 40 CFR part 265 subpart G are important to implementing 40 CFR part 265 subpart H and need to be clarified. As a convenience to the regulated community, EPA has placed the financial assurance requirements applicable to hazardous secondary materials in a stand-alone regulation (see 40 CFR part 261 subpart H). Substantively, these regulations generally mirror and include the same requirements as the 40 CFR part 265 financial assurance regulations, but they have been condensed and reframed to refer to reclamation and intermediate facilities rather than TSDFs and to directly incorporate (rather than just referencing) those aspects of 40 CFR part 265, subpart G that are necessary for implementing the financial assurance condition.

For further discussion of how the financial assurance condition operates and how the provisions map to the requirements in 40 CFR part 265, see section VIII.C of today's preamble.

*D. Ability of Excluded Reclamation Facility To Accept Manifested Hazardous Waste*

In the March 2007 supplemental proposal, EPA proposed that reclaimers receiving hazardous secondary materials from generators that continue to manage such materials under the current hazardous waste regulatory system would still be able to claim the exclusion for those hazardous secondary materials. In essence, this would allow manifested hazardous waste to be sent to an unpermitted facility, as long as that facility met the conditions of the exclusion.

Comments and EPA's Response: Excluded Reclamation Facilities Accepting Manifested Waste

Most of the commenters on this issue raised serious concerns about this provision, among other things arguing the fact that it would be unworkable. Commenters also raised concerns about the generator's liability under such a situation, particularly if the reclaimer failed to inform the generator that its hazardous waste would be managed under the exclusion. Commenters also noted that the lack of a requirement for "reasonable efforts" on the part of the generator is contrary to the basic premise of the exclusion, which is that generators will be responsible and ensure reclaimers properly manage and recycle the hazardous materials.

After considering the comments received, EPA is not allowing reclaimers to manage manifested federal hazardous waste under the exclusion. Although this provision may have increased recycling opportunities, the fact that the hazardous secondary material generator manages the hazardous secondary materials as manifested hazardous wastes would have decoupled the exclusion from the underlying rationale that the materials are not discarded.

*E. Imports and Exports*

In the March 2007 supplemental proposal, the Agency proposed to exclude hazardous secondary materials that are exported from the United States for reclamation at a facility located in a foreign country, provided the hazardous secondary material generator complies with the generator requirements under the transfer-based exclusion (e.g., notification, reasonable efforts, etc.), as well as notice and consent regarding planned exports of such hazardous secondary materials. We also requested comment on whether the Agency should allow exports under the generator-controlled exclusion.

Comments: Scope of Exports

Overall, commenters expressed few concerns with the specifics of the proposed export regulations, although a few disagreed with allowing exports of hazardous secondary materials under the proposed rule altogether. These commenters believed that allowing exports of such hazardous secondary materials would run contrary to international agreements (such as agreements established by the Organization for Economic Cooperation and Development (OECD) and the Basel Convention regarding transport of hazardous waste) and may also increase the risk of environmental damage in other countries. At least two commenters suggested limiting exports to our bilateral partners only (i.e., Canada and Mexico). On the other hand, some industry commenters argued that many companies have worldwide operations and would therefore benefit from broader provisions allowing exports of hazardous secondary materials to be managed under the control of the generator because it would improve the companies' ability to recycle hazardous secondary materials.

EPA's Response: Scope of Exports

After considering these comments, the Agency is largely maintaining the export provisions as proposed, with some minor modifications described below. We believe that hazardous secondary materials exported for legitimate reclamation in accordance with today's final rule are not discarded and, thus, not solid wastes and, therefore, we have no basis for prohibiting exports when a hazardous secondary material generator complies with the regulatory requirements.

We also disagree with commenters who believe today's rule runs contrary to international agreements controlling the movement of hazardous waste. We note the U.S. is an OECD Member and is, therefore, legally bound to comply with the OECD's "Decision of the Council C(2001)107/FINAL, Concerning the Control of Transboundary Movements of Wastes Destined for Recovery Operations, as amended by C(2004)20," which provides a framework for OECD Member countries to control transboundary movements of recoverable waste in an environmentally sound manner. The Amended 2001 Decision recognizes that Member countries may develop their own regulations to determine whether or not materials are controlled as hazardous wastes. Under today's rule, hazardous secondary materials meeting certain conditions and exported for reclamation are not solid wastes under U.S. regulation. The Agency notes, however, that once hazardous secondary materials reach the border of the receiving country, the hazardous secondary material is regulated in accordance with the receiving country's laws and regulations. In other words, such hazardous secondary materials that are not solid and hazardous wastes under the U.S. hazardous waste regulations may be solid and hazardous wastes under the receiving country's regulations and, therefore, facilities should be aware of the requirements that competent authorities of receiving countries may impose.

Additionally, some commenters asserted that today's rule was inconsistent with the Basel Convention, a separate multilateral international agreement governing the transboundary movements of hazardous wastes. The U.S., however, is not a party to the Basel Convention and thus is not held to the Convention's agreements (although, because the Convention prohibits exports between a Basel party and a non-Basel party, the U.S. may not export hazardous waste to any Basel party, absent a bilateral or multilateral agreement with that party). Beyond this point, EPA, in any case, considers today's rule to be consistent with Basel for the same reason that it is consistent with the OECD agreement described above.

In response to comments on allowing exports under the generator-controlled exclusion, we note this exclusion is subject to few restrictions and is largely based on the assumption that hazardous secondary materials are unlikely to be discarded because they would be closely managed and monitored by a single entity. However, this same assumption does not pertain to exports of hazardous secondary materials because EPA would not be able to ensure the close management and monitoring by a single entity of hazardous secondary materials in a foreign country. Accordingly, we believe that hazardous secondary materials exported for reclamation is excluded only if the receiving country has consented and is provided an opportunity to determine and ensure that hazardous secondary materials exported to its reclamation facilities are not discarded.

Additionally, we note that in today's rule we have replaced the term "exporter," which was used in the March 2007 supplemental proposal, with the term "hazardous secondary material generator." This is because, under the exclusion for hazardous secondary materials exported for reclamation (today's 40 CFR 261.4(a)(25)), the "exporter" is required to comply with the generator responsibilities listed under the transfer-based exclusion (such as reasonable efforts), as well as notice and consent and annual reports. By replacing the term "exporter" with "hazardous secondary material generator," we are clarifying that for hazardous secondary materials exported for reclamation, the hazardous secondary material generator is responsible for notice and consent and for submitting annual reports. We would also like to clarify that intermediate facilities can still be used for exports (as with the transfer-based exclusion), but the generator, not the intermediate facility, must comply with the notice and consent and annual report requirements. This is because the intermediate facility cannot perform the generator responsibilities under the transfer-based exclusions and, therefore, cannot perform the duties of the "exporter" under this rule. We also note that this exclusion specifically references the condition in § 261.4(a)(24)(iv) that recycling be legitimate as specified in § 260.43.

Comments: Annual Reports

In the proposed rule, we solicited comment on whether facilities managing hazardous secondary materials under the exclusions should be required to submit periodic (e.g., annual) reports detailing their recycling activities, such as information on the types or volumes of hazardous secondary materials reclaimed or other relevant information.

With respect to exports, a few commenters suggested that we add to 40 CFR 261.4(a)(25) a requirement that hazardous secondary material generators submit annual reports regarding the exports of their hazardous secondary materials. This requirement would be similar to the requirement currently in 40 CFR part 262 subpart E, in which primary exporters must submit annual reports regarding exports of hazardous waste. Conversely, a few commenters urged EPA to finalize the export requirements, as proposed with at least one commenter explicitly agreeing with EPA's proposal not to require annual reports for hazardous secondary material generators.

EPA's Response: Annual Reports

The Agency agrees with those commenters who supported a requirement for hazardous secondary material generators to submit to EPA annual reports regarding the exports of their hazardous secondary materials. We believe that such a requirement will help determine that hazardous secondary materials exported for reclamation are handled as commodities and not discarded. We have, therefore, added a provision to 40 CFR 261.4(a)(25) requiring hazardous secondary material generators who export hazardous secondary materials to file a report with the Office of Enforcement and Compliance Assurance [19] that summarizes the types, quantities, frequency, and ultimate destination of all hazardous secondary materials exported for reclamation during the previous calendar year. Such reports would document the total amount of hazardous secondary materials exported during the calendar year, which is often not the same as the amount specified in an export notice. Such a report would also enable EPA to compare actual shipments in the annual report against proposed shipments in the export notice to ensure that the shipments occurred under the terms approved by the receiving country. Finally, such a report would enable EPA to provide summary information, if requested by a receiving country, that could assist the receiving country in determining what amount of hazardous secondary materials was received in that country for reclamation.

[19] The Office of Enforcement and Compliance Assurance (OECA) is the office within EPA that implements the notice and consent process for exports.

Comments and EPA's Response: Tacit Consent

In the March 2007 supplemental proposal, we specified that the hazardous secondary material generator must receive consent (through EPA) in writing from the receiving country before the hazardous secondary materials could be exported. Some commenters pointed out that under the existing export regulations for hazardous wastes exported to OECD Member countries, the receiving country may use tacit consent to respond to the notification (40 CFR part 262 subpart H). Commenters expressed concern that this was a point of confusion, as fully regulated hazardous wastes are eligible for tacit consent, whereas excluded hazardous secondary materials would require consent in writing. To eliminate this confusion, EPA has added a provision to the regulations that allows tacit consent for hazardous secondary materials exported to OECD Member countries similar to that allowed for hazardous wastes under 40 CFR part 262 subpart H. We note that Canada and Mexico, though OECD Member countries, typically require written consent for exports to their countries.

For a detailed description of today's exclusion for hazardous secondary materials exported for reclamation, see section VIII.C.5. of today's preamble.

*F. Notification and Other Recordkeeping and Reporting Requirements*

EPA proposed a total of three recordkeeping and reporting requirements in the March 2007 supplemental proposal: (1) A one-time notification to be submitted by hazardous secondary material generators and reclaimers (required for both the generator-controlled and the transfer-based exclusions); (2) for the transfer-based exclusion, a requirement for both the hazardous secondary material generator and reclaimer to maintain for three years records of all off-site shipments of excluded hazardous secondary materials (either sent by the generator or received by the reclaimer); and (3) notice and consent for hazardous secondary materials exported for reclamation in foreign countries.

Comments: General Recordkeeping and Reporting Requirements

Many commenters supported increasing the recordkeeping and reporting requirements in order to adequately monitor compliance with the exclusions and to measure increases in

safe hazardous waste recycling. Alternatively, some commenters urged EPA to finalize the requirements as proposed, cautioning that onerous reporting and recordkeeping requirements would discourage facilities from taking advantage of the exclusions. A few commenters questioned EPA's authority for including recordkeeping and reporting requirements altogether; these commenters argued that, since hazardous secondary materials are not solid wastes and thus not subject to regulation, recordkeeping and reporting requirements should not apply.

EPA's Response: General Recordkeeping and Reporting Requirements

EPA agrees with the majority of commenters and believes that additional recordkeeping and reporting requirements are necessary to enable effective and credible oversight. We therefore consider the recordkeeping and reporting requirements in today's rule to be the minimum information necessary to determine that hazardous secondary materials are reclaimed and not discarded. Some of the recordkeeping requirements that we are finalizing today are discussed in detail within other relevant sections of today's preamble (see section XVII.B. for our response to comments on documentation and certification of reasonable efforts and section VII.C. for a detailed description of financial assurance). This section focuses on our response to comments regarding the notification requirement and, for the transfer-based exclusion, the requirement that the generator maintain confirmations of receipt of hazardous secondary materials from the reclamation facility and intermediate facility.

Comments: Notification as a Condition of the Exclusion

In the March 2007 supplemental proposal, EPA noted that the one-time notification requirement under the authority of RCRA section 3007 would not be a condition of the exclusions, and that failure to notify, while constituting a violation of the notification regulations, would not affect the excluded status of the hazardous secondary materials.

A number of commenters disagreed with this rationale and argued instead that the notification requirement should be made a condition of the exclusions. These commenters stated that, as proposed, the notification requirement would create an unintended incentive for hazardous secondary material generators and reclaimers *not* to notify, because those who chose not to notify would likely evade oversight for many years and, if caught, could simply regard the "paperwork violation," and possible penalty for that violation, as a cost of doing business. These commenters maintained that the failure of a hazardous secondary material generator or reclaimer to provide notification is a strong indication that these entities are either unaware of or trying to circumvent the regulatory requirements, in both cases possibly increasing the likelihood for environmental damage. Therefore, these commenters argued that failure to notify should be regarded as more serious than a reporting violation and should, therefore, remove the excluded status of the hazardous secondary materials.

Conversely, some commenters supported EPA's proposed approach, agreeing that if an entity fails to notify, it does not necessarily indicate that the hazardous secondary materials were discarded and, therefore, should not automatically affect the excluded status of the materials.

EPA's Response: Notification as a Condition of the Exclusion

At issue here is not the requirement to submit a notification, but rather the consequences an entity would face for failing to notify. Notification as a *requirement* under the authority of RCRA section 3007 of the exclusion means failure to notify would constitute a violation of the notification regulations. On the other hand, notification as a *condition* of the exclusion means failure to notify would potentially result in the loss of the exclusion for the hazardous secondary materials (i.e., the hazardous secondary materials would become solid and hazardous wastes and subject to full Subtitle C regulation). In context with this issue, EPA considered the intent of the notification, which is to provide basic information to regulatory agencies about who will be managing hazardous secondary materials under the exclusions. This basic information enables regulatory agencies to administer oversight and set enforcement priorities, but does not allow regulatory agencies to directly determine that hazardous secondary materials were discarded. In other words, a generator or reclaimer could fail to notify yet still be legitimately recycling their hazardous secondary materials according to the conditions of the exclusion. Therefore, EPA is retaining notification as a requirement under the authority of RCRA section 3007, and, thus, notification is not a condition of today's exclusions.

Comments: Format of Notification

In the March 2007 supplemental proposal, EPA requested comment on whether the notification should be submitted in a particular format and discussed the option of using the Subtitle C Site Identification Form (EPA Form 8700–12) to collect the information. By far, the majority of commenters were in favor of using the Site ID form, pointing out that EPA would effectively minimize burden by leveraging this form because it is already familiar to the regulated community. Of the very few commenters opposed to using the Site ID form, some argued that the form was not appropriate for collecting information on hazardous secondary materials because it is primarily used to collect information regarding hazardous wastes. However, other commenters thought the Site ID form was appropriate because it is currently used to collect information on other types of recycling activities not subject to full Subtitle C regulation, such as used oil and universal waste activities. Finally, some commenters supported use of the Site ID form because it would result in standardized and consistent data that users could electronically access through EPA's databases.

EPA's Response: Format of Notification

EPA agrees with the majority of commenters and is requiring hazardous secondary material generators, tolling contractors, toll manufacturers, reclaimers and intermediate facilities managing hazardous secondary materials to use the Site ID form (EPA Form 8700–12) when notifying in accordance with today's rule. We believe that the Site ID form will provide standardized data, while minimizing the collection burden because many facilities notifying under today's rule are already familiar with the form and will not need to invest resources in learning a new form and process. EPA also agrees with commenters who stated that the form is appropriate for today's rule, since it already collects information on other types of recycling activities. However, EPA will modify the current Site ID form in order to accommodate the notification requirement for today's rule.

Comments: Types of Information in Notification

In the March 2007 supplemental proposal, EPA proposed that generators and reclaimers of hazardous secondary materials include in the notification the name, address, and EPA ID number (if

applicable) of the generator or reclaimer; the name and number of a contact person; the type of hazardous secondary materials that would be managed according to the exclusion; and when the hazardous secondary materials would begin to be managed in accordance with the exclusion. Many commenters, particularly states, argued that this information was insufficient to monitor hazardous secondary material generators and reclaimers adequately and, instead, suggested additional types of information to include in the notification, such as quantity of the hazardous secondary materials managed under the exclusion, the name and EPA ID number of the reclaimer receiving the hazardous secondary materials and a description of the recycling process. These commenters argued that additional information was important to monitor compliance of the facilities with the exclusions and to measure increases in safe hazardous secondary materials recycling.

On the other hand, some commenters urged EPA to retain the basic information in the notification as proposed. These commenters questioned how additional information would assist with defining discard and also noted that EPA, historically, has not required notification for the existing self-implementing exclusions from the definition of solid waste located in 40 CFR 261.4.

EPA's Response: Types of Information in Notification

After carefully considering these comments, we agree with those commenters who support requiring additional information in the notification in order to monitor compliance with the exclusions adequately. We believe today's notification requirement reflects the minimum amount of information needed to identify which facilities will be managing hazardous secondary materials under today's rule in order to enable regulatory agencies to administer oversight and ensure that hazardous secondary materials are reclaimed and not discarded. We, however, did not include suggested data elements that might be difficult or complex to collect, such as a description of the recycling process, and did not include information that is more appropriately documented and maintained at the facility. For example, some commenters suggested adding a requirement that generators indicate the identity of the reclaimer receiving their hazardous secondary materials for reclamation; however, under today's transfer-based exclusion, this information is already documented as part of the requirement for hazardous secondary material generators to keep records of all off-site shipments.

We consider the information we are requiring in the notification under today's rule to reflect what responsible companies would routinely collect as part of their normal business operations. For example, responsible companies track quantities of valuable commodities that are managed on-site or shipped off-site and, thus, we believe reporting quantities of hazardous secondary materials managed in the notification will not present an undue burden.

Furthermore, we note that EPA currently requires notification under certain of the 261.4 exclusions, such as for spent materials generated and recovered within the primary mineral processing industry (40 CFR 261.4(a)(17)) and for hazardous secondary materials used to make zinc micronutrient fertilizers (40 CFR 261.4(a)(20)) and, thus, we do not agree with those commenters who believe that the notification requirement is inconsistent with the existing solid waste exclusion requirements.

For a detailed discussion on the notification requirement that EPA is finalizing today, see sections VII.C. and VIII.C.

Comments: Periodic Reporting

In the March 2007 supplemental proposal, EPA proposed that hazardous secondary material generators and reclaimers submit a one-time notification, but asked for comment on whether facilities using the exclusion should be required to submit periodic (e.g., annual) reports detailing their recycling activities.

Several commenters supported requiring periodic reports (or periodic notification). These commenters argued that data collected in a one-time notification would become obsolete very quickly and would likely require substantial investment in order to 'clean up' the information before it could be used, a resource burden that would likely fall on the states. For example, over time, some facilities that originally submitted a one-time notification would cease managing hazardous secondary materials according to the exclusion. Some commenters argued that, by using a one-time notification approach, it would be a challenge to identify these facilities and, subsequently, a challenge to compile a list of facilities who are currently managing hazardous secondary materials according to the exclusions, thereby inhibiting the states' ability to monitor compliance at these facilities.

Furthermore, as one state commenter said, some generators managing hazardous secondary materials will go out of business and without a steady feed of updated information, states have no way of knowing which generating facilities have closed and, thus, are unable to ensure that their hazardous secondary materials were reclaimed and not discarded. This leaves states acutely vulnerable to costs incurred from potential environmental damage caused by abandonment of the hazardous secondary materials.

Other commenters noted that periodic notifications would allow public agencies to compile credible information regarding hazardous secondary materials recycling that can be used to demonstrate success, target additional recycling opportunities, and improve the public's understanding and acceptance of recycling practices. One commenter also supported a clear requirement to file periodically in order to reduce confusion regarding when to re-notify and also to ensure that the information was kept accurate and current.

On the other hand, some commenters urged EPA to finalize the notification requirements as proposed and stressed that numerous recordkeeping and reporting requirements may inhibit facilities from taking advantage of the exclusions, thereby discouraging further increases in recycling.

EPA's Response: Periodic Reporting

In considering these comments, EPA reflected on the intent of the notification requirement, which is to provide basic information to regulatory agencies about who is managing hazardous secondary materials under the exclusions in order to monitor compliance with the exclusions. As commenters noted, with a one-time notification approach, there is no assurance that the information collected in EPA's databases over time will accurately reflect facilities that are managing hazardous secondary materials according to the exclusion. Therefore, the Agency can imagine instances where precious resources are required to be spent on 'cleaning up' the data before regulatory authorities can use it to identify facilities who are currently managing hazardous secondary materials under the exclusions. With a one-time notification, we can also foresee problems where regulatory agencies spend time and resources monitoring compliance at facilities that have since stopped managing hazardous secondary materials at some point in the past. This inefficient use of resources would serve to lower the effectiveness of regulators

to monitor compliance overall and could potentially increase the risk of environmental damage from abuse of today's exclusions.

EPA further believes that responsibility for submitting and maintaining updated information lies with the hazardous secondary material generators, reclaimers, and intermediate facilities that use today's exclusions. We understand arguments made by commenters that, as originally proposed, the one-time notification would in effect reverse this responsibility, placing an unreasonable burden on the states and EPA to 'clean up' the data every time a regulating agency sought to use the information. Instead, the incremental burden to facilities who must submit periodic notifications is minimal compared to the considerable public expense that states and EPA would likely incur over time in order to use the information submitted in a one-time notification. Once an initial notification is submitted, to re-notify, a facility need only review the previous notification and either make changes if necessary or confirm that the information remains accurate. EPA has chosen to use the Site ID form for this notification because it is standardized, electronically-accessible, and familiar to the regulated community and, therefore, will assist facilities by reducing the overall time and effort required to report the information. Currently, large quantity generators on average spend $364 a year on biennial reporting under full Subtitle C regulation, whereas under today's rule, an initial notification is estimated to be only a third of that cost, with subsequent notifications likely costing even less.[20] EPA has designed the notification requirement in today's rule to strike an appropriate balance between providing essential information to regulators, while keeping additional burden at a minimum.

We are convinced of the validity of the above arguments raised by commenters in support of periodic reporting and agree that the limitations of a one-time notification approach would undermine the purpose of the notification. Therefore, EPA is requiring hazardous secondary material generators, tolling contractors, toll manufacturers, reclaimers, and intermediate facilities managing hazardous secondary materials to notify the Regional Administrator prior to operating under the exclusions and by March 1 of each even-numbered year thereafter. We chose the two-year time frame to reflect both commenters' suggestions (of those who supported periodic reporting, most suggested annual or biennial reporting) and to best fit with the biennial reporting process for hazardous wastes (pursuant to 40 CFR 262.41, biennial reports are due by March 1 of each even-numbered year). Since many facilities are accustomed to the biennial reporting process and likely have structured their processes around the biennial report schedule, we chose the same calendar date for the notification requirement in order to allow facilities to leverage their existing processes and submit the notification at the same time their biennial report is due.

Comments: Confirmation of Receipt

In the March 2007 supplemental proposal, EPA requested comment on whether hazardous secondary material generators should be required to maintain confirmations of receipt of the hazardous secondary materials by the reclaimer. Many commenters expressed support for this requirement, citing that responsible commercial recyclers routinely issue receipt confirmations or "recycling certificates" to assure the generator that its hazardous secondary materials reached the intended destination and were not discarded. Of those who supported the requirement, many argued that EPA should not specify a specific form of documentation so that facilities could leverage existing business practices already in place to track valuable commodities. A few commenters continued to urge EPA to be conscious of the imposition of additional recordkeeping and reporting requirements lest the Agency discourage recycling of hazardous secondary materials.

EPA's Response: Confirmation of Receipt

We agree with commenters who support requiring confirmation of receipts and are, therefore, adding to 40 CFR 261.4(a)(24) a requirement that generators maintain confirmation of receipts from reclaimers and intermediate facilities for all off-site shipments of excluded hazardous secondary materials for a period of three years. Under today's rule, hazardous secondary materials may be transferred to intermediate facilities for storage or, where reclamation consists of multiple steps occurring at separate facilities, may be transferred to more than one reclaimer. This requirement would confirm that the hazardous secondary materials did in fact reach the reclaimer (or each reclaimer, if reclamation occurs at separate facilities) and any intermediate facility as originally intended and were not discarded. EPA also agrees with commenters that responsible companies would produce and maintain receipts as part of their normal business operations and, thus, the Agency believes this requirement will not pose an undue burden. The Agency is not specifying a certain form or format for this documentation, but instead provides examples of routine business records that would contain the appropriate information in section VIII.C.4. of today's preamble and in today's rule.

## XVIII. Major Comments on Legitimacy

### *A. Codification of Legitimacy Factors*

EPA's October 2003 proposal to codify the legitimacy criteria was in response to the comments that have been made over the years by both industry and states that the existing legitimacy guidance is useful, but somewhat hard for members of the regulated community to know about because it could only be found in preamble discussions and guidance. The March 2007 supplemental proposal made some adjustments to the October 2003 proposal, including a change from the term "criteria" to "factors," but left intact the general intention to codify those legitimacy factors for all recycling. As expected, the Agency received public comments from both state environmental agencies and from industry on our approach.

Comments: Codification of Legitimacy.

State commenters were unanimously in favor of codifying the legitimacy factors in the regulations. In response to the October 2003 proposal, twenty-three states expressed their support for codification. In comments to the March 2007 supplemental proposal, two additional states supported codification of the proposed factors. All twelve states that commented on legitimacy in both proposals expressed their strong support for codification in both their 2003 and 2007 comments.

States have long advocated for establishing regulations that specifically address the legitimacy of recycling. In response to EPA's proposals, many states commented that they are currently relying on the concept of legitimacy as laid out in definition of solid waste preambles and in the 1989 "Lowrance Memo" guidance because they are the best sources of information that can be used in evaluating a recycling operation. Codification is a

[20] Estimates are from the Regulatory Impact Analysis for U.S. EPA's 2008 Final Rule Amendments to the Industrial Recycling Exclusions from the Definition of Solid Waste.

priority to the states because, as a regulation, the requirement for recycling to be legitimate would be better known and understood by the regulated community and it would be easier for states to monitor compliance. One commenter stated that it makes more sense to implement a regulation than a collection of statements found in guidance.

Industry commenters, on the other hand, were split on the issue of codification. Including comments from both the October 2003 proposal and the March 2007 supplemental proposal, just over half of the industry commenters opposed codification of the legitimacy factors, although they tended to express support in their comments for the purpose and goals of the legitimacy factors and agree with the goal of identifying which processes are true recycling and which are sham recycling. Several industry commenters stated that the guidance is working well already and many of those opposed to codification expressed concern that if the legitimacy factors were codified, they would lose the flexibility in the guidance that allows the factors to apply to many varied industrial sectors and processes, automatically becoming more stringent. Another concern expressed by the commenters regarding codification of the legitimacy factors was that, in their view, the terms used in the regulatory text are too ambiguous and should be clarified before they can be part of a regulation. These commenters argue that codification of the factors without addressing these concerns would automatically be more stringent than having guidance, thereby inappropriately inhibiting legitimate recycling.

About one-third of the forty-two industry commenters on the issue of whether or not to codify backed the codification of the legitimacy factors. Many of these commenters represented segments of the waste management industry, but a number of representatives of generating industries also made this comment. The industry commenters that supported codification stated that they did so because it would provide clarity, consistency, and predictability by making it more apparent which hazardous secondary materials and processes are covered by the recycling exclusions. One commenter noted the value in the legitimacy factors going through the notice and comment process since they are being used by the states in implementation of the regulations and another expressed an expectation that the codified requirements would lead to more uniformity in interpretation between implementing agencies. Several of these commenters also stated that they also valued the flexibility of the structure of the Lowrance memo and stressed the importance of the codified legitimacy factors retaining that flexibility.

In addition, several more industry commenters stated that they saw the value in codifying the legitimacy factors and could support its codification under certain conditions. The suggested conditions included the codification of only the two proposed mandatory factors, codification of the factors in conjunction with finalizing what we called the "broader exclusion" option in the October 2003 proposal, and codification of legitimacy factors to be used only with the definition of solid waste exclusions that were included within the supplemental proposal in March 2007.

EPA's Response: Codification of Legitimacy.

In today's final rule, EPA is codifying the legitimacy factors as a requirement for today's exclusions and for the non-waste determinations, but not for all recycling. To avoid confusion among the regulated community, as well as the state and other implementing regulatory agencies about the status of recycling under the existing exclusions, EPA is not codifying the legitimacy factors as specifically applicable to existing exemptions in today's final rule. In developing the codified legitimacy language, we did not intend to raise questions about the status of legitimacy determinations that underlie existing exclusions from the definition of solid waste, or about case-specific determinations that have been made by EPA or the states. Current exclusions and other prior solid waste determinations or variances, including determinations made in letters of interpretation and inspection reports, remain in effect.

In codifying the legitimacy provisions for the exclusions and non-waste determinations in today's final rule, EPA has taken into consideration all the comments it received in response to the October 2003 proposal and March 2007 supplemental proposal on the structure of the legitimacy factors, as well as on the individual factors themselves and has made the appropriate changes to the factors to address those comments.

In response to a general comment, EPA is aware of the comments that each of the terms in the legitimacy regulations should be more clearly defined and the suggestions for specific tests for each of the factors. We are, however, seeking a balance between having a set of specific tests and having the flexibility needed for a requirement that applies to the range of recycling practices in various industries in different industrial or commercial settings.

Therefore, in response to comments, the discussion of legitimacy in today's preamble describes more clearly what EPA means by the terms we use in the regulatory text for this element of the final rule. The Agency also is providing more examples of both legitimate and sham recycling than were included in the discussions of the individual factors in the preambles for the October 2003 proposal and March 2007 supplemental proposal to illustrate the meaning of the legitimacy factors. The Agency also is stressing the importance of case-by-case determinations that are based on the facts of a specific situation.

*B. Effect on Current Determinations of Legitimate Recycling Activities*

In the March 2007 supplemental proposal, EPA stated its opinion that the concept of legitimate recycling originally proposed in October 2003 is not substantively different from our longstanding policy, as articulated in the 1989 Lowrance Memo and subsequent preambles. We stated that we were simply reorganizing, streamlining, and clarifying the existing legitimacy principles. Thus, we stated in the March 2007 supplemental proposal that we believe that the regulatory definition of legitimate recycling, when applied to specific recycling scenarios, would result in determinations that were consistent with EPA's earlier policy. We went on to say that we did not believe the regulated community or implementing agencies would need to revisit previous legitimacy determinations. However, we did request examples of determinations which could be impacted by the codification.

Comments: Relationships With Existing Determinations

Commenters expressed concern that, in spite of EPA's intentions, the codification could prompt implementing agencies to revisit past legitimacy determinations. In addition, comments on the October 2003 proposed rule suggested that implementing agencies could interpret the proposed regulatory text as meaning that a recycling activity must satisfy all four of the factors to be considered legitimate. Several commenters on the March 2007 supplemental proposal stated that legitimacy should not apply to the existing recycling exclusions in the current regulations and others were

concerned that codification may lead implementing agencies to consider only the four factors and not consider other key information about the recycling activity.

EPA's Response: Relationships With Existing Determinations

Regarding the existing exclusions in the regulations, EPA acknowledges that, in establishing a specific exclusion, we have already determined in the rulemaking record that the specific recycling practice is excluded from the definition of solid waste provided all the conditions of the rule are met. However, the Agency has always enforced its rules on the basis that any recycling must be legitimate (See *U.S.* v. *Self*, 2 F. 3d 1071, 1079 (10th Cir. 1993); *U.S.* v. *Marine Shale Processors*, 81 F. 3d 1361, 1366 (5th Cir. 1996): *Marine Shale Processors* v. *EPA*, 81 F. 3d 1371, 1381–83 (5th Cir. 1996)). This is meant to prevent a company from claiming to be operating under an existing exclusion and simply using that as a way to avoid full RCRA Subtitle C regulation.

However, to avoid confusion among the regulated community and state and other implementing agencies about the status of recycling under existing exclusions, we have decided that the focus of this rule should be the specific changes it is making to the definition of solid waste in the form of the exclusions and non-waste determinations finalized today. Thus, the legitimacy factors codified in 40 CFR 260.43 only apply to the exclusions and non-waste determination process being finalized in this rule and we do not expect implementing agencies to revisit past legitimacy determinations based on this final rule preamble language.

Also, it should be noted that the regulatory language does not preclude other considerations when looking at the codified factors for making legitimacy determinations. We recognize that additional information about the recycling activity could be helpful and could be used when assessing the four legitimacy factors and in making a determination about whether a specific recycling activity is legitimate. In fact, we encourage the regulated community and implementing agencies to use any and all information about the recycling process to come to an informed decision on the legitimacy of a hazardous secondary material recycling operation. However, given the public comment on the October 2003 proposed rule and the March 2007 supplemental proposal, no other factors have been identified and we believe that the four legitimacy factors codified in this rule include the relevant principles of legitimate recycling for the purposes of the exclusions and non-waste determinations being finalized today.

*C. Revised Structure for the Definition of Legitimate Recycling*

In the March 2007 supplemental proposal, we proposed a new structure for the definition of legitimate recycling. The first part consisted of those factors that must be met, which included a requirement that the hazardous secondary materials being recycled provide a useful contribution to the recycling process or to the product of the recycling process and a requirement that the product of the recycling process be valuable. EPA considers these two factors to be fundamental to legitimate recycling and if a recycling process does not meet them, it is sham recycling (i.e., treatment or disposal of a hazardous waste under the guise of recycling).

The second part of the proposed structure included two additional factors that must be taken into account when a legitimacy determination is being made. We explained that while these two additional factors are important in determining whether a particular process is legitimate, there may be circumstances under which a legitimate recycling process might not conform to one or both of these factors. The two additional factors are whether the hazardous secondary materials are managed as a valuable commodity and whether the product of the recycling process contains significant concentrations of hazardous constituents. We note, however, that in cases where a recycling practice does not meet one or both of these factors, the hazardous secondary material generator and/or recycler should be able to demonstrate why the recycling is in fact still legitimate.

Comments: Revised Structure

The public comments on the individual factors in the March 2007 supplemental proposal showed that, as in the comments to the October 2003 proposal, there continues to be general agreement from industry and state commenters on two factors (useful contribution and valuable product/intermediate). Commenters were virtually unanimous in their agreement that these two factors are crucial indicators of legitimacy and should be included in the concept of legitimacy. In other words, there was agreement that recycling cannot be legitimate if the material being recycled does not provide a useful contribution to the process or to the product and if the recycling process does not yield a product or intermediate that is valuable to someone. Certain commenters requested that EPA provide additional information on how it defines these terms and, while there was some disagreement with the specifics laid out in the preamble, there was little disagreement with the basic overarching concepts.

Although there was support for the structure for legitimacy that was proposed in the March 2007 supplemental proposal, most states, the environmental community, and the waste management industry argued that all four of the factors should be mandatory requirements-that is, they must all be met for the recycling activity to be considered legitimate recycling. Industry had a more mixed response to this issue with some supporting the proposed structure and others preferring that the factors be finalized as balancing factors. Others expressed their opinion that while they preferred non-mandatory criteria, the proposed approach was reasonable. Several commenters expressed their preference for keeping the legitimacy factors as guidance, but stated that if the Agency decided to codify the legitimacy factors, they preferred the structure as proposed in the March 2007 supplemental proposal.

EPA's Response: Revised Structure

EPA agrees with the commenters on the importance of the two factors (useful contribution and valuable product/intermediate) that were proposed to be mandatory in evaluating legitimate recycling and, for this final rule, we have decided that these two concepts are, in fact, at the very core of what it means to recycle legitimately. Therefore, the final regulatory language states in 40 CFR 260.43(b) that "[l]egitimate recycling must involve a hazardous secondary material that provides a useful contribution to the recycling process or to a product of the recycling process, and the recycling process must produce a valuable product or intermediate." This statement is followed by clauses (1) and (2) that give more details on how the Agency defines these concepts.

EPA has determined that the other two factors are still important in making legitimacy determinations, but do not necessarily have to be met for the recycling activity to be considered legitimate. Instead, the regulations state that a person making a legitimacy determination must consider these two factors, which are found in § 260.43(c) of the final language. In stating that the factors must be considered, EPA expects that those making legitimacy determinations will evaluate how the

hazardous secondary materials in question are managed as compared to analogous raw materials and how levels of hazardous constituents in their products compare with the levels of hazardous constituents in analogous products. If the generator or recycler determines that one or both of these factors are not met, that person should be prepared to explain why their recycling activity is nevertheless still legitimate. As described in § 260.43(c)(3) of the regulatory text, in evaluating the extent to which these factors are met and in determining whether a process that does not meet one or both of these factors is still legitimate, persons can consider the protectiveness of the storage methods, exposure from toxics in the product, the bioavailability of the toxics in the product, and other relevant considerations. We would note that the facility may be requested to demonstrate the legitimacy of their recycling process and explain why failure to meet one or both of these factors does not affect the legitimacy of the recycling process.

Comments: Mandatory Factors

As part of the October 2003 proposal, the Agency solicited comment on whether the factors should continue to be used in the same way as the previous guidance had been used, as factors to be balanced or considered in making an overall determination, or whether the factors should be structured differently in the final rule, such as in the form of mandatory requirements that must all be met. Based on the comments received on that proposed rulemaking, we proposed a new structure in the March 2007 supplemental proposal with two mandatory factors and two factors that must be taken into account, but not necessarily met in every situation (72 FR 14198).

Many state implementing agencies argued that all the factors should be written as mandatory requirements that must be met. Most industry commenters (but not all) did not. The main argument in favor of making the factors mandatory requirements is that commenters argued that this approach would result in legitimacy determinations that are more objective and more enforceable. The main arguments against making all the factors mandatory requirements is that the overall determination is made on a case-by-case basis, which is often facility-specific, and not all legitimate recycling can fit into such a rigid system.

EPA's Response: Mandatory Factors

The Agency can see both state and industry viewpoints and, in the end, as described above, has decided upon a course of action that results in a compromise between the two approaches. In section IX of this preamble, we explain in detail the final design of the legitimacy factors, which includes two factors that must be met (useful contribution and valuable product/intermediate) and two factors that must be taken into account in making an overall legitimacy determination. We believe this approach and the attendant regulatory language is clearer than the existing guidance, yet retains enough flexibility to account for the variety of legitimate hazardous secondary materials recycling practices that exist today.

*D. Comments on the Specific Factors*

In developing the legitimacy factors, the Agency sought a balance between having a set of specific tests and having the flexibility that is necessary to allow the four legitimacy factors to apply to hazardous secondary material recycling practices in the many industrial or commercial settings to which the factors would be applied. As a result, each of the legitimacy factors included a term or terms that drew public comments arguing that the factors were not clearly enough defined. The underlined terms in the following excerpts from the regulatory text demonstrate what these terms are:

- Factor 1: "Legitimate recycling must involve a hazardous secondary material that provides a *useful contribution* to the recycling process or to a product of the recycling process."
- Factor 2: "The recycling process must produce a *valuable* product or intermediate."
- Factor 3: "The generator and recycler should manage the material as a *valuable* commodity * * * Where there is no analogous raw material, the hazardous secondary material should be *contained*."
- Factor 4: "The product of the recycling process does not contain *significant* concentrations of hazardous constituents [or] contain concentrations * * * at levels that are *significantly* elevated from those found in analogous products."

The October 2003 proposal gave some narrative descriptions of these terms to explain what they mean in the context of legitimate recycling, but that proposal did not provide any concrete tests for how those specific terms are to be used when judging whether a process and/or hazardous secondary material meets these factors.

Comments: Defining Legitimacy Terms

For each of the four factors, the Agency received public comments that focused specifically on the meaning of and the difficulties in implementing these factors when the terms are not accompanied by a test for the hazardous secondary material generators and recyclers to use when making determinations of legitimacy. For the first factor, the Agency received several comments on the definition of "useful contribution" from the October 2003 proposal. For the second factor, over twenty commenters submitted comments on the definition of "valuable" in response to the October 2003 proposal. In addition, the Agency received several comments on the definition of "valuable" and on the definition of "contained" related to the third factor and over twenty comments on the definition of "significant" in the fourth factor. We also received some additional comments on the March 2007 supplemental proposal relating to the same definitional terms in each factor.

The comments on these terms will be described in more depth in the discussion below for each of the applicable factors, but, in general, the comments showed a wide range of opinions: Some commenters found the discussion in the preamble to define the terms was adequate and appropriate, other commenters objected to the terms as not being clearly defined, while still other commenters found the terms to be too subjective to be a useful tool. We also received comments that suggested alternative ways to define the terms to be clearer or to better meet the Agency's objectives.

EPA's Response: Defining Legitimacy Terms

The Agency has incorporated the ideas generated by the comment process into the final rule, as appropriate. The final language and decisions regarding the legitimacy factors are laid out below in this section and in section IX of this preamble, where the final legitimacy language is discussed more fully. However, after considering the comments, we have decided that we would not develop specific definitions or precise tests that hazardous secondary material generators and recyclers must use when making legitimacy determinations. Instead, the Agency has bolstered our preamble discussion on the meaning of these terms and has included more examples than we had in the preambles to the October 2003 proposal and the March 2007 supplemental proposal.

EPA's decision not to include specific bright-line tests for the final legitimacy factors reflects the fact that legitimacy determinations do not lend themselves to the application of absolute distinctions, especially given the breadth of recycling practices and recycled hazardous secondary materials that exist in industry. The main argument we received for developing specific tests was that, without specific tests, those making legitimacy determinations may be uncertain about whether their regulatory agency would agree with that interpretation of the recycling scenario. This may lead to reduced recycling rates if companies choose not to take advantage of the exclusions for recycling rather than risk interpreting their activities differently than the regulator does.

Although we understand the concerns behind this argument, we are addressing them by including more discussion and explanations of the final factors in the preamble to the final rule. The complexities of defining "valuable commodity/product," "useful contribution," "contained," and "significant" so that they can be determined through a bright-line test and are still appropriate for all industries, all recycling processes, and all recycled hazardous secondary materials are too great for the Agency to be able to design a simple and straightforward system of tests to be used in making such determinations. The complex regulatory system of tests for different types of industries or different processes that would be necessary would not be efficient or accessible to most generators, especially small businesses.

In addition, we believe that legitimacy determinations are best made on a case-by-case basis, which has always been the case, with the facts of a specific situation in hand. In a case-by-case determination, a series of specific tests may not be as useful and as accurate in determining legitimacy as careful consideration of the hazardous secondary material, the recycling process, and the specifics of the situation would be. If a person has any questions as to the legitimacy of a particular recycling activity, he can always approach the appropriate regulatory agency for assistance in making a legitimacy determination.

Comments: Factor 1—The Hazardous Secondary Material Provides a Useful Contribution

Factor 1 expresses the fundamental principle that hazardous secondary materials must actually be useful (i.e., contribute positively) to the recycling process and is intended to prevent the practice of incorporating hazardous secondary materials within manufacturing operations simply as a means of disposing of them. The Agency firmly believes that this concept is crucial to the definition of legitimacy and is finalizing it as part of the core definition. This factor, along with the second factor described below, must be met for any recycling activity to be considered legitimate recycling. The regulatory text for this factor is found in 40 CFR 260.43(b)(1).

In general, we received much support for and agreement with the underlying principle of this factor—that the hazardous secondary materials must provide some useful contribution to either the recycling process or the recycled product. Commenters asked for clarification on a number of issues related to this factor, specifically in regard to the October 2003 proposal and how the economics of recycling is connected to this factor and how the economics of recycling should be evaluated. In the March 2007 supplemental proposal, we described how the economics of recycling relates not only to the useful contribution factor but, in fact, to all of the factors of legitimacy and explained our thinking about how evaluating the economics of recycling transactions should be undertaken.

EPA's Response: Factor 1—The Hazardous Secondary Material Provides a Useful Contribution

The Agency is today finalizing this factor as part of the core definition of legitimate recycling and as a factor that must be met for the recycling to be considered legitimate under § 260.43. We also revised the October 2003 proposal discussion regarding the consideration of economics related to this criterion, and we expanded its consideration beyond just the useful contribution criterion. Today, we are offering further guidance, similar to the March 2007 supplemental proposal, which explains how economics may be considered in making legitimacy determinations and how it may apply to the mandatory factors and the factors that must be taken into account.

Comments and EPA's Response: Factor 1—Contribution to the Process

EPA also received comments on our statements in the October 2003 proposal that indicated that not every component of a hazardous secondary material does or must contribute to the recycling process or product of the recycling process in order for there to be an overall contribution. In particular, one state agency favored allowing the non-hazardous component of hazardous secondary materials to provide the useful contribution and one industry commenter agreed that not all of the hazardous secondary material would have to contribute for this factor to be met. Another state agency asked us to clarify that the statement "not every component of a hazardous secondary material would necessarily have to contribute to the product or the process to meet this criterion" was applicable only in the context of this factor.

It has been the Agency's longstanding policy that in a legitimacy determination not every constituent or component in a hazardous secondary material would have to contribute to a product of the recycling process or intermediate or to the recycling process in order for there to be an overall contribution and this applies to the provision in § 260.43 as well. For example, the use of hazardous secondary materials in zinc fertilizer is considered legitimate recycling when the zinc, a non-hazardous constituent, is the main contribution to the fertilizer. Another example is the use of CRT glass used in copper smelters as a fluxing agent. In this case, the glass provides a useful contribution by facilitating the manufacturing process. Thus, we agree with those commenters who raised questions about this issue and are restating our position here.

Comments and EPA's Response: Factor 1—Efficiency of the Process

Another issue that was discussed in the October 2003 proposal arising in the context of useful contribution was the efficiency of a recycling process in recovering or regenerating the useful component of the hazardous secondary material. One example we used was the recovery of copper from a hazardous secondary material. We stated that where the process was reasonably efficient and recovered all but a small percentage of the copper, it looked like legitimate recycling. However, where a small percentage of copper in the hazardous secondary material is recovered, sham recycling may be indicated. However, we did not discuss recovery rates in the middle range (e.g., 50% of copper recovered from a particular recycling process) and some commenters asked for clarification, including how the factor applies to hazardous secondary materials that are contributing to the recycling process either as a carrier or a catalyst.

The Agency is clarifying in today's preamble and regulatory text that the useful contribution of a hazardous secondary material to the recycling

process or product can be demonstrated in a number of ways. We provided a number of different ways such a material could contribute to the process in the preamble to the October 2003 proposed rule (68 FR 61584–61585) and did not mean to imply that the hazardous secondary material would have to meet all of the examples to provide a useful contribution. For example, hazardous secondary materials could provide a useful contribution to a process by serving as a carrier or catalyst and the process efficiency would not factor into the demonstration of this factor in this example.

In general, the regulated community should look to typical industry recovery rates to determine if the recycling recovery rates are reasonably efficient in terms of making a useful contribution to the recycling process or product. In addition, it should be noted that EPA would generally look at the quantity or the rate of recovery of the overall process, not the recovery rate of a single step in the process, when analyzing this factor for legitimacy. For example, if one step in the process recovers a small percentage of the constituent, but the overall process recovers a much larger percentage, the Agency would consider the overall efficiency of the recycling process in determining whether hazardous secondary materials are providing a useful contribution. This assumes that there is enough of the target constituent present in the hazardous secondary materials to contribute meaningfully to the recycling activity.

Comments and EPA's Response: Factor 1—Residuals

In the discussion of useful contribution in the October 2003 proposal, in the context of process efficiency, we stated that a "pattern of mismanagement of the residues" may be an indicator of sham recycling (68 FR 61584). We received several comments asking us to explain the connection between useful contribution of the hazardous secondary materials and management of residues. Several commenters questioned this statement and disagreed that how a facility managed its residues had any bearing on whether the hazardous secondary materials going into a recycling process were being legitimately recycled.

We agree with the commenters who suggested that the management of residuals from the recycling process is not an indicator of whether the hazardous secondary materials provide a useful contribution and thus is not a factor in determining whether legitimate recycling is occurring. For these reasons, we are making it clear that the management of recycling residuals is not a consideration in making legitimacy determinations. Instead, as part of today's final rule, we are requiring that any residuals that are generated from the recycling process be managed in a manner that is protective of human health and the environment. Specifically, there is a requirement for hazardous secondary material generators to make reasonable efforts to ensure that the hazardous secondary materials are legitimately recycled and, among other things, that the reclaimer manages the hazardous secondary materials in a manner that is protective of human health and the environment, including how any recycling residuals are managed. Finally, we note that the generation of residuals that are solid wastes are subject to the waste characterization and identification requirements in 40 CFR Part 261 as a newly generated waste.

Comments: Factor 2—The Recycling Process Yields a Valuable Product/Intermediate

This factor is intended to capture the fundamental concept that legitimate recycling must produce something of value. For the purposes of evaluating this factor, a product of the recycling process or intermediate would be considered valuable if it can be shown to have either economic value or value that is more intrinsic (*i.e.*, it is useful to the end user, even though it may not be salable as a product or commodity in the open marketplace). The regulatory text for this factor can be found in 40 CFR 260.43(b)(2).

In general, most commenters agreed with the concept that the recycling process must produce something of value. Many commenters also stressed the importance of keeping the concept of "intrinsic" value—that is, a product does not have to be sold to have value. Instead, it can be used as an effective substitute for a commercial product or as a useful ingredient in an industrial process. However, other commenters disagreed, contending that intrinsic value is too subjective to use to determine compliance. One commenter also thought this factor was redundant with the factor that hazardous secondary materials must provide a useful contribution and should be deleted.

Another common concern in the comments was how to evaluate whether the product or intermediate is valuable. Some commenters stressed the importance of evaluating this factor over time, given that markets and prices fluctuate, and others argued that it must be done on a case-by-case basis.

EPA's Response: Factor 2—The Recycling Process Yields a Valuable Product

In general, the Agency agrees with the commenters who stated that a product's value can be either monetary or intrinsic. Clearly, not all valuable products are sold. For example, many legitimate recycling situations exist where the intermediate or product of the recycling process has value and is used on-site, sent off-site to another facility owned by the same company, or even traded between companies. There are a number of already established networks where hazardous secondary materials are exchanged among and across industries. This rule does not interfere with those ongoing exchanges where such materials are being legitimately recycled. One example of such a program is the U.S. Business Council for Sustainable Development's by-product synergy program which has conducted a number of regional pilots in which diverse industries are brought together to facilitate feedstock and by-product exchanges. No money is exchanged in these types of programs.

We are also clarifying in the regulatory text that the product of the recycling process can be either a commercial product or intermediate, as long as it has value to the end user. In addition, we are further clarifying that the regulated community does not need to evaluate each step in the recycling process to determine if the final products or intermediates are valuable. Rather, an individual recycler or generator would look at its final product or intermediate and must be able to demonstrate why it has value.

We understand the concerns of some commenters that intrinsic value is harder to demonstrate than the value of a product of the recycling process that is sold in the open marketplace. While this demonstration is not as straightforward, there are a number of ways the end user can demonstrate the intrinsic value of the recycled intermediate or product. Some examples include showing that the product of the recycling process replaces an alternative product or material that would otherwise have to be purchased or by demonstrating that a product of the recycling process or intermediate meets specific product specifications or established industry standards. Another approach to demonstrating the value of a product of the recycling process or intermediate would be to compare its characteristics (e.g., its physical/chemical properties or its usefulness for

certain applications) with comparable products or intermediates made from raw materials.

Finally, we disagree with the commenter who stated that this factor is equivalent to the hazardous secondary material making a useful contribution to a product or intermediate. It is certainly possible for a recycling process to result in the production of a valuable product or intermediate without the hazardous secondary materials added to the process making any contribution whatsoever. For example, this would be the case when hazardous secondary materials are added to the process and all of the hazardous secondary materials, including the hazardous constituents, end up in the residuals, which are discarded, and the materials added to the process provide no benefit whatsoever. This is the essence of sham recycling. A vast majority of the commenters saw the need for both factors and after exploring the concept of legitimate recycling further, we were unable to find any examples of legitimate recycling that did not meet both of the core factors (i.e., the hazardous secondary material provides a useful contribution and the recycling process produces a product of value), nor did any commenters provide us with such examples. Thus, we are retaining both concepts as factors that must be met in order for a process to be considered legitimate recycling.

Comments: Factor 3—How the Hazardous Secondary Material To Be Recycled Is Managed

This factor on the management of hazardous secondary materials was designed to illustrate that hazardous secondary materials that are bound for recycling should be managed to prevent releases into the environment in the same way that valuable commodities would reasonably be expected to be managed. Hazardous secondary materials that are recycled are valuable production inputs. As such, we believe that such materials should be managed in a way that retains their value and prevents significant losses to the environment. Hazardous secondary materials that are mismanaged to the extent that they are released into the environment are not recycled.

This factor is one of the two legitimacy factors that EPA believes needs to be considered. However, in some cases, it may not be clear that the factor is met or it may not be met, yet the recycling activity can still be legitimate. The regulatory text for the factor can be found in 40 CFR 260.43(c)(1) and it states that the handler should manage the hazardous secondary material "as a valuable commodity." If an analogous raw material exists, the hazardous secondary material should be managed, "at a minimum, in a manner consistent with the management of the raw material." If there is no analogous raw material, the proposal states that the hazardous secondary material should be "contained."

The response from commenters on this factor was mixed in response to both the October 2003 proposal and the March 2007 supplemental proposal. Many states and environmental organizations commented that the factor should be mandatory and some argued that it should include a strict test. Many commenters from the generating industry and the waste management industry stated that they support this factor and believe that it is a fair and reasonable indicator of legitimacy. Some industry commenters thought that this factor should be mandatory, whereas others commented that the factor should neither be codified nor mandatory. At least one commenter stated that the factor was not necessary because of other existing disincentives for mismanagement. Representatives from extractive industries were most strongly opposed to this factor, stating that EPA cannot include legitimacy requirements on secondary materials that are going to be recycled because they are not in EPA's jurisdiction.

EPA's Response: Factor 3—How the Hazardous Secondary Material To Be Recycled Is Managed

Today, we are finalizing this factor as one of the two factors that must be considered during a legitimacy determination, but not necessarily met. We modified the language of this factor since the October 2003 proposal and are finalizing it basically as proposed in the March 2007 supplemental proposal.

EPA has decided that it is most appropriate to finalize this factor as one of the factors that must be considered rather than as a mandatory factor. Although we believe that this factor is an important part of a legitimacy determination because hazardous secondary materials that are not being managed carefully may be materials that the recycler does not value for its process, the factor is not part of what the Agency considers the core of legitimacy. In addition, as discussed in section IX of this preamble, EPA and commenters were able to identify situations in which this factor is not met, but the recycling appears to be legitimate because the hazardous secondary materials are still being managed in a responsible manner. EPA does not want to restrict legitimate recycling and, therefore, in these cases, the facility could make a determination of legitimacy without meeting this factor, but should be prepared to explain why its recycling is legitimate.

EPA also believes that this factor can be critical when considering whether hazardous secondary materials are legitimately recycled and EPA disagrees with commenters who argued that evaluating "materials management" is outside the scope of RCRA because hazardous secondary materials are not solid wastes due to being excluded. EPA believes that the commenters' argument is circular. The hazardous secondary materials are excluded only if the recycling is legitimate. How materials are managed is part of determining legitimate recycling. EPA has the authority to define legitimate recycling and, therefore, has the authority to require this evaluation.

Comments: Definition of Terms in Factor 3

Commenters stated that compliance with this factor is dependent on the regulated community and regulators understanding what EPA means by it. In the October 2003 proposal, we proposed that the factor read, "[w]here there is no analogous raw material, the secondary material should be managed to minimize the potential for releases to the environment." Many commenters stated that the term "minimize" in this context was particularly unclear. State commenters argued that the term "minimize" did not provide enough guidance or could be interpreted to allow unclear amounts of hazardous secondary materials to be released, leaving room for potential mismanagement of that material, whereas some industry commenters asked if this standard meant they would have to meet or exceed controls required for regulated hazardous wastes in their recycling operations. Several commenters also asked about the term "valuable commodity" and how "valuable" is defined.

EPA's Response: Definition of Terms in Factor 3

EPA agrees that terms for this factor should be more clear to facilitate compliance. Although we have not developed a specific test or codified definitions to explain this factor, we have adjusted some of the language in the factor to address this concern and are providing further explanation of what we intend by this factor in today's preamble so that it is better understood and can be consistently applied.

In the March 2007 supplemental proposal, we modified the language for this factor to state instead that "[w]here there is no analogous raw material, the hazardous secondary material should be contained." This change addressed the ambiguity of the word "minimize," as well as state comments that the storage requirements in this factor needed to be better defined. The Agency believes that facilities that value hazardous secondary materials as part of their manufacturing process will contain those materials to prevent their release. The term "contained" is also being used elsewhere in the exclusions being finalized. EPA is defining this term in the same way throughout: A recyclable material is "contained" if it is placed in a unit that controls the movement of that material out of the unit into the environment. We also believe that the standard for contained is more clear for states and industry than the standard to minimize potential releases to the environment was in the October 2003 proposal.

We also want to clarify the use of several other terms on which we received comments. These terms are discussed briefly here and in more depth in section IX of this preamble, where the legitimacy factors are fully described. "Analogous raw material," also defined elsewhere in the exclusions, is a raw material for which a hazardous secondary material is a substitute and which serves the same function and has similar physical and chemical properties as the hazardous secondary material. Materials generally would not be considered analogous if their chemical makeup were very different from one another—particularly if the hazardous secondary materials contain hazardous constituents that necessitate management processes that the raw material does not—or if their physical properties are different.

Regarding the term "valuable commodity," EPA believes that hazardous secondary materials should be managed in the same or similar manner as raw materials that have been purchased or obtained at some cost. The legitimacy criteria are designed to determine whether a process is like manufacturing rather than like waste management. We believe that the standard for management of the hazardous secondary materials is reasonable for helping assess whether disposal in the guise of normal manufacturing is occurring.

Comments: Factor 4—Comparisons of Toxics in the Product

This factor was designed to prevent hazardous constituents from being "discarded" by being incorporated into a product made from hazardous secondary materials. The factor identifies this situation as being hazardous constituents that are in a product made from hazardous secondary materials when they are not in analogous products, or when hazardous constituents are at significantly higher levels in products made from hazardous secondary materials than in analogous products that contain such hazardous constituents, or when the product exhibits one or more of the hazardous characteristics and the analogous product does not. An analogous product can either be the final product of manufacturing or, in some cases, an intermediate in a process. These hazardous constituents are often called "toxics along for the ride" (TARs) and, if present, could be an indicator of discard.

This factor is the second of the two legitimacy factors that EPA believes needs to be considered but, in some cases, does not need to be met for the recycling activity to be considered legitimate. We modified the language of this factor since the October 2003 proposal and are finalizing the factor basically as proposed in the March 2007 supplemental proposal. The regulatory text for the factor can be found in 40 CFR 260.43(c)(2) and it states that the person making the determination should look at the product of the recycling process and compare it to analogous products that are made without hazardous secondary materials. The person making the determination should examine the concentrations of hazardous constituents to learn whether the product of the recycling process contains significant concentrations of hazardous constituents when the analogous product contains none, whether it contains significantly elevated levels of hazardous constituents when compared to the analogous product that contain such hazardous constituents, or whether it exhibits a hazardous characteristic when the analogous product does not.

The Agency received many comments on the fourth factor in response to both the October 2003 proposal and the March 2007 supplemental proposal. The comments the Agency received on Factor 4 were very mixed, ranging from commenters who argued that this factor should be one of the factors that must be met to those who stated that the factor is irrelevant and should not be considered as part of a legitimacy determination.

EPA's Response: Factor 4—Comparisons of Toxics in the Product

Today, we are finalizing this factor as one of the two factors that must be considered during a legitimacy determination, but not necessarily met. EPA maintains that this factor is an important way of determining whether a recycling process is, in fact, true recycling rather than a "sham."

If hazardous secondary materials with a toxic constituent or toxic constituents in amounts or concentrations greater than analogous raw materials are simply being run through a manufacturing process, it is an indication that those hazardous secondary materials may be being discarded in the guise of recycling. Toxics that are illegally disposed of in this manner can become exposure risks and could harm human health and the environment. EPA has jurisdiction over materials being discarded and, therefore, is requiring that this factor be considered in legitimacy determinations. The factor is not one of the mandatory factors because the Agency has identified situations where higher levels of toxic constituents may not be relevant or applicable and, thus, would not be an indicator of "sham" recycling if this factor is not met, as discussed in section IX of this preamble. In these cases, the facility could make a determination of legitimacy without meeting this factor, but should be prepared to explain why its recycling is legitimate.

Comments: Factor 4—the Term "Significant" and Alternative Approaches

Many of these comments sought further guidance on the meaning of the term "significant" in the proposed regulatory text, stating that the definition in the proposal was unclear or subjective, which may lead to a wide range of possible interpretations of the term. Commenters also expressed concern that a definition that is too vague may discourage recycling. In a related topic, commenters also responded to EPA's request for comments on two alternate approaches in the October 2003 proposal: (1) An approach that would establish a "bright line" for complying with the factor by specifically defining the terms "significant amounts" and "significantly elevated" in the regulatory text and (2) an approach that would require the use of risk assessment tools to determine if a product with elevated levels of a hazardous constituent due to use of hazardous secondary materials in its manufacture process posed a greater risk to human

health or the environment than the analogous product made from raw materials.

On the whole, commenters were not enthusiastic about the two alternative approaches that EPA suggested. Most commenters stated that a specific test of either nature would not be appropriate because of the wide variety of recycling situations to which it would have to apply.

EPA's Response: Factor 4—the Term "Significant" and Alternative Approaches

The Agency believes that designing a specific test, such as those described in the preamble to the October 2003 proposal, that is applicable to the many different recycling scenarios possible in the exclusions and non-waste determinations would be difficult, if not impossible. Thus, we agree with those commenters who argued against adopting such a specific test. Therefore, the Agency has more clearly described in this preamble to the final rule what it means by "significant" so that members of the regulated community can be confident in their evaluations of whether their products made from hazardous secondary materials contain "toxics along for the ride." Therefore, members of the regulated community will neither be discouraged from recycling nor be forced to seek an opinion from a regulatory agency in every case. Details on implementation of this factor are in section IX of today's preamble.

Comments: Factor 4—Comparing the Products Instead of Hazardous Secondary Materials

Most commenters responded positively to a change the Agency made in its October 2003 proposal to compare the product of the recycling process to the analogous product made from raw materials rather than comparing the hazardous secondary materials to the analogous raw materials. EPA discussed this shift in its October 2003 proposal at 68 FR 61586–61587.

However, several commenters argued that the change is an attempt by the Agency to regulate products or stated that certain unique elements of their production processes made it so that this factor should not apply to their industry or their particular process. In addition, some commenters were concerned that under this factor, in some cases, the generator would have to know what was being done with its hazardous secondary material several steps downstream in the recycling process when it was incorporated into a final product.

EPA's Response: Factor 4—Comparing the Products Instead of Hazardous Secondary Materials

The Agency believes that for an entity to ensure that hazardous secondary materials are being legitimately recycled and not discarded, it needs to know what happens to the hazardous secondary materials once they leave the generator's control. However, in response to these comments, we are clarifying in today's preamble that the final legitimacy factor allows the entity conducting the legitimacy determination to make the comparison on "toxics" either between the final products or between the hazardous secondary material and the analogous raw material it replaces. If the comparison of materials going into the process shows no significant difference in levels of toxics, the product of the recycling process will not significantly differ from analogous products in those levels either. In cases where the generator finds it too complex to compare the product from its recycling process to the analogous product made from the virgin raw material, it can, instead, compare the chemistry of the materials going into the process to evaluate this factor.

Comments and EPA's Response: Relevance of Factor 4 to a Particular Process

Regarding the implementation of this factor, several commenters raised the concern that many products that are made from hazardous secondary materials do not have analogous products made from raw materials because they are always or have always been made from a combination of primary and in-process materials and that these are cases where this factor is not relevant to that particular recycling process. The commenters stated that this is especially true in the mineral extraction industries, but also may be the case in other industries as well.

The Agency is aware that there are situations where there may not be analogous products made from raw materials. In that case, the facility can opt to compare the toxic constituents in the hazardous secondary material it is using against those in an analogous raw material instead. We also note that while this factor needs to be considered, it is not mandatory because EPA recognizes that in some situations, it will not be relevant to a particular industrial process. In the case where the facility considers this factor and decides that it is not applicable to its process, the Agency suggests that the facility evaluate the presence of hazardous constituents in its product and document both that it considered this factor and the reasons it believes the factor is not relevant.

*E. Consideration of Economics in Legitimacy*

Comments: Economics Considerations

EPA received several comments in response to the preamble discussion about how to consider economics in the context of making legitimacy determinations in the March 2007 supplemental proposal. EPA did not propose that economic consideration be codified within the regulatory definition of legitimate recycling and instead offered guidance on how economic consideration is relevant to determining the legitimacy of a recycling operation.

EPA received only positive comments on the preamble discussion about consideration of economics in legitimacy. Specifically, EPA agrees with commenters who supported our position on the following: The economics of recycling are relevant to making legitimacy determinations, the economics of recycling are in fact different from traditional manufacturing, a recycling activity can be legitimate if a recycler charges a fee to accept hazardous secondary materials, economic considerations need to take into account the fluctuations in market prices of raw materials, and negative economic factors can contribute to environmental problems, such as speculative accumulation, abandonment, and sham recycling.

However, EPA received many comments from both industry and recycling associations that opposed the October 2003 proposal to codify the economics consideration as a separate "factor to be considered." These commenters generally argued that consideration of economics was inherent within the four legitimacy factors (e.g., both of the mandatory factors, as well as the two factors which must be considered) and, therefore, a separate factor was not warranted. On the other hand, a few commenters (primarily states) requested that EPA codify a separate economics factor to be considered and they supported the inclusion of an enforceable factor for legitimacy determinations.

EPA's Response: Economics Considerations

EPA agrees with those commenters who argued that economic considerations are inherent within the legitimacy factors. We believe that one specific factor cannot encompass all

economic scenarios for the entire universe of hazardous secondary materials recycling. Furthermore, we do not believe that a separate enforceable factor in the regulations strengthens the definition of legitimate recycling, but we do believe that articulating how economic considerations can influence the legitimacy factors adds real value to the legitimacy determinations made by state regulators and the regulated community.

Based on the comments we received, the Agency is not codifying specific regulatory language on economic considerations. Instead, today's preamble offers guidance and clarification on how economics may be considered in making legitimacy determinations, similar to the preamble discussion in the March 2007 supplemental proposal. For more detailed information on economic considerations, please refer to "How consideration of economics applies to legitimacy" in section IX of today's rulemaking.

Comments and EPA's Response: Specific Test for Economics

EPA received some comments on the need for a specific test for consideration of economics. Commenters that supported a specific test believed it could include an accounting of economic flows over a period of time to determine longevity; an annual regulatory review of markets and a facility's economics; a "rebuttable presumption that the recycling is legitimate where the recycler pays for the secondary materials," similar to manufacturing operations; and a requirement that payment for recycled products and intermediates be more than nominal if considered to be a sign of positive economics. One comment was also submitted which expressly opposed a specific test, citing that markets fluctuate too much to analyze the flows of revenues.

EPA believes that none of the examples suggested by the commenters are applicable to a broad universe of recycling activities. We also acknowledge that fluctuations in markets for hazardous secondary materials and recycled products, and subsequent impacts in revenue flows, create another challenging aspect of developing a test for the consideration of economics. Therefore, we believe that it is not possible to craft an economic test for legitimacy that can accommodate all legitimate recycling activities. As stated in section IX of today's rulemaking, we believe that this preamble discussion provides sufficient guidance on how to consider economics in legitimacy determinations.

*F. Documentation of Legitimacy*

Comments and EPA's Response: Documentation of Legitimacy

Several of the public comments stated that it is important that the hazardous secondary material generator or recycler of a recycled material maintain documentation that substantiates how the recycling activity complies with the legitimacy requirements. The comments stated that these records would show how the recycling activity meets the factors or, if a factor is not applicable, the records would document why it is not necessary for it to meet that factor. In this way, the hazardous secondary material generator or recycler could show that it considered all the factors. Other commenters objected to any recordkeeping requirements documenting that a recycling activity is legitimate.

After considering the comments, the Agency has determined that for the purpose of the legitimacy factors in the final rule, 40 CFR 261.2(f) applies. Section 261.2(f) states that, in the context of an enforcement action to implement Subtitle C of RCRA, a person claiming that a material is not a solid waste or is conditionally exempt from regulation is responsible for showing that they meet the terms of the exclusion and must provide appropriate documentation to show why they are eligible. For the legitimacy requirements finalized today, this provision would require that persons claiming that their recycling activity is legitimate would have the burden to provide documentation showing how the hazardous secondary materials provide a useful contribution to the recycling process and how the product of the recycling activity—whether it is a consumer product or a process intermediate—is valuable. In addition, the documentation would have to show that the hazardous secondary material generator or recycler considered the other two factors and determined for each of them that either the activity meets the factor or that the factor does not apply to this recycling activity and why it is not relevant or appropriate to consider.

In addition, as part of today's transfer-based exclusion, the hazardous secondary material generator has to undertake reasonable efforts to ensure its hazardous secondary materials will be legitimately recycled pursuant to § 260.43. As part of the reasonable efforts requirements, generators must document their reasonable efforts per § 261.4(a)(24)(v)(C).

**XIX. Major Comments on the Non-Waste Determination Process**

In the March 2007 supplemental proposal, EPA proposed a non-waste determination process that would provide persons with an administrative process for receiving a formal determination that their hazardous secondary materials are not discarded and, therefore, not solid waste. The process would be voluntary and available in addition to the two self-implementing exclusions. EPA proposed three types of non-waste determinations: (1) For hazardous secondary materials reclaimed in a continuous industrial process; (2) for hazardous secondary materials indistinguishable in all relevant aspects from a product or intermediate; and (3) for hazardous secondary materials reclaimed under the control of the generator, such as through contracts similar to tolling arrangements. For each type of non-waste determination, EPA proposed a set of criteria which the hazardous secondary materials would have to meet in order to receive a formal non-waste determination from the regulatory authority. For a detailed description of the non-waste determination process that EPA is finalizing today, see section X of today's preamble.

Comments: Finalizing the Non-Waste Determination Process

Overall, many commenters supported the non-waste determination process because it provides persons with regulatory certainty and offers a flexible alternative to the self-implementing exclusions included in today's rule. On the other hand, some commenters argued that the non-waste determination process would be resource-intensive, placing a significant burden on the states that would have to perform a case-by-case review of each application. One commenter said that, historically, many hazardous waste facilities have sought formal approval of their recycling practices from regulators and that EPA may be underestimating the number of applications that states would receive from the regulated community. Additionally, one state commenter mentioned that the non-waste determination process would increase regulatory inconsistency between states and at least two state commenters saw no reason to establish a formal non-waste determination process since they viewed the current variance procedure under 40 CFR 260.33 and their own state

determination processes as an effective means to the same end. Finally, a few commenters did not support the non-waste determination process because of its lack of explicit conditions, such as those conditions required for the two self-implementing exclusions in today's rule.

EPA's Response: Finalizing the Non-Waste Determination Process

EPA agrees with the majority of commenters who support the non-waste determination process as an alternative way for hazardous secondary material generators to seek regulatory certainty in circumstances involving reclamation of hazardous secondary materials which do not clearly fit under today's self-implementing exclusions. EPA, however, does not agree with commenters who believe the non-waste determination would cause significant burden to states. Instead, we anticipate that the vast majority of persons will choose to use the self-implementing exclusions because this would be less resource intensive for the facility. In fact, the Agency does not envision any person submitting such an application if they are considered "under the control of the generator" because there are relatively few restrictions for this exclusion, and, indeed, it would probably require less effort than seeking a non-waste determination. Thus, the Agency only expects a limited number of persons to submit applications where the regulatory status is unclear under today's exclusions and a formal non-waste determination may be appropriate. EPA further believes that, by modeling the non-waste determination process after the current variance procedures, it has kept the additional burden to the states at a minimum because states can leverage their existing processes.

EPA believes that requiring explicit conditions, such as those required for today's self-implementing exclusions, is not warranted for hazardous secondary materials receiving non-waste determinations because persons are, instead, required to make specific demonstrations as to how the hazardous secondary materials meet the eligibility criteria. Furthermore, regulatory authorities, if they so choose, may stipulate conditions within the non-waste determination as appropriate and relevant on a case-by-case basis. One purpose of the non-waste determination is to provide a measure of flexibility not provided by the self-implementing solid waste exclusions and specifying the conditions to be imposed would defeat this purpose.

With respect to the comment regarding inconsistency among state non-waste determinations, EPA notes that, by allowing states to become authorized to conduct their own RCRA hazardous waste programs, the RCRA statute provides states flexibility to regulate hazardous waste more stringently than required under the federal regulations. Additionally, states sometimes take different interpretations of the same or similar regulations. This situation ultimately leads to variations between state regulations and interpretations, which EPA views as inherent to the RCRA structure and, thus, not a quality unique to the non-waste determination process.

We also want to clarify that, although today's non-waste determination process is similar to the current variance procedures, non-waste determinations are technically not variances in which EPA regulations otherwise classify materials as solid wastes and facilities may apply for an exception. Instead, the new procedure would apply to cases in which hazardous secondary materials are not discarded, but which do not fit within the self-implementing exclusions, or for which the restrictions and conditions of the exclusions are not applicable.

*A. Eligibility for Non-Waste Determination Process*

Comments: Scope of Non-Waste Determinations

In the March 2007 supplemental proposal, EPA indicated that non-waste determinations would be limited to reclamation activities and would not apply to recycling of "inherently waste-like" materials, as defined at 40 CFR 261.2(d), recycling of materials that are "used in a manner constituting disposal," or "used to produce products that are placed on the land," (40 CFR 261.2(c)(1)), or "burning materials for energy recovery" or "used to produce a fuel or otherwise contained in fuels" (40 CFR 261.2(c)(2)).

EPA received a number of comments urging the Agency to broaden the non-waste determinations to include all recycling scenarios in which hazardous secondary materials are not discarded. Some commenters supported expanding the scope to allow recycling for "burning for energy recovery" and "use constituting disposal." These commenters argued that EPA could achieve further increases in recycling if the Agency broadened the scope of the hazardous secondary materials eligible to apply for a non-waste determination. On the other hand, some commenters agreed with EPA's proposed scope and supported limiting eligibility to only hazardous secondary materials being reclaimed. Alternatively, a few commenters supported limiting eligibility only to those circumstances where the recycling of hazardous secondary materials would not meet either a condition of the self-implementing exclusions or one of the legitimacy criteria, but still would not be considered discard. These commenters also argued that narrowing the eligibility would effectively limit the number of applications submitted and thus reduce the overall burden on the states.

EPA's Response: Scope of Non-Waste Determinations

EPA agrees with those commenters who supported limiting non-waste determinations to reclamation activities. With respect to "burning for energy recovery" and "use constituting disposal," EPA confirms that these types of recycling are ineligible for today's non-waste determination process. EPA believes that these types of recycling activities would best be left to other rulemaking proceedings. Furthermore, we disagree with those commenters who suggest further limiting the eligibility to only those cases where reclamation of the hazardous secondary materials would specifically violate a condition of today's self-implementing exclusions. We believe that by modeling the non-waste determination procedure after the existing variance procedure, we have ensured that any additional burden to the states will be kept at a minimum and thus further limits on eligibility are not necessary.

Comments: Whether the Hazardous Constituents in the Hazardous Secondary Materials Are Reclaimed Rather Than Released to the Air, Water, or Land

Overall, we received only a few comments that discussed the specific criteria that EPA proposed for the non-waste determinations. For the criterion regarding whether the hazardous constituents in the hazardous secondary materials are reclaimed rather than released to the air, water, or land at significantly higher concentrations, some commenters argued that this criterion was inappropriate for determining discard because these types of releases are inevitable when reclaiming hazardous secondary materials. At least two commenters suggested that EPA should establish a "bright line" to clearly define "significantly higher concentrations" in order to provide persons with greater

regulatory certainty. Other commenters expressed concern that this criterion (as well as the other criteria within 40 CFR 260.34) would be construed to apply to other types of recycling, including those eligible for today's self-implementing exclusions.

EPA's Response: Whether the Hazardous Constituents in the Hazardous Secondary Materials Are Reclaimed Rather Than Released to the Air, Water, or Land

EPA disagrees with commenters who believe this criterion is not relevant for determining if hazardous secondary materials are being discarded. By indicating that such releases must not be at "significantly higher concentrations" than would otherwise be released during the production process, we believe we have set a reasonable and meaningful bar that applicants must meet in order to demonstrate that their hazardous secondary materials are reclaimed and not discarded. Hazardous secondary materials that fail to meet this criterion may exhibit an indication that they are discarded and that such handling may present a greater risk of adverse impacts to human health and the environment. Regarding those commenters who support a "bright line" in order to define "significantly higher concentrations," EPA believes that, given the wide variety of production processes and recycling practices, establishing a "one size fits all" objective standard is not practical and would invite inefficiency.

EPA also confirms that this criterion, and the other criteria in 40 CFR 260.34, are specific to the relevant non-waste determinations, and thus are not required for the self-implementing exclusions or those exclusions found in 40 CFR 261.4, unless they are specifically included under state regulations as a criteria to consider.

Comments and EPA's Response: Whether the Capacity of the Production Process Would Allow for Use of the Hazardous Secondary Material in a Reasonable Time Frame

For the criterion regarding whether the capacity of the production process would allow for use of the hazardous secondary material in a reasonable time frame (proposed explicitly for the non-waste determination for hazardous secondary materials reclaimed in a continuous industrial process), some commenters regarded this criterion as consistent with judicial direction and, thus, supported adding this criterion to the other non-waste determinations. Since EPA would consider hazardous secondary materials that were eternally "stored" for future recycling to be akin to discard, EPA agrees with these commenters that all non-waste determinations should take into account whether the hazardous secondary materials will be reclaimed within a "reasonable time frame." Therefore, in this final rule, EPA has added this criterion (with appropriate modifications to the language) to the non-waste determination for hazardous secondary materials indistinguishable in all relevant aspects from a product or intermediate. As with the non-waste determination for hazardous secondary materials reclaimed in a continuous industrial process, a person does not need to demonstrate that the hazardous secondary material meets the speculative accumulation limits per 40 CFR 261.1(c)(8), but he must provide sufficient information about the hazardous secondary material and the process to demonstrate that the material will in fact be reclaimed in a reasonable time frame and will not be abandoned. However, a person may still choose to use the speculative accumulation time frame as a default if he so chooses.

Comments: Non-Waste Determination for Hazardous Secondary Materials Reclaimed Under the Control of the Generator

A few commenters disagreed with the non-waste determination for hazardous secondary materials reclaimed under the control of the generator via a tolling arrangement or similar contractual arrangement. These commenters believed that the generator would be unable to maintain control over its hazardous secondary materials and residuals once at the reclamation facility and, thus, could not reliably meet the criteria for this non-waste determination. One state foresaw major enforcement problems with situations involving a commercial facility that handles hazardous secondary materials from multiple customers in a single process and then mismanages the residuals from that unit. As the residuals would be linked back to multiple generators, the liability for the mismanaged residuals would be difficult to detangle. On the other hand, some commenters felt that all tolling arrangements, including those eligible for the self-implementing exclusion, would best be evaluated through the non-waste determination process. These commenters argued that the regulatory authority should be required to review all tolling arrangements and their respective liability provisions in order to ensure that the hazardous secondary materials will not be discarded.

EPA's Response: Non-Waste Determination for Hazardous Secondary Materials Reclaimed Under the Control of the Generator

We did not intend for such circumstances where a hazardous secondary material generator was unable to maintain control and responsibility over his hazardous secondary materials to be eligible for a non-waste determination for hazardous secondary materials reclaimed under the control of the generator. Where an applicant's hazardous secondary materials are intermingled with materials from other hazardous secondary material generators in a way that renders the applicant unable to maintain control and liability over his specific materials, the applicant would have been effectively precluded from obtaining this formal non-waste determination since he would ultimately fail the first criterion.

EPA, however, has decided not to finalize the non-waste determination for materials reclaimed under the control of the generator because EPA could not identify any comments which described in detail other specific situations involving tolling or contractual arrangements that would not already be covered under today's self-implementing generator-controlled exclusion. We, therefore, remain unclear as to what other arrangements exist where the generator would retain control over its hazardous secondary materials to ensure they are reclaimed and not discarded. Without this clear picture, EPA believes we cannot finalize this non-waste determination and thus we are not including it in today's final rule.

*B. Process for Non-Waste Determinations*

In the March 2007 supplemental proposal, EPA proposed that the non-waste determination process would be the same as that for the solid waste variances found in 40 CFR 260.33. In order to obtain a non-waste determination, a facility must apply to the Administrator or the authorized state. The Administrator or authorized state evaluates the application and issues a draft notice and opportunity for comment in the locality where the facility is located. The Administrator or authorized state would then issue a final decision based on the evaluation of the comments received.

Comments and EPA's Response: Requirement To Renew Applications

A few commenters argued that non-waste determinations should be

renewed, either periodically or in the event of certain changes to the recycling process, so that regulators can ensure that the hazardous secondary materials continue to be reclaimed and not discarded.

EPA agrees with those commenters who believe that certain changes in the recycling process should logically trigger a re-review of the circumstances. Therefore, in the event of a change that affects how hazardous secondary materials meet one or more of the criteria upon which a non-waste determination has been based, EPA is requiring persons to re-apply to the Administrator or the authorized state for a formal determination that the hazardous secondary material continues to meet the relevant criteria and is not discarded and, therefore, not a solid waste.

Comments and EPA's Response: Timelines for Regulators

Some commenters expressed concerns about the length of time an applicant would need to wait before receiving a formal determination from their regulatory authority, explaining that particularly lengthy delays would adversely affect business operations. Although we understand this concern, requiring non-waste determinations to be made within a specific time frame would be difficult, as each case varies in complexity with some requiring more time to review than others. Furthermore, EPA would be challenged to prescribe one time frame that would accommodate numerous state regulatory agencies that vary in staffing and workloads. Therefore, we are not requiring regulators to issue determinations within a certain period of time.

Comments and EPA's Response: Public Comment Process

At least two commenters suggested updating the format for public notice. For example, instead of requiring notice through a "newspaper advertisement or radio broadcast" (as EPA proposed), public notice should be allowed to include electronic formats, such as posting on a Web site or distribution through e-mail, in order to reduce costs. Other commenters supported requiring public notice for a broader audience, not necessarily limited to the "locality where the recycler is located." These commenters argued that non-waste determinations may have national implications and would be more appropriately published in the **Federal Register** or made available through the EPA Docket Center.

In response to these comments, EPA notes the non-waste determination process was purposely structured to follow the same procedures as outlined for solid waste variances in 40 CFR 260.33 in order to leverage the existing structure and keep additional burden on the states to a minimum. EPA, furthermore, believes that any changes to the type of format required for public notice would be more appropriately handled as part of a separate, wholesale effort to update all public notice requirements in the federal hazardous waste regulations. Therefore, for today's rule, EPA is retaining the same public notice provisions as proposed and required in 40 CFR 260.33.

## XX. How Will These Regulatory Changes Be Administered and Enforced in the States?

### *A. Applicability of Rules in Authorized States*

Under section 3006 of RCRA, EPA may authorize qualified states to administer the RCRA Subtitle C hazardous waste program within the state. Following authorization, EPA retains Subtitle C enforcement authority, although authorized states have primary enforcement responsibility. EPA retains authority under sections 3007, 3008, 3013, 3017 and 7003. The standards and requirements for state authorization are found at 40 CFR part 271.

Prior to enactment of the Hazardous and Solid Waste Amendments of 1984 (HSWA), a state with final RCRA authorization administered its hazardous waste program entirely in lieu of EPA administering the federal program in that state. The federal requirements no longer applied in the authorized state and EPA could not issue permits for any facilities in that state, since only the state was authorized to issue RCRA permits. When new, more stringent federal requirements were promulgated, the state was obligated to enact equivalent authorities within specified time frames. However, the new federal requirements did not take effect in an authorized state until the state adopted the federal requirements as state law.

In contrast, under RCRA section 3006(g) (42 U.S.C. 6926(g)), which was added by HSWA, new requirements and prohibitions imposed under HSWA authority take effect in authorized states at the same time that they take effect in unauthorized states. EPA is directed by the statute to implement these requirements and prohibitions in authorized states, including the issuance of permits, until the state is granted authorization to do so. While states must still adopt HSWA related provisions as state law to retain final authorization, EPA implements the HSWA provisions in authorized states until the states do so.

Authorized states are required to modify their programs only when EPA enacts federal requirements that are more stringent or broader in scope than existing federal requirements. RCRA section 3009 allows the states to impose standards more stringent than those in the federal program (*see* 40 CFR 271.1). Therefore, authorized states may, but are not required to, adopt federal regulations, both HSWA and non-HSWA, that are considered less stringent than previous federal regulations.

### *B. Effect on State Authorization*

Today's rule eliminates specific requirements that apply to hazardous secondary materials currently managed as hazardous waste. EPA believes that today's final rule describes the appropriate scope of the federal program under RCRA. These exclusions will encourage recycling and are consistent with RCRA's statutory objective of conserving valuable material and energy resources.

EPA strongly encourages states to adopt the regulations being finalized today. When EPA authorizes a state to implement the RCRA hazardous waste program, EPA determines whether the state program is consistent with the federal program and whether it is no less stringent. This process, codified in 40 CFR part 271, ensures national consistency and minimum standards, while providing flexibility to the states in implementing the rules. In making this determination, EPA evaluates the state requirements to ensure they are no less stringent than the federal requirements. Because today's rule eliminates specific requirements for hazardous secondary materials that are currently managed as hazardous waste, state programs would no longer need to include those specific requirements in order to be consistent with EPA's regulations.

However, if a state were, through implementation of state waiver authorities or other state laws, to allow compliance with the provisions of today's rule in advance of adoption or authorization, EPA would not generally consider such implementation a concern for purposes of enforcement or state authorization. Of course, the state could not implement the requirements in a way that was less stringent than the federal requirements in today's rule.

In the case of the case-by-case non-waste determinations found in 40 CFR 260.34, a non-waste determination may be granted by the state if the state is either authorized for this provision or if the following conditions are met: (1) The state determines the hazardous secondary material meets the applicable criteria for the non-waste determination; (2) the state requests that EPA review its determination; and (3) EPA approves the state determination.

It should be noted that, under RCRA section 3009, a state may adopt standards that are more stringent than the federal program. Thus, a state is not required to adopt today's final rule or a state may choose to adopt only parts of today's final rule. Some states incorporate the federal regulations by reference or have specific state statutory requirements that their state program can be no more stringent than the federal regulations. In those cases, EPA anticipates that the exclusions in today's final rule will be adopted by these states, consistent with state laws and state administrative procedures, unless they take explicit action as specified by their respective state laws to decline the revisions. We note that if states choose not to adopt the provisions of today's final rule concerning exports, then any hazardous secondary materials that are exported would be subject to the hazardous waste export requirements in 40 CFR part 262 subparts E or H, or analogous export requirements that are part of a state's RCRA authorized program. EPA also notes that, as described in this preamble, we believe that the legitimacy provision finalized in § 260.43 is substantially the same as and no more stringent than the existing regulatory scheme in which all recycling must be legitimate. If a state agency were to adopt the four legitimacy factors in § 260.43 for all recycling, EPA would consider their regulations to be equivalent to the federal requirements.

## XXI. Administrative Requirements for This Rulemaking?

### *A. Executive Order 12866: Regulatory Planning and Review*

Under section 3(f)(1) of Executive Order (EO) 12866 (58 FR 51735, October 4, 1993), this action is a "significant regulatory action" because today's action contains novel policy issues (EO 12866 Section 3(f)(4)) and because its potential impact on the economy will be greater than the $100 million or more annual effect, meeting the "economically significant" threshold of EO 12866 Section 3(f)(1). Because this rule meets two of the EO 12866 "significant" criteria, EPA submitted this action to the Office of Management and Budget (OMB) for review under EO 12866 and any changes made in response to OMB's recommendations have been documented in the docket for this action. EPA also prepared an analysis of the potential economic costs and benefits associated with this proposed action. The analysis is contained in our "Regulatory Impact Analysis" (RIA) which is available from the docket (*http://www.regulations.gov*) and is briefly summarized below.

Assuming full adoption of this final rule by all RCRA-authorized states, EPA's best estimate (i.e., "expected value") of the future average annual net benefits of this final rule to the national economy is $95 million per year, affecting about 5,600 facilities in 280 industries in 21 economic sectors. However, the sensitivity analysis section of our RIA for this final rule identifies 11 numerical uncertainty factors behind our calculation of this best estimate. Future variation in one or more of these factors may result in future annual net benefits ranging between $19 million to $333 million in any given future year. Therefore, EPA is classifying this final rule as "economically significant" because the $333 million per year upper-bound of our net benefits uncertainty range exceeds the $100 million "annual effect" threshold established by section 3(f)(1) of the 1993 Executive Order 12866."

This action is expected to remove from RCRA regulation 1.5 million tons per year of hazardous secondary materials currently managed as RCRA hazardous waste. These affected hazardous secondary materials consist of about 98% that are currently reclaimed as RCRA hazardous waste, and about 2% of hazardous waste that is currently disposed of (e.g., landfilled, incinerated, or deepwell injected), which EPA expects may switch from disposal to reclamation as a result of this action. This $95 million annual net cost savings estimate is 11% less than the $107 million annual net cost savings estimated in our 2007 RIA in support of the March 2007 supplemental proposal for this action. This difference is largely explained by enhancements made to the methodology of the RIA based on public comments received from 30 organizations on our 2003 and 2007 RIA's in support of this action, as well as by updates of key data underlying the RIA.

These impact estimates are EPA's best estimates within the economic impact estimation uncertainty range of $19 million to $333 million in annual materials management cost savings for the net effect of the exclusions. These impact ranges reflect the overall uncertainty range of −80% to +249% across eleven different uncertainty factors addressed as a sensitivity analysis in our RIA. The specific uncertainty factors evaluated are (1) state government adoption, (2) future fluctuations in affected hazardous secondary materials generation tonnages, (3) within-year discrepancies between hazardous secondary materials generation and corresponding management tonnages, (4) future industrial production levels, (5) omission of SQG facility counts in our impact estimates by artifact that we based the impacts on LQG and TSDRF data from the RCRA Biennial Report database, (6) Biennial Report database quality assurance considerations, (7) physical and chemical quality of the hazardous secondary materials affected, (8) impact estimation methodology level of effort, (9) changes in future market price of commodities recovered from recycled material, (10) the possibility of same-company facilities sharing offsite captive recycling facility, and (11) the possibility of baseline disposal switchover to onsite recycling. Concerning the uncertainty of state government adoption, included as one component of potential industry cost savings is the transfer effect of an expected $5 million reduction in future annual state government hazardous waste fee revenues if all state governments adopt today's rule.

With respect to each of the regulatory exclusions in today's action, the $95 million per year net cost savings effect consists of approximately (a) $7 million per year for hazardous secondary materials reclaimed under the control of the generator in either land or non-land based units (which includes on-site, same-company, and tolling exclusions), plus (b) $87 million per year cost savings for exclusion of other offsite transfers, plus (c) $1 million per year in cost savings for case-by-case non-waste determinations.

Embedded in this overall impact estimate is $4.7 million per year in potential commodity market value of three categories of 15 constituents in affected materials we expect may begin to be recovered from hazardous secondary materials that would otherwise continue to be disposed of as hazardous wastes in the absence of today's action: (1) Commodity metals (chromium, copper, lead, molybdenum disulfide, nickel, zinc), (2) commodity solvents (acetone, alkyl benzenes, C9–C10 alkyl benzenes, methanol, methyl ethyl ketone, toluene, xylene), and (3)

other commodity materials (acids, carbon). However, the RIA estimate of potential new induced recycling does not include an evaluation of whether the U.S. or global recycling markets are large enough to sustain this potential future increase in supply of recovered materials. Market conditions for recycled hazardous secondary materials can vary considerably over time. Demand for recycled solvents, for example, is largely dependent on the petroleum market because virgin solvents are made from petroleum products, and high petroleum prices encourage solvent recycling. Similarly, high metals prices obviously favor the recycling of metal-bearing hazardous secondary materials.

The RIA, available from the docket (*http://www.regulations.gov*), provides many more details and descriptions about these assorted components of expected economic impacts, including potential distributional effects on other industries not directly subject to today's action.

*B. Paperwork Reduction Act (Information Collection Request)*

The information collection requirements in this rule have been submitted for approval to OMB under the Paperwork Reduction Act, 44 U.S.C. 3501 *et seq.* The information collection requirements are not enforceable until OMB approves them. The information collection request has been updated since the March 2007 supplemental proposal to reflect the final rule requirements and to respond to public comments.

The information requirements established for this action are voluntary to the extent that the exclusions being finalized today are voluntary and represent an overall reduction in burden as compared with the alternative information requirements associated with managing the hazardous secondary materials as hazardous waste. The information requirements help ensure that (1) entities operating under the regulatory exclusions contained in today's action are held accountable to the applicable requirements; (2) state inspectors can verify compliance with the restrictions and conditions of the exclusions when needed; and (3) hazardous secondary materials exported for recycling are actually handled as commodities abroad.

For the recordkeeping and reporting requirements applicable to hazardous secondary materials sent for reclamation, the aggregate annual burden to respondents over the three-year period covered by this ICR is estimated to be 11,552 hours, with a cost to affected entities (*i.e.*, industrial facilities) of $1,417,242. However, this represents an annual reduction in burden to respondents of 52,050 hours, representing a cost reduction of $3,474,035 per year. The estimated annual operation and maintenance costs to affected entities are $739,469 per year, primarily for purchasing audit or other similar type reports. There are no startup costs and no costs for purchases of services. Administrative costs to the Agency are estimated to be 1,257 hours per year, representing an annual cost of $49,891. Burden is defined at 5 CFR 1320.3(b).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB control numbers for EPA's regulations in 40 CFR are listed in 40 CFR part 9. When this ICR is approved by OMB, the Agency will publish a technical amendment to 40 CFR part 9 in the **Federal Register** to display the OMB control number for the approved information collection requirements contained in this final rule.

*C. Regulatory Flexibility Act*

The Regulatory Flexibility Act (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), 5 U.S.C. 601 *et seq.*, generally requires an agency to prepare a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements under the Administrative Procedure Act or any other statute, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. Small entities include small businesses, small organizations, and small governmental jurisdictions.

For purposes of assessing the impacts of today's rule on small entities, small entity is defined as: (1) A small business as defined by the Small Business Administration's (SBA) regulations at 13 CFR 121.201; (2) a small governmental jurisdiction that is a government of a city, county, town, school district or special district with a population of less than 50,000; and (3) a small organization that is any not-for-profit enterprise which is independently owned and operated and is not dominant in its field. For more information regarding the expected economic impact of this action, please refer to our "Regulatory Impact Analysis" available from the docket for this final rule.

After considering the economic impacts of this final rule on small entities, I certify that this action will not have a significant economic impact on a substantial number of small entities. In determining whether a rule has a significant economic impact on a substantial number of small entities, the impact of concern is any significant *adverse* economic impact on small entities, since the primary purpose of the regulatory flexibility analyses is to identify and address regulatory alternatives "which minimize any significant economic impact of the rule on small entities." 5 U.S.C. 603 and 604. Thus, an agency may certify that a rule will not have a significant economic impact on a substantial number of small entities if the rule relieves regulatory burden, or otherwise has a positive economic effect on all of the small entities subject to the rule. Because today's action is designed to lower the cost of industrial hazardous secondary materials management for entities subject to today's requirements, this final rule will not result in an adverse economic impact effect on affected small entities. EPA therefore concludes that today's action will relieve regulatory burden for all size entities, including small entities.

*D. Unfunded Mandates Reform Act*

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Public Law 104–4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and the private sector. Under section 202 of the UMRA, EPA generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with "Federal mandates" that may result in expenditures to state, local, and tribal governments, in the aggregate, or to the private sector, of $100 million or more in any one year. Before promulgating an EPA rule for which a written statement is needed, section 205 of the UMRA generally requires EPA to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, most cost-effective or least burdensome alternative that achieves the objectives of the rule. The provisions of section 205 do not apply when they are inconsistent with applicable law. Moreover, section 205 allows EPA to adopt an alternative other than the least costly, most cost-effective or least burdensome alternative if the Administrator publishes with the final rule an explanation why that alternative was not adopted. Before EPA establishes any regulatory requirements that may significantly or uniquely affect small governments, including tribal governments, it must have developed

under section 203 of the UMRA a small government agency plan. The plan must provide for notifying potentially affected small governments, enabling officials of affected small governments to have meaningful and timely input in the development of EPA regulatory proposals with significant Federal intergovernmental mandates, and informing, educating, and advising small governments on compliance with the regulatory requirements.

EPA has determined that this rule does not include a Federal mandate that may result in expenditures of $100 million or more for state, local, or tribal governments, in the aggregate, or the private sector in any one year. This is because this rule imposes no enforceable duty on any state, local, or tribal governments. Although one public commenter noted that many states choose to incorporate EPA's regulations by reference, EPA does not require them to do so. EPA also has determined that this rule contains no regulatory requirements that might significantly or uniquely affect small governments. In addition, as discussed above, the private sector is not expected to incur costs exceeding $100 million. Therefore, today's rule is not subject to the requirements of sections 202 and 205 of UMRA.

*E. Executive Order 13132: Federalism*

Executive Order 13132, entitled Federalism (64 FR 43255, August 10, 1999), requires EPA to develop an accountable process to ensure meaningful and timely input by state and local officials in the development of regulatory policies that have federalism implications. Policies that have federalism implications are defined in the Executive Order to include regulations that have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government.

This final rule does not have federalism implications. It will not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government, as specified in Executive Order 13132. There are no state and local government bodies that incur direct compliance costs by this rulemaking. State and local government implementation expenditures are expected to be less than $500,000 in any one year. Thus, the requirements of Section 6 of the Executive Order do not apply to this final rule. Although one public commenter noted that many states choose to incorporate EPA's regulations by reference, EPA does not require them to do so.

*F. Executive Order 13175: Consultation and Coordination With Indian Tribal Governments*

Executive Order 13175, entitled Consultation and Coordination with Indian Tribal Governments (65 FR 67249, November 9, 2000), requires EPA to develop an accountable process to ensure a meaningful and timely input by tribal officials in the development of regulatory policies that have tribal implications. This final rule does not have tribal implications, as specified in Executive Order 13175. It does not significantly or uniquely affect the communities of Indian tribal governments, nor would it impose substantial direct compliance costs on them. Thus, Executive Order 13175 does not apply to this final rule.

*G. Executive Order 13045: Protection of Children From Environmental Health Risks and Safety Risks*

This action is not subject to EO 13045 (62 FR 19885, April 23, 1997) because the Agency does not believe the environmental health risks or safety risks addressed by this action present a disproportionate risk to children. An assessment of countervailing risk and a discussion of how today's rule addresses those risks can be found in Chapter 11 of the Regulatory Impact Analysis, found in the docket for today's rulemaking.

*H. Executive Order 13211: Actions That Significantly Affect Energy Supply, Distribution, or Use*

This final rule is not a "significant energy action" as defined in Executive Order 13211, "Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use" (66 FR 28355, May 22, 2001) because it is not likely to have a significant adverse effect on the supply, distribution, or use of energy. This final rule reduces regulatory burden and as explained in our Regulatory Impact Analysis, may possibly induce fuel efficiency and energy savings from the voluntary shifting of some types of hazardous secondary materials, where it is cost-effective for firms to do so, from current landfill and incineration to reclamation. It therefore should not adversely affect energy supply, distribution, or use.

*I. National Technology Transfer and Advancement Act of 1995*

Section 12(d) of the National Technology Transfer and Advancement Act of 1995 ("NTTAA"), Public Law No. 104–113, 12(d) (15 U.S.C. 272 note) directs EPA to use voluntary consensus standards in its regulatory activities unless to do so would be inconsistent with applicable law or otherwise impractical. Voluntary consensus standards are technical standards (e.g., materials specifications, test methods, sampling procedures, and business practices) that are developed or adopted by voluntary consensus standards bodies. NTTAA directs EPA to provide Congress, through OMB, explanations of when the Agency decides not to use available and applicable voluntary consensus standards.

This action does not involve technical standards. Therefore, EPA did not consider the use of any voluntary consensus standards.

*J. Executive Order 12898: Environmental Justice*

Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Population (February 11, 1994), is designed to address the environmental and human health conditions of minority and low-income populations. EPA is committed to addressing environmental justice concerns and has assumed a leadership role in environmental justice initiatives to enhance environmental quality for all citizens of the United States. The Agency's goals are to ensure that no segment of the population, regardless of race, color, national origin, income, or net worth bears disproportionately high and adverse human health and environmental impacts as a result of EPA's policies, programs, and activities. Our goal is to ensure that all citizens live in clean and sustainable communities. In response to Executive Order 12898, and to the concerns voiced by many groups outside the Agency, EPA's Office of Solid Waste and Emergency Response (OSWER) formed an Environmental Justice Task Force to analyze the array of environmental justice issues specific to waste programs and to develop an overall strategy to identify and address these issues (OSWER Directive No. 9200.3–17).

This final rule would streamline the requirements for certain hazardous secondary materials sent for reclamation. Facilities that would be affected by today's final rule include those generating hazardous secondary materials, as well as facilities which reclaim such materials. Disposal and treatment facilities would not be affected by this final rule. While commenters assert that minorities now comprise a majority in neighborhoods

with commercial hazardous waste facilities, and much larger (over two-thirds) majorities can be found in neighborhoods with clustered facilities, EPA does not believe that such neighborhoods will be adversely impacted by today's rule. As explained in Chapter 11 of the Regulatory Impact Analysis found in the docket to today's rule, EPA has performed an assessment of potential countervailing risks and has determined that the conditions address those risks and no net impact is expected. Thus, overall, no disproportionate impacts to minorities or low income communities are expected.

*K. Congressional Review Act*

The Congressional Review Act, 5 U.S.C. 801 *et seq.*, as added by Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), generally provides that before a rule may take effect, the agency promulgating the rule must submit a report containing the rule and other required information to the U.S. Senate, the U.S. House of Representatives, and to the Comptroller General of the United States, prior to publication of the rule in the **Federal Register**. Furthermore, a "major rule" cannot take effect until 60 days after it is published in the **Federal Register**. Today's action is expected to be a "major rule" as defined by 5 U.S.C. 804(2) according to the first of its three "major rule" definitions: "The term "major rule" means any rule that the Administrator of the Office of Information and Regulatory Affairs of OMB finds has resulted in or is likely to result in—(A) an annual effect on the economy of $100,000,000 or more; (B) a major increase in costs or prices for consumers, individual industries, Federal, state, or local government agencies, or geographic regions; or (C) significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets." EPA has submitted a copy of this rule to each House of the Congress and to the Comptroller General, and this rule will be effective December 29, 2008.

**List of Subjects**

*40 CFR Part 260*

Environmental protection, Administrative practice and procedure, Confidential business information, Hazardous waste, Reporting and recordkeeping requirements.

*40 CFR Part 261*

Environmental protection, Hazardous waste, Recycling, Reporting and recordkeeping requirements.

*40 CFR Part 270*

Administrative practice and procedure, Hazardous waste, Reporting and recordkeeping requirements, Permit application requirements, Permit modification procedures, Waste treatment and disposal.

Dated: October 7, 2008.

**Stephen L. Johnson,**

*Administrator.*

■ For the reasons stated in the preamble, title 40, chapter I of the Code of Federal Regulations is amended to read as follows:

## PART 260—HAZARDOUS WASTE MANAGEMENT SYSTEM: GENERAL

■ 1. The authority citation for part 260 continues to read as follows:

**Authority:** 42 U.S.C. 6905, 6912(a), 6921–6927, 6930, 6935, 6937, 6938, 6939 and 6974.

### Subpart B—Definitions

■ 2. Section 260.10 is amended by revising the definitions of "Facility" and "Transfer facility" and by adding in alphabetical order the definitions of "Hazardous secondary material," "Hazardous secondary material generated and reclaimed under the control of the generator" and "Hazardous secondary material generator," "Intermediate facility," and "Land-based unit" to read as follows:

**§ 260.10 Definitions.**

* * * * *

*Facility* means:

(1) All contiguous land, and structures, other appurtenances, and improvements on the land, used for treating, storing, or disposing of hazardous waste, or for managing hazardous secondary materials prior to reclamation. A facility may consist of several treatment, storage, or disposal operational units (e.g., one or more landfills, surface impoundments, or combinations of them).

(2) For the purpose of implementing corrective action under 40 CFR 264.101 or 267.101, all contiguous property under the control of the owner or operator seeking a permit under Subtitle C of RCRA. This definition also applies to facilities implementing corrective action under RCRA Section 3008(h).

(3) Notwithstanding paragraph (2) of this definition, a remediation waste management site is not a facility that is subject to 40 CFR 264.101, but is subject to corrective action requirements if the site is located within such a facility.

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*Hazardous secondary material* means a secondary material (e.g., spent material, by-product, or sludge) that, when discarded, would be identified as hazardous waste under part 261 of this chapter.

*Hazardous secondary material generated and reclaimed under the control of the generator* means:

(1) That such material is generated and reclaimed at the generating facility (for purposes of this defintion, generating facility means all contiguous property owned, leased, or otherwise controlled by the hazardous secondary material generator); or

(2) That such material is generated and reclaimed at different facilities, if the reclaiming facility is controlled by the generator or if both the generating facility and the reclaiming facility are controlled by a person as defined in § 260.10, and if the generator provides one of the following certifications: "on behalf of [insert generator facility name], I certify that this facility will send the indicated hazardous secondary material to [insert reclaimer facility name], which is controlled by [insert generator facility name] and that [insert the name of either facility] has acknowledged full responsibility for the safe management of the hazardous secondary material," or "on behalf of [insert generator facility name] I certify that this facility will send the indicated hazardous secondary material to [insert reclaimer facility name], that both facilities are under common control, and that [insert name of either facility] has acknowledged full responsibility for the safe management of the hazardous secondary material." For purposes of this paragraph, "control" means the power to direct the policies of the facility, whether by the ownership of stock, voting rights, or otherwise, except that contractors who operate facilities on behalf of a different person as defined in § 260.10 shall not be deemed to "control" such facilities, or

(3) That such material is generated pursuant to a written contract between a tolling contractor and a toll manufacturer and is reclaimed by the tolling contractor, if the tolling contractor certifies the following: "On behalf of [insert tolling contractor name], I certify that [insert tolling contractor name], has a written contract with [insert toll manufacturer name] to manufacture [insert name of product or intermediate] which is made from specified unused materials, and that [insert tolling contractor name] will

reclaim the hazardous secondary materials generated during this manufacture. On behalf of [insert tolling contractor name], I also certify that [insert tolling contractor name] retains ownership of, and responsibility for, the hazardous secondary materials that are generated during the course of the manufacture, including any releases of hazardous secondary materials that occur during the manufacturing process. For purposes of this paragraph, tolling contractor means a person who arranges for the production of a product or intermediate made from specified unused materials through a written contract with a toll manufacturer. Toll manufacturer means a person who produces a product or intermediate made from specified unused materials pursuant to a written contract with a tolling contractor.

*Hazardous secondary material generator* means any person whose act or process produces hazardous secondary materials at the generating facility. For purposes of this paragraph, "generating facility" means all contiguous property owned, leased, or otherwise controlled by the hazardous secondary material generator. For the purposes of § 261.2(a)(2)(ii) and § 261.4(a)(23), a facility that collects hazardous secondary materials from other persons is not the hazardous secondary material generator.

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*Intermediate facility* means any facility that stores hazardous secondary materials for more than 10 days, other than a hazardous secondary material generator or reclaimer of such material.

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*Land-based unit* means an area where hazardous secondary materials are placed in or on the land before recycling. This definition does not include land-based production units.

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*Transfer facility* means any transportation-related facility, including loading docks, parking areas, storage areas and other similar areas where shipments of hazardous waste or hazardous secondary materials are held during the normal course of transportation.

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■ 3. Section 260.30 is amended by revising the section heading, the introductory text, paragraph (b), and adding paragraphs (d) and (e) to read as follows:

**§ 260.30 Non-waste determinations and variances from classification as a solid waste.**

In accordance with the standards and criteria in § 260.31 and § 260.34 and the procedures in § 260.33, the Administrator may determine on a case-by-case basis that the following recycled materials are not solid wastes:

* * * * *

(b) Materials that are reclaimed and then reused within the original production process in which they were generated;

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(d) Hazardous secondary materials that are reclaimed in a continuous industrial process; and

(e) Hazardous secondary materials that are indistinguishable in all relevant aspects from a product or intermediate.

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■ 4. Section 260.33 is amended by revising the section heading, the introductory text, paragraph (a) and adding paragraph (c) to read as follows:

**§ 260.33 Procedures for variances from classification as a solid waste, for variances to be classified as a boiler, or for non-waste determinations.**

The Administrator will use the following procedures in evaluating applications for variances from classification as a solid waste, applications to classify particular enclosed controlled flame combustion devices as boilers, or applications for non-waste determinations.

(a) The applicant must apply to the Administrator for the variance or non-waste determination. The application must address the relevant criteria contained in § 260.31, § 260.32, or § 260.34, as applicable.

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(c) For non-waste determinations, in the event of a change in circumstances that affect how a hazardous secondary material meets the relevant criteria contained in § 260.34 upon which a non-waste determination has been based, the applicant must re-apply to the Administrator for a formal determination that the hazardous secondary material continues to meet the relevant criteria and therefore is not a solid waste.

■ 5. Section 260.34 is added to Subpart C to read as follows:

**§ 260.34 Standards and criteria for non-waste determinations.**

(a) An applicant may apply to the Administrator for a formal determination that a hazardous secondary material is not discarded and therefore not a solid waste. The determinations will be based on the criteria contained in paragraphs (b) or (c) of this section, as applicable. If an application is denied, the hazardous secondary material might still be eligible for a solid waste variance or exclusion (for example, one of the solid waste variances under § 260.31). Determinations may also be granted by the State if the State is either authorized for this provision or if the following conditions are met:

(1) The State determines the hazardous secondary material meets the criteria in paragraphs (b) or (c) of this section, as applicable;

(2) The State requests that EPA review its determination; and

(3) EPA approves the State determination.

(b) The Administrator may grant a non-waste determination for hazardous secondary material which is reclaimed in a continuous industrial process if the applicant demonstrates that the hazardous secondary material is a part of the production process and is not discarded. The determination will be based on whether the hazardous secondary material is legitimately recycled as specified in § 260.43 and on the following criteria:

(1) The extent that the management of the hazardous secondary material is part of the continuous primary production process and is not waste treatment;

(2) Whether the capacity of the production process would use the hazardous secondary material in a reasonable time frame and ensure that the hazardous secondary material will not be abandoned (for example, based on past practices, market factors, the nature of the hazardous secondary material, or any contractual arrangements);

(3) Whether the hazardous constituents in the hazardous secondary material are reclaimed rather than released to the air, water or land at significantly higher levels from either a statistical or from a health and environmental risk perspective than would otherwise be released by the production process; and

(4) Other relevant factors that demonstrate the hazardous secondary material is not discarded.

(c) The Administrator may grant a non-waste determination for hazardous secondary material which is indistinguishable in all relevant aspects from a product or intermediate if the applicant demonstrates that the hazardous secondary material is comparable to a product or intermediate and is not discarded. The determination will be based on whether the hazardous secondary material is legitimately

recycled as specified in § 260.43 and on the following criteria:

(1) Whether market participants treat the hazardous secondary material as a product or intermediate rather than a waste (for example, based on the current positive value of the hazardous secondary material, stability of demand, or any contractual arrangements);

(2) Whether the chemical and physical identity of the hazardous secondary material is comparable to commercial products or intermediates;

(3) Whether the capacity of the market would use the hazardous secondary material in a reasonable time frame and ensure that the hazardous secondary material will not be abandoned (for example, based on past practices, market factors, the nature of the hazardous secondary material, or any contractual arrangements);

(4) Whether the hazardous constituents in the hazardous secondary material are reclaimed rather than released to the air, water or land at significantly higher levels from either a statistical or from a health and environmental risk perspective than would otherwise be released by the production process; and

(5) Other relevant factors that demonstrate the hazardous secondary material is not discarded.

■ 6. Section 260.42 is added to Subpart C to read as follows:

**§ 260.42 Notification requirement for hazardous secondary materials.**

(a) Hazardous secondary material generators, tolling contractors, toll manufacturers, reclaimers, and intermediate facilities managing hazardous secondary materials which are excluded from regulation under § 261.2(a)(2)(ii), § 261.4(a)(23), (24), or (25) must send a notification prior to operating under the exclusion(s) and by March 1 of each even numbered year thereafter to the Regional Administrator using EPA Form 8700–12 that includes the following information:

(1) The name, address, and EPA ID number (if applicable) of the facility;

(2) The name and telephone number of a contact person;

(3) The NAICS code of the facility;

(4) The exclusion under which the hazardous secondary materials will be managed (e.g., § 261.2(a)(2)(ii), § 261.4(a)(23), (24), and/or (25));

(5) For reclaimers and intermediate facilities managing hazardous secondary materials in accordance with § 261.4(a)(24) or (25), whether the reclaimer or intermediate facility has financial assurance (not applicable for persons managing hazardous secondary materials generated and reclaimed under the control of the generator);

(6) When the facility expects to begin managing the hazardous secondary materials in accordance with the exclusion;

(7) A list of hazardous secondary materials that will be managed according to the exclusion (reported as the EPA hazardous waste numbers that would apply if the hazardous secondary materials were managed as hazardous wastes);

(8) For each hazardous secondary material, whether the hazardous secondary material, or any portion thereof, will be managed in a land-based unit;

(9) The quantity of each hazardous secondary material to be managed annually; and

(10) The certification (included in EPA Form 8700–12) signed and dated by an authorized representative of the facility.

(b) If a hazardous secondary material generator, tolling contractor, toll manufacturer, reclaimer or intermediate facility has submitted a notification, but then subsequently stops managing hazardous secondary materials in accordance with the exclusion(s), the facility must notify the Regional Administrator within thirty (30) days using EPA Form 8700–12. For purposes of this section, a facility has stopped managing hazardous secondary materials if the facility no longer generates, manages and/or reclaims hazardous secondary materials under the exclusion(s) and does not expect to manage any amount of hazardous secondary materials for at least one year.

■ 7. Section 260.43 is added to Subpart C to read as follows:

**§ 260.43 Legitimate recycling of hazardous secondary materials regulated under § 260.34, § 261.2(a)(2)(ii), and § 261.4(a)(23), (24), or (25).**

(a) Persons regulated under § 260.34 or claiming to be excluded from hazardous waste regulation under § 261.2(a)(2)(ii), § 261.4(a)(23), (24), or (25) because they are engaged in reclamation must be able to demonstrate that the recycling is legitimate. Hazardous secondary material that is not legitimately recycled is discarded material and is a solid waste. In determining if their recycling is legitimate, persons must address the requirements of § 260.43(b) and must consider the requirements of § 260.43(c) below.

(b) Legitimate recycling must involve a hazardous secondary material that provides a useful contribution to the recycling process or to a product or intermediate of the recycling process, and the recycling process must produce a valuable product or intermediate.

(1) The hazardous secondary material provides a useful contribution if it

(i) Contributes valuable ingredients to a product or intermediate; or

(ii) Replaces a catalyst or carrier in the recycling process; or

(iii) Is the source of a valuable constituent recovered in the recycling process; or

(iv) Is recovered or regenerated by the recycling process; or

(v) Is used as an effective substitute for a commercial product.

(2) The product or intermediate is valuable if it is

(i) Sold to a third party; or

(ii) Used by the recycler or the generator as an effective substitute for a commercial product or as an ingredient or intermediate in an industrial process.

(c) The following factors must be considered in making a determination as to the overall legitimacy of a specific recycling activity.

(1) The generator and the recycler should manage the hazardous secondary material as a valuable commodity. Where there is an analogous raw material, the hazardous secondary material should be managed, at a minimum, in a manner consistent with the management of the raw material. Where there is no analogous raw material, the hazardous secondary material should be contained. Hazardous secondary materials that are released to the environment and are not recovered immediately are discarded.

(2) The product of the recycling process does not

(i) Contain significant concentrations of any hazardous constituents found in Appendix VIII of part 261 that are not found in analogous products; or

(ii) Contain concentrations of any hazardous constituents found in Appendix VIII of part 261 at levels that are significantly elevated from those found in analogous products; or

(iii) Exhibit a hazardous characteristic (as defined in part 261 subpart C) that analogous products do not exhibit.

(3) In making a determination that a hazardous secondary material is legitimately recycled, persons must evaluate all factors and consider legitimacy as a whole. If, after careful evaluation of these other considerations, one or both of the factors are not met, then this fact may be an indication that the material is not legitimately recycled.

However, the factors in this paragraph do not have to be met for the recycling to be considered legitimate. In evaluating the extent to which these factors are met and in determining

whether a process that does not meet one or both of these factors is still legitimate, persons can consider the protectiveness of the storage methods, exposure from toxics in the product, the bioavailability of the toxics in the product, and other relevant considerations.

## PART 261—IDENTIFICATION AND LISTING OF HAZARDOUS WASTE

■ 8. The authority citation for part 261 continues to read as follows:

**Authority:** 42 U.S.C. 6905, 6912(a), 6921, 6922, 6924(y), and 6938.

### Subpart A—[Amended]

■ 9. Section 261.1 is amended by revising paragraph (c)(4) to read as follows:

**§ 261.1 Purpose and scope.**

* * * * *

(c) * * *

(4) A material is "reclaimed" if it is processed to recover a usable product, or if it is regenerated. Examples are recovery of lead values from spent batteries and regeneration of spent solvents. In addition, for purposes of §§ 261.2(a)(2)(ii), 261.4(a)(23), and 261.4(a)(24) smelting, melting and refining furnaces are considered to be solely engaged in metals reclamation if the metal recovery from the hazardous secondary materials meets the same requirements as those specified for metals recovery from hazardous waste found in § 266.100(d)(1)–(3) of this chapter, and if the residuals meet the requirements specified in § 266.112 of this chapter.

* * * * *

■ 10. Section 261.2 is amended by revising paragraph (a)(1), (a)(2), (c)(3) and Table 1 in paragraph (c)(4) to read as follows:

**§ 261.2 Definition of solid waste.**

* * * * *

(a)(1) A *solid waste* is any discarded material that is not excluded under § 261.4(a) or that is not excluded by a variance granted under §§ 260.30 and 260.31 or that is not excluded by a non-waste determination under §§ 260.30 and 260.34.

(2)(i) A *discarded material* is any material which is:

(A) Abandoned, as explained in paragraph (b) of this section; or

(B) Recycled, as explained in paragraph (c) of this section; or

(C) Considered inherently waste-like, as explained in paragraph (d) of this section; or

(D) A military munition identified as a solid waste in § 266.202.

(ii) A hazardous secondary material is not discarded if it is generated and reclaimed under the control of the generator as defined in § 260.10, it is not speculatively accumulated as defined in § 261.1(c)(8), it is handled only in non-land-based units and is contained in such units, it is generated and reclaimed within the United States and its territories, it is not otherwise subject to material-specific management conditions under § 261.4(a) when reclaimed, it is not a spent lead acid battery (see § 266.80 and § 273.2), it does not meet the listing description for K171 or K172 in § 261.32, and the reclamation of the material is legitimate, as specified under § 260.43. (See also the notification requirements of § 260.42). (For hazardous secondary materials managed in land-based units, see § 261.4(a)(23)).

* * * * *

(c) * * *

(3) Reclaimed. Materials noted with a "—" in column 3 of Table 1 are not solid wastes when reclaimed. Materials noted with an "*" in column 3 of Table 1 are solid wastes when reclaimed unless they meet the requirements of §§ 261.2(a)(2)(ii), or 261.4(a)(17), or 261.4(a)(23), or 261.4(a)(24) or 261.4(a)(25).

(4) * * *

TABLE 1

| | Use constituting disposal (§ 261.2(c)(1)) | Energy recovery/ fuel (§ 261.2(c)(2)) | Reclamation (261.2(c)(3)), except as provided in §§ 261.2(a)(2)(ii), 261.4(a)(17), 261.4(a)(23), 261.4(a)(24), or 261.4(a)(25) | Speculative accumulation (§ 261.2(c)(4)) |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Spent Materials | (*) | (*) | (*) | (*) |
| Sludges (listed in 40 CFR Part 261.31 or 261.32) | (*) | (*) | (*) | (*) |
| Sludges exhibiting a characteristic of hazardous waste | (*) | (*) | — | (*) |
| By-products (listed in 40 CFR 261.31 or 261.32) | (*) | (*) | (*) | (*) |
| By-products exhibiting a characteristic of hazardous waste | (*) | (*) | — | (*) |
| Commercial chemical products listed in 40 CFR 261.33 | (*) | (*) | — | — |
| Scrap metal other than excluded scrap metal (see 261.1(c)(9)) | (*) | (*) | (*) | (*) |

Note: The terms "spent materials," "sludges," "by-products," and "scrap metal" and "processed scrap metal" are defined in § 261.1.

* * * * *

■ 11. Section 261.4 is amended by adding new paragraphs (a)(23), (24), and (25) to read as follows:

**§ 261.4 Exclusions.**

(a) * * *

(23) Hazardous secondary material generated and reclaimed within the United States or its territories and managed in land-based units as defined in § 260.10 of this chapter is not a solid waste provided that:

(i) The material is contained;

(ii) The material is a hazardous secondary material generated and reclaimed under the control of the generator, as defined in § 260.10;

(iii) The material is not speculatively accumulated, as defined in § 261.1(c)(8);

(iv) The material is not otherwise subject to material-specific management conditions under paragraph (a) of this section when reclaimed, it is not a spent lead acid battery (see § 266.80 and § 273.2 of this chapter), and it does not meet the listing description for K171 or K172 in § 261.32;

(v) The reclamation of the material is legitimate, as specified under § 260.43 of this chapter; and

(vi) In addition, persons claiming the exclusion under this paragraph (a)(23) must provide notification as required by § 260.42 of this chapter. (For hazardous secondary material managed in a non-land-based unit, see § 261.2(a)(2)(ii)).

(24) Hazardous secondary material that is generated and then transferred to another person for the purpose of reclamation is not a solid waste, provided that:

(i) The material is not speculatively accumulated, as defined in § 261.1(c)(8);

(ii) The material is not handled by any person or facility other than the hazardous secondary material generator, the transporter, an intermediate facility or a reclaimer, and, while in transport, is not stored for more than 10 days at a transfer facility, as defined in § 260.10 of this chapter, and is packaged according to applicable Department of Transportation regulations at 49 CFR Parts 173, 178, and 179 while in transport;

(iii) The material is not otherwise subject to material-specific management conditions under paragraph (a) of this section when reclaimed, it is not a spent lead-acid battery (see § 266.80 and § 273.2 of this chapter), and it does not meet the listing description for K171 or K172 in § 261.32;

(iv) The reclamation of the material is legitimate, as specified under § 260.43 of this chapter;

(v) The hazardous secondary material generator satisfies all of the following conditions:

(A) The material must be contained.

(B) Prior to arranging for transport of hazardous secondary materials to a reclamation facility (or facilities) where the management of the hazardous secondary materials is not addressed under a RCRA Part B permit or interim status standards, the hazardous secondary material generator must make reasonable efforts to ensure that each reclaimer intends to properly and legitimately reclaim the hazardous secondary material and not discard it, and that each reclaimer will manage the hazardous secondary material in a manner that is protective of human health and the environment. If the hazardous secondary material will be passing through an intermediate facility where the management of the hazardous secondary materials is not addressed under a RCRA Part B permit or interim status standards, the hazardous secondary material generator must make contractual arrangements with the intermediate facility to ensure that the hazardous secondary material is sent to the reclamation facility identified by the hazardous secondary material generator, and the hazardous secondary material generator must perform reasonable efforts to ensure that the intermediate facility will manage the hazardous secondary material in a manner that is protective of human health and the environment. Reasonable efforts must be repeated at a minimum of every three years for the hazardous secondary material generator to claim the exclusion and to send the hazardous secondary materials to each reclaimer and any intermediate facility. In making these reasonable efforts, the generator may use any credible evidence available, including information gathered by the hazardous secondary material generator, provided by the reclaimer or intermediate facility, and/or provided by a third party. The hazardous secondary material generator must affirmatively answer all of the following questions for each reclamation facility and any intermediate facility:

*(1)* Does the available information indicate that the reclamation process is legitimate pursuant to § 260.43 of this chapter? In answering this question, the hazardous secondary material generator can rely on their existing knowledge of the physical and chemical properties of the hazardous secondary material, as well as information from other sources (e.g., the reclamation facility, audit reports, etc.) about the reclamation process. (By responding to this question, the hazardous secondary material generator has also satisfied its requirement in § 260.43(a) of this chapter to be able to demonstrate that the recycling is legitimate).

*(2)* Does the publicly available information indicate that the reclamation facility and any intermediate facility that is used by the hazardous secondary material generator notified the appropriate authorities of hazardous secondary materials reclamation activities pursuant to § 260.42 of this chapter and have they notified the appropriate authorities that the financial assurance condition is satisfied per paragraph (a)(24)(vi)(F) of this section? In answering these questions, the hazardous secondary material generator can rely on the available information documenting the reclamation facility's and any intermediate facility's compliance with the notification requirements per § 260.42 of this chapter, including the requirement in § 260.42(a)(5) to notify EPA whether the reclaimer or intermediate facility has financial assurance.

*(3)* Does publicly available information indicate that the reclamation facility or any intermediate facility that is used by the hazardous secondary material generator has not had any formal enforcement actions taken against the facility in the previous three years for violations of the RCRA hazardous waste regulations and has not been classified as a significant non-complier with RCRA Subtitle C? In answering this question, the hazardous secondary material generator can rely on the publicly available information from EPA or the state. If the reclamation facility or any intermediate facility that is used by the hazardous secondary material generator has had a formal enforcement action taken against the facility in the previous three years for violations of the RCRA hazardous waste regulations and has been classified as a significant non-complier with RCRA Subtitle C, does the hazardous secondary material generator have credible evidence that the facilities will manage the hazardous secondary materials properly? In answering this question, the hazardous secondary material generator can obtain additional information from EPA, the state, or the facility itself that the facility has addressed the violations, taken remedial steps to address the violations and prevent future violations, or that the violations are not relevant to the proper management of the hazardous secondary materials.

*(4)* Does the available information indicate that the reclamation facility and any intermediate facility that is used by the hazardous secondary material generator have the equipment and trained personnel to safely recycle the hazardous secondary material? In answering this question, the generator may rely on a description by the reclamation facility or by an independent third party of the equipment and trained personnel to be used to recycle the generator's hazardous secondary material.

*(5)* If residuals are generated from the reclamation of the excluded hazardous secondary materials, does the reclamation facility have the permits required (if any) to manage the residuals? If not, does the reclamation facility have a contract with an appropriately permitted facility to dispose of the residuals? If not, does the hazardous secondary material generator have credible evidence that the residuals will be managed in a manner that is protective of human health and the environment? In answering these questions, the hazardous secondary material generator can rely on publicly available information from EPA or the

state, or information provided by the facility itself.

(C) The hazardous secondary material generator must maintain for a minimum of three years documentation and certification that reasonable efforts were made for each reclamation facility and, if applicable, intermediate facility where the management of the hazardous secondary materials is not addressed under a RCRA Part B permit or interim status standards prior to transferring hazardous secondary material. Documentation and certification must be made available upon request by a regulatory authority within 72 hours, or within a longer period of time as specified by the regulatory authority. The certification statement must:

*(1)* Include the printed name and official title of an authorized representative of the hazardous secondary material generator company, the authorized representative's signature, and the date signed;

*(2)* Incorporate the following language: "I hereby certify in good faith and to the best of my knowledge that, prior to arranging for transport of excluded hazardous secondary materials to [insert name(s) of reclamation facility and any intermediate facility], reasonable efforts were made in accordance with § 261.4(a)(24)(v)(B) to ensure that the hazardous secondary materials would be recycled legitimately, and otherwise managed in a manner that is protective of human health and the environment, and that such efforts were based on current and accurate information."

(D) The hazardous secondary material generator must maintain at the generating facility for no less than three (3) years records of all off-site shipments of hazardous secondary materials. For each shipment, these records must, at a minimum, contain the following information:

*(1)* Name of the transporter and date of the shipment;

*(2)* Name and address of each reclaimer and, if applicable, the name and address of each intermediate facility to which the hazardous secondary material was sent;

*(3)* The type and quantity of hazardous secondary material in the shipment.

(E) The hazardous secondary material generator must maintain at the generating facility for no less than three (3) years confirmations of receipt from each reclaimer and, if applicable, each intermediate facility for all off-site shipments of hazardous secondary materials. Confirmations of receipt must include the name and address of the reclaimer (or intermediate facility), the type and quantity of the hazardous secondary materials received and the date which the hazardous secondary materials were received. This requirement may be satisfied by routine business records (e.g., financial records, bills of lading, copies of DOT shipping papers, or electronic confirmations of receipt); and

(vi) Reclaimers of hazardous secondary material excluded from regulation under this exclusion and intermediate facilities as defined in § 260.10 of this chapter satisfy all of the following conditions:

(A) The reclaimer and intermediate facility must maintain at its facility for no less than three (3) years records of all shipments of hazardous secondary material that were received at the facility and, if applicable, for all shipments of hazardous secondary materials that were received and subsequently sent off-site from the facility for further reclamation. For each shipment, these records must at a minimum contain the following information:

*(1)* Name of the transporter and date of the shipment;

*(2)* Name and address of the hazardous secondary material generator and, if applicable, the name and address of the reclaimer or intermediate facility which the hazardous secondary materials were received from;

*(3)* The type and quantity of hazardous secondary material in the shipment; and

*(4)* For hazardous secondary materials that, after being received by the reclaimer or intermediate facility, were subsequently transferred off-site for further reclamation, the name and address of the (subsequent) reclaimer and, if applicable, the name and address of each intermediate facility to which the hazardous secondary material was sent.

(B) The intermediate facility must send the hazardous secondary material to the reclaimer(s) designated by the hazardous secondary materials generator.

(C) The reclaimer and intermediate facility must send to the hazardous secondary material generator confirmations of receipt for all off-site shipments of hazardous secondary materials. Confirmations of receipt must include the name and address of the reclaimer (or intermediate facility), the type and quantity of the hazardous secondary materials received and the date which the hazardous secondary materials were received. This requirement may be satisfied by routine business records (e.g., financial records, bills of lading, copies of DOT shipping papers, or electronic confirmations of receipt).

(D) The reclaimer and intermediate facility must manage the hazardous secondary material in a manner that is at least as protective as that employed for analogous raw material and must be contained. An "analogous raw material" is a raw material for which a hazardous secondary material is a substitute and serves the same function and has similar physical and chemical properties as the hazardous secondary material.

(E) Any residuals that are generated from reclamation processes will be managed in a manner that is protective of human health and the environment. If any residuals exhibit a hazardous characteristic according to subpart C of 40 CFR part 261, or if they themselves are specifically listed in subpart D of 40 CFR part 261, such residuals are hazardous wastes and must be managed in accordance with the applicable requirements of 40 CFR parts 260 through 272.

(F) The reclaimer and intermediate facility has financial assurance as required under subpart H of 40 CFR part 261.

(vii) In addition, all persons claiming the exclusion under this paragraph (a)(24) of this section must provide notification as required under § 260.42 of this chapter.

(25) Hazardous secondary material that is exported from the United States and reclaimed at a reclamation facility located in a foreign country is not a solid waste, provided that the hazardous secondary material generator complies with the applicable requirements of paragraph (a)(24)(i)–(v) of this section (excepting paragraph (a)(v)(B)*(2)* of this section for foreign reclaimers and foreign intermediate facilities), and that the hazardous secondary material generator also complies with the following requirements:

(i) Notify EPA of an intended export before the hazardous secondary material is scheduled to leave the United States. A complete notification must be submitted at least sixty (60) days before the initial shipment is intended to be shipped off-site. This notification may cover export activities extending over a twelve (12) month or lesser period. The notification must be in writing, signed by the hazardous secondary material generator, and include the following information:

(A) Name, mailing address, telephone number and EPA ID number (if applicable) of the hazardous secondary material generator;

(B) A description of the hazardous secondary material and the EPA hazardous waste number that would

apply if the hazardous secondary material was managed as hazardous waste and the U.S. DOT proper shipping name, hazard class and ID number (UN/NA) for each hazardous secondary material as identified in 49 CFR parts 171 through 177;

(C) The estimated frequency or rate at which the hazardous secondary material is to be exported and the period of time over which the hazardous secondary material is to be exported;

(D) The estimated total quantity of hazardous secondary material;

(E) All points of entry to and departure from each foreign country through which the hazardous secondary material will pass;

(F) A description of the means by which each shipment of the hazardous secondary material will be transported (e.g., mode of transportation vehicle (air, highway, rail, water, etc.), type(s) of container (drums, boxes, tanks, etc.));

(G) A description of the manner in which the hazardous secondary material will be reclaimed in the receiving country;

(H) The name and address of the reclaimer, any intermediate facility and any alternate reclaimer and intermediate facilities; and

(I) The name of any transit countries through which the hazardous secondary material will be sent and a description of the approximate length of time it will remain in such countries and the nature of its handling while there (for purposes of this section, the terms "Acknowledgement of Consent", "receiving country" and "transit country" are used as defined in 40 CFR 262.51 with the exception that the terms in this section refer to hazardous secondary materials, rather than hazardous waste):

(ii) Notifications submitted by mail should be sent to the following mailing address: Office of Enforcement and Compliance Assurance, Office of Federal Activities, International Compliance Assurance Division, (Mail Code 2254A), Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460. Hand-delivered notifications should be delivered to: Office of Enforcement and Compliance Assurance, Office of Federal Activities, International Compliance Assurance Division, Environmental Protection Agency, Ariel Rios Bldg., Room 6144, 12th St. and Pennsylvania Ave., NW., Washington, DC 20004. In both cases, the following shall be prominently displayed on the front of the envelope: "Attention: Notification of Intent to Export."

(iii) Except for changes to the telephone number in paragraph (a)(25)(i)(A) of this section and decreases in the quantity of hazardous secondary material indicated pursuant to paragraph (a)(25)(i)(D) of this section, when the conditions specified on the original notification change (including any exceedance of the estimate of the quantity of hazardous secondary material specified in the original notification), the hazardous secondary material generator must provide EPA with a written renotification of the change. The shipment cannot take place until consent of the receiving country to the changes (except for changes to paragraph (a)(25)(i)(I) of this section and in the ports of entry to and departure from transit countries pursuant to paragraphs (a)(25)(i)(E) of this section) has been obtained and the hazardous secondary material generator receives from EPA an Acknowledgment of Consent reflecting the receiving country's consent to the changes.

(iv) Upon request by EPA, the hazardous secondary material generator shall furnish to EPA any additional information which a receiving country requests in order to respond to a notification.

(v) EPA will provide a complete notification to the receiving country and any transit countries. A notification is complete when EPA receives a notification which EPA determines satisfies the requirements of paragraph (a)(25)(i) of this section. Where a claim of confidentiality is asserted with respect to any notification information required by paragraph (a)(25)(i) of this section, EPA may find the notification not complete until any such claim is resolved in accordance with 40 CFR 260.2.

(vi) The export of hazardous secondary material under this paragraph (a)(25) is prohibited unless the receiving country consents to the intended export. When the receiving country consents in writing to the receipt of the hazardous secondary material, EPA will send an Acknowledgment of Consent to the hazardous secondary material generator. Where the receiving country objects to receipt of the hazardous secondary material or withdraws a prior consent, EPA will notify the hazardous secondary material generator in writing. EPA will also notify the hazardous secondary material generator of any responses from transit countries.

(vii) For exports to OECD Member countries, the receiving country may respond to the notification using tacit consent. If no objection has been lodged by any receiving country or transit countries to a notification provided pursuant to paragraph (a)(25)(i) of this section within thirty (30) days after the date of issuance of the acknowledgement of receipt of notification by the competent authority of the receiving country, the transboundary movement may commence. In such cases, EPA will send an Acknowledgment of Consent to inform the hazardous secondary material generator that the receiving country and any relevant transit countries have not objected to the shipment, and are thus presumed to have consented tacitly. Tacit consent expires one (1) calendar year after the close of the thirty (30) day period; renotification and renewal of all consents is required for exports after that date.

(viii) A copy of the Acknowledgment of Consent must accompany the shipment. The shipment must conform to the terms of the Acknowledgment of Consent.

(ix) If a shipment cannot be delivered for any reason to the reclaimer, intermediate facility or the alternate reclaimer or alternate intermediate facility, the hazardous secondary material generator must re-notify EPA of a change in the conditions of the original notification to allow shipment to a new reclaimer in accordance with paragraph (iii) of this section and obtain another Acknowledgment of Consent.

(x) Hazardous secondary material generators must keep a copy of each notification of intent to export and each Acknowledgment of Consent for a period of three years following receipt of the Acknowledgment of Consent.

(xi) Hazardous secondary material generators must file with the Administrator no later than March 1 of each year, a report summarizing the types, quantities, frequency and ultimate destination of all hazardous secondary materials exported during the previous calendar year. Annual reports submitted by mail should be sent to the following address: Office of Enforcement and Compliance Assurance, Office of Federal Activities, International Compliance Assurance Division (Mail Code 2254A), Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460. Hand-delivered reports should be delivered to: Office of Enforcement and Compliance Assurance, Office of Federal Activities, International Compliance Assurance Division, Environmental Protection Agency, Ariel Rios Bldg., Room 6144, 12th St. and Pennsylvania Ave., NW., Washington, DC 20004. Such reports must include the following information:

(A) Name, mailing and site address, and EPA ID number (if applicable) of

the hazardous secondary material generator;

(B) The calendar year covered by the report;

(C) The name and site address of each reclaimer and intermediate facility;

(D) By reclaimer and intermediate facility, for each hazardous secondary material exported, a description of the hazardous secondary material and the EPA hazardous waste number that would apply if the hazardous secondary material was managed as hazardous waste, DOT hazard class, the name and U.S. EPA ID number (where applicable) for each transporter used, the total amount of hazardous secondary material shipped and the number of shipments pursuant to each notification;

(E) A certification signed by the hazardous secondary material generator which states: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

(xii) All persons claiming an exclusion under this paragraph (a)(25) must provide notification as required by § 260.42 of this chapter.

* * * * *

## Subparts F–G [Reserved]

■ 12. In part 261, Subpart F and Subpart G are added and reserved.

■ 13. Part 261 is amended by adding new Subpart H to read as follows:

### Subpart H—Financial Requirements for Management of Excluded Hazardous Secondary Materials

Sec.

261.140 Applicability.
261.141 Definitions of terms as used in this subpart.
261.142 Cost estimate.
261.143 Financial assurance condition.
261.144–261.146 [reserved].
261.147 Liability requirements.
261.148 Incapacity of owners or operators, guarantors, or financial institutions.
261.149 Use of State-required mechanisms.
261.150 State assumption of responsibility.
261.151 Wording of the instruments.

## Subpart H—Financial Requirements for Management of Excluded Hazardous Secondary Materials

### § 261.140 Applicability.

(a) The requirements of this subpart apply to owners or operators of reclamation and intermediate facilities managing hazardous secondary materials excluded under 40 CFR § 261.4(a)(24), except as provided otherwise in this section.

(b) States and the Federal government are exempt from the financial assurance requirements of this subpart.

### § 261.141 Definitions of terms as used in this subpart.

The terms defined in § 265.141(d), (f), (g), and (h) of this chapter have the same meaning in this subpart as they do in § 265.141 of this chapter.

### § 261.142 Cost estimate.

(a) The owner or operator must have a detailed written estimate, in current dollars, of the cost of disposing of any hazardous secondary material as listed or characteristic hazardous waste, and the potential cost of closing the facility as a treatment, storage, and disposal facility.

(1) The estimate must equal the cost of conducting the activities described in paragraph (a) of this section at the point when the extent and manner of the facility's operation would make these activities the most expensive; and

(2) The cost estimate must be based on the costs to the owner or operator of hiring a third party to conduct these activities. A third party is a party who is neither a parent nor a subsidiary of the owner or operator. (See definition of parent corporation in § 265.141(d) of this chapter.) The owner or operator may use costs for on-site disposal in accordance with applicable requirements if he can demonstrate that on-site disposal capacity will exist at all times over the life of the facility.

(3) The cost estimate may not incorporate any salvage value that may be realized with the sale of hazardous secondary materials, or hazardous or non-hazardous wastes if applicable under § 265.5113(d) of this chapter, facility structures or equipment, land, or other assets associated with the facility.

(4) The owner or operator may not incorporate a zero cost for hazardous secondary materials, or hazardous or non-hazardous wastes if applicable under § 265.5113(d) of this chapter that might have economic value.

(b) During the active life of the facility, the owner or operator must adjust the cost estimate for inflation within 60 days prior to the anniversary date of the establishment of the financial instrument(s) used to comply with § 261.143. For owners and operators using the financial test or corporate guarantee, the cost estimate must be updated for inflation within 30 days after the close of the firm's fiscal year and before submission of updated information to the Regional Administrator as specified in § 261.143(e)(3). The adjustment may be made by recalculating the cost estimate in current dollars, or by using an inflation factor derived from the most recent Implicit Price Deflator for Gross National Product published by the U.S. Department of Commerce in its Survey of Current Business, as specified in paragraphs (b)(1) and (2) of this section. The inflation factor is the result of dividing the latest published annual Deflator by the Deflator for the previous year.

(1) The first adjustment is made by multiplying the cost estimate by the inflation factor. The result is the adjusted cost estimate.

(2) Subsequent adjustments are made by multiplying the latest adjusted cost estimate by the latest inflation factor.

(c) During the active life of the facility, the owner or operator must revise the cost estimate no later than 30 days after a change in a facility's operating plan or design that would increase the costs of conducting the activities described in paragraph (a) or no later than 60 days after an unexpected event which increases the cost of conducting the activities described in paragraph (a) of this section. The revised cost estimate must be adjusted for inflation as specified in paragraph (b) of this section.

(d) The owner or operator must keep the following at the facility during the operating life of the facility: The latest cost estimate prepared in accordance with paragraphs (a) and (c) and, when this estimate has been adjusted in accordance with paragraph (b), the latest adjusted cost estimate.

### § 261.143 Financial assurance condition.

Per § 261.4(a)(24)(vi)(F) of this chapter, an owner or operator of a reclamation or intermediate facility must have financial assurance as a condition of the exclusion as required under § 261.4(a)(24) of this chapter. He must choose from the options as specified in paragraphs (a) through (e) of this section.

(a) *Trust fund.* (1) An owner or operator may satisfy the requirements of this section by establishing a trust fund which conforms to the requirements of this paragraph and submitting an originally signed duplicate of the trust agreement to the Regional Administrator. The trustee must be an entity which has the authority to act as a trustee and whose trust operations are regulated and examined by a Federal or State agency.

(2) The wording of the trust agreement must be identical to the wording specified in § 261.151(a)(1), and the trust agreement must be accompanied by a formal certification of acknowledgment (for example, see § 261.151(a)(2)). Schedule A of the trust agreement must be updated within 60 days after a change in the amount of the current cost estimate covered by the agreement.

(3) The trust fund must be funded for the full amount of the current cost estimate before it may be relied upon to satisfy the requirements of this section.

(4) Whenever the current cost estimate changes, the owner or operator must compare the new estimate with the trustee's most recent annual valuation of the trust fund. If the value of the fund is less than the amount of the new estimate, the owner or operator, within 60 days after the change in the cost estimate, must either deposit an amount into the fund so that its value after this deposit at least equals the amount of the current cost estimate, or obtain other financial assurance as specified in this section to cover the difference.

(5) If the value of the trust fund is greater than the total amount of the current cost estimate, the owner or operator may submit a written request to the Regional Administrator for release of the amount in excess of the current cost estimate.

(6) If an owner or operator substitutes other financial assurance as specified in this section for all or part of the trust fund, he may submit a written request to the Regional Administrator for release of the amount in excess of the current cost estimate covered by the trust fund.

(7) Within 60 days after receiving a request from the owner or operator for release of funds as specified in paragraph (a) (5) or (6) of this section, the Regional Administrator will instruct the trustee to release to the owner or operator such funds as the Regional Administrator specifies in writing. If the owner or operator begins final closure under subpart G of 40 CFR part 264 or 265, an owner or operator may request reimbursements for partial or final closure expenditures by submitting itemized bills to the Regional Administrator. The owner or operator may request reimbursements for partial closure only if sufficient funds are remaining in the trust fund to cover the maximum costs of closing the facility over its remaining operating life. No later than 60 days after receiving bills for partial or final closure activities, the Regional Administrator will instruct the trustee to make reimbursements in those amounts as the Regional Administrator specifies in writing, if the Regional Administrator determines that the partial or final closure expenditures are in accordance with the approved closure plan, or otherwise justified. If the Regional Administrator has reason to believe that the maximum cost of closure over the remaining life of the facility will be significantly greater than the value of the trust fund, he may withhold reimbursements of such amounts as he deems prudent until he determines, in accordance with § 265.143(i) that the owner or operator is no longer required to maintain financial assurance for final closure of the facility. If the Regional Administrator does not instruct the trustee to make such reimbursements, he will provide to the owner or operator a detailed written statement of reasons.

(8) The Regional Administrator will agree to termination of the trust when:

(i) An owner or operator substitutes alternate financial assurance as specified in this section; or

(ii) The Regional Administrator releases the owner or operator from the requirements of this section in accordance with paragraph (i) of this section.

(b) *Surety bond guaranteeing payment into a trust fund.* (1) An owner or operator may satisfy the requirements of this section by obtaining a surety bond which conforms to the requirements of this paragraph and submitting the bond to the Regional Administrator. The surety company issuing the bond must, at a minimum, be among those listed as acceptable sureties on Federal bonds in Circular 570 of the U.S. Department of the Treasury.

(2) The wording of the surety bond must be identical to the wording specified in § 261.151(b).

(3) The owner or operator who uses a surety bond to satisfy the requirements of this section must also establish a standby trust fund. Under the terms of the bond, all payments made thereunder will be deposited by the surety directly into the standby trust fund in accordance with instructions from the Regional Administrator. This standby trust fund must meet the requirements specified in paragraph (a) of this section, except that:

(i) An originally signed duplicate of the trust agreement must be submitted to the Regional Administrator with the surety bond; and

(ii) Until the standby trust fund is funded pursuant to the requirements of this section, the following are not required by these regulations:

(A) Payments into the trust fund as specified in paragraph (a) of this section;

(B) Updating of Schedule A of the trust agreement (see § 261.151(a)) to show current cost estimates;

(C) Annual valuations as required by the trust agreement; and

(D) Notices of nonpayment as required by the trust agreement.

(4) The bond must guarantee that the owner or operator will:

(i) Fund the standby trust fund in an amount equal to the penal sum of the bond before loss of the exclusion under § 261.4(a)(24) of this chapter or

(ii) Fund the standby trust fund in an amount equal to the penal sum within 15 days after an administrative order to begin closure issued by the Regional Administrator becomes final, or within 15 days after an order to begin closure is issued by a U.S. district court or other court of competent jurisdiction; or

(iii) Provide alternate financial assurance as specified in this section, and obtain the Regional Administrator's written approval of the assurance provided, within 90 days after receipt by both the owner or operator and the Regional Administrator of a notice of cancellation of the bond from the surety.

(5) Under the terms of the bond, the surety will become liable on the bond obligation when the owner or operator fails to perform as guaranteed by the bond.

(6) The penal sum of the bond must be in an amount at least equal to the current cost estimate, except as provided in paragraph (f) of this section.

(7) Whenever the current cost estimate increases to an amount greater than the penal sum, the owner or operator, within 60 days after the increase, must either cause the penal sum to be increased to an amount at least equal to the current cost estimate and submit evidence of such increase to the Regional Administrator, or obtain other financial assurance as specified in this section to cover the increase. Whenever the current cost estimate decreases, the penal sum may be reduced to the amount of the current cost estimate following written approval by the Regional Administrator.

(8) Under the terms of the bond, the surety may cancel the bond by sending notice of cancellation by certified mail to the owner or operator and to the Regional Administrator. Cancellation may not occur, however, during the 120 days beginning on the date of receipt of the notice of cancellation by both the owner or operator and the Regional Administrator, as evidenced by the return receipts.

(9) The owner or operator may cancel the bond if the Regional Administrator has given prior written consent based on his receipt of evidence of alternate

financial assurance as specified in this section.

(c) *Letter of credit.* (1) An owner or operator may satisfy the requirements of this section by obtaining an irrevocable standby letter of credit which conforms to the requirements of this paragraph and submitting the letter to the Regional Administrator. The issuing institution must be an entity which has the authority to issue letters of credit and whose letter-of-credit operations are regulated and examined by a Federal or State agency.

(2) The wording of the letter of credit must be identical to the wording specified in § 261.151(c).

(3) An owner or operator who uses a letter of credit to satisfy the requirements of this section must also establish a standby trust fund. Under the terms of the letter of credit, all amounts paid pursuant to a draft by the Regional Administrator will be deposited by the issuing institution directly into the standby trust fund in accordance with instructions from the Regional Administrator. This standby trust fund must meet the requirements of the trust fund specified in paragraph (a) of this section, except that:

(i) An originally signed duplicate of the trust agreement must be submitted to the Regional Administrator with the letter of credit; and

(ii) Unless the standby trust fund is funded pursuant to the requirements of this section, the following are not required by these regulations:

(A) Payments into the trust fund as specified in paragraph (a) of this section;

(B) Updating of Schedule A of the trust agreement (see § 261.151(a)) to show current cost estimates;

(C) Annual valuations as required by the trust agreement; and

(D) Notices of nonpayment as required by the trust agreement.

(4) The letter of credit must be accompanied by a letter from the owner or operator referring to the letter of credit by number, issuing institution, and date, and providing the following information: The EPA Identification Number (if any issued), name, and address of the facility, and the amount of funds assured for the facility by the letter of credit.

(5) The letter of credit must be irrevocable and issued for a period of at least 1 year. The letter of credit must provide that the expiration date will be automatically extended for a period of at least 1 year unless, at least 120 days before the current expiration date, the issuing institution notifies both the owner or operator and the Regional Administrator by certified mail of a decision not to extend the expiration date. Under the terms of the letter of credit, the 120 days will begin on the date when both the owner or operator and the Regional Administrator have received the notice, as evidenced by the return receipts.

(6) The letter of credit must be issued in an amount at least equal to the current cost estimate, except as provided in paragraph (f) of this section.

(7) Whenever the current cost estimate increases to an amount greater than the amount of the credit, the owner or operator, within 60 days after the increase, must either cause the amount of the credit to be increased so that it at least equals the current cost estimate and submit evidence of such increase to the Regional Administrator, or obtain other financial assurance as specified in this section to cover the increase. Whenever the current cost estimate decreases, the amount of the credit may be reduced to the amount of the current cost estimate following written approval by the Regional Administrator.

(8) Following a determination by the Regional Administrator that the hazardous secondary materials do not meet the conditions of the exclusion under § 261.4(a)(24), the Regional Administrator may draw on the letter of credit.

(9) If the owner or operator does not establish alternate financial assurance as specified in this section and obtain written approval of such alternate assurance from the Regional Administrator within 90 days after receipt by both the owner or operator and the Regional Administrator of a notice from the issuing institution that it has decided not to extend the letter of credit beyond the current expiration date, the Regional Administrator will draw on the letter of credit. The Regional Administrator may delay the drawing if the issuing institution grants an extension of the term of the credit. During the last 30 days of any such extension the Regional Administrator will draw on the letter of credit if the owner or operator has failed to provide alternate financial assurance as specified in this section and obtain written approval of such assurance from the Regional Administrator.

(10) The Regional Administrator will return the letter of credit to the issuing institution for termination when:

(i) An owner or operator substitutes alternate financial assurance as specified in this section; or

(ii) The Regional Administrator releases the owner or operator from the requirements of this section in accordance with paragraph (i) of this section.

(d) *Insurance.* (1) An owner or operator may satisfy the requirements of this section by obtaining insurance which conforms to the requirements of this paragraph and submitting a certificate of such insurance to the Regional Administrator At a minimum, the insurer must be licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

(2) The wording of the certificate of insurance must be identical to the wording specified in § 261.151(d).

(3) The insurance policy must be issued for a face amount at least equal to the current cost estimate, except as provided in paragraph (f) of this section. The term "face amount" means the total amount the insurer is obligated to pay under the policy. Actual payments by the insurer will not change the face amount, although the insurer's future liability will be lowered by the amount of the payments.

(4) The insurance policy must guarantee that funds will be available whenever needed to pay the cost of removal of all hazardous secondary materials from the unit, to pay the cost of decontamination of the unit, to pay the costs of the performance of activities required under subpart G of 40 CFR parts 264 or 265, as applicable, for the facilities covered by this policy. The policy must also guarantee that once funds are needed, the insurer will be responsible for paying out funds, up to an amount equal to the face amount of the policy, upon the direction of the Regional Administrator, to such party or parties as the Regional Administrator specifies.

(5) After beginning partial or final closure under 40 CFR parts 264 or 265, as applicable, an owner or operator or any other authorized person may request reimbursements for closure expenditures by submitting itemized bills to the Regional Administrator. The owner or operator may request reimbursements only if the remaining value of the policy is sufficient to cover the maximum costs of closing the facility over its remaining operating life. Within 60 days after receiving bills for closure activities, the Regional Administrator will instruct the insurer to make reimbursements in such amounts as the Regional Administrator specifies in writing if the Regional Administrator determines that the expenditures are in accordance with the approved plan or otherwise justified. If the Regional Administrator has reason to believe that the maximum cost over the remaining life of the facility will be significantly greater than the face

amount of the policy, he may withhold reimbursement of such amounts as he deems prudent until he determines, in accordance with paragraph (h) of this section, that the owner or operator is no longer required to maintain financial assurance for the particular facility. If the Regional Administrator does not instruct the insurer to make such reimbursements, he will provide to the owner or operator a detailed written statement of reasons.

(6) The owner or operator must maintain the policy in full force and effect until the Regional Administrator consents to termination of the policy by the owner or operator as specified in paragraph (i)(10) of this section. Failure to pay the premium, without substitution of alternate financial assurance as specified in this section, will constitute a significant violation of these regulations warranting such remedy as the Regional Administrator deems necessary. Such violation will be deemed to begin upon receipt by the Regional Administrator of a notice of future cancellation, termination, or failure to renew due to nonpayment of the premium, rather than upon the date of expiration.

(7) Each policy must contain a provision allowing assignment of the policy to a successor owner or operator. Such assignment may be conditional upon consent of the insurer, provided such consent is not unreasonably refused.

(8) The policy must provide that the insurer may not cancel, terminate, or fail to renew the policy except for failure to pay the premium. The automatic renewal of the policy must, at a minimum, provide the insured with the option of renewal at the face amount of the expiring policy. If there is a failure to pay the premium, the insurer may elect to cancel, terminate, or fail to renew the policy by sending notice by certified mail to the owner or operator and the Regional Administrator. Cancellation, termination, or failure to renew may not occur, however, during the 120 days beginning with the date of receipt of the notice by both the Regional Administrator and the owner or operator, as evidenced by the return receipts. Cancellation, termination, or failure to renew may not occur and the policy will remain in full force and effect in the event that on or before the date of expiration:

(i) The Regional Administrator deems the facility abandoned; or

(ii) Conditional exclusion or interim status is lost, terminated, or revoked; or

(iii) Closure is ordered by the Regional Administrator or a U.S. district court or other court of competent jurisdiction; or

(iv) The owner or operator is named as debtor in a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code; or

(v) The premium due is paid.

(9) Whenever the current cost estimate increases to an amount greater than the face amount of the policy, the owner or operator, within 60 days after the increase, must either cause the face amount to be increased to an amount at least equal to the current cost estimate and submit evidence of such increase to the Regional Administrator, or obtain other financial assurance as specified in this section to cover the increase. Whenever the current cost estimate decreases, the face amount may be reduced to the amount of the current cost estimate following written approval by the Regional Administrator.

(10) The Regional Administrator will give written consent to the owner or operator that he may terminate the insurance policy when:

(i) An owner or operator substitutes alternate financial assurance as specified in this section; or

(ii) The Regional Administrator releases the owner or operator from the requirements of this section in accordance with paragraph (i) of this section.

(e) *Financial test and corporate guarantee.* (1) An owner or operator may satisfy the requirements of this section by demonstrating that he passes a financial test as specified in this paragraph. To pass this test the owner or operator must meet the criteria of either paragraph (e)(1) (i) or (ii) of this section:

(i) The owner or operator must have:

(A) Two of the following three ratios: A ratio of total liabilities to net worth less than 2.0; a ratio of the sum of net income plus depreciation, depletion, and amortization to total liabilities greater than 0.1; and a ratio of current assets to current liabilities greater than 1.5; and

(B) Net working capital and tangible net worth each at least six times the sum of the current cost estimates and the current plugging and abandonment cost estimates; and

(C) Tangible net worth of at least $10 million; and

(D) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the sum of the current cost estimates and the current plugging and abandonment cost estimates.

(ii) The owner or operator must have:

(A) A current rating for his most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's or Aaa, Aa, A, or Baa as issued by Moody's; and

(B) Tangible net worth at least six times the sum of the current cost estimates and the current plugging and abandonment cost estimates; and

(C) Tangible net worth of at least $10 million; and

(D) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the sum of the current cost estimates and the current plugging and abandonment cost estimates.

(2) The phrase "current cost estimates" as used in paragraph (e)(1) of this section refers to the cost estimates required to be shown in paragraphs 1–4 of the letter from the owner's or operator's chief financial officer (§ 261.151(e)). The phrase "current plugging and abandonment cost estimates" as used in paragraph (e)(1) of this section refers to the cost estimates required to be shown in paragraphs 1–4 of the letter from the owner's or operator's chief financial officer (§ 144.70(f) of this chapter).

(3) To demonstrate that he meets this test, the owner or operator must submit the following items to the Regional Administrator:

(i) A letter signed by the owner's or operator's chief financial officer and worded as specified in § 261.151(e); and

(ii) A copy of the independent certified public accountant's report on examination of the owner's or operator's financial statements for the latest completed fiscal year; and

(iii) If the chief financial officer's letter providing evidence of financial assurance includes financial data showing that the owner or operator satisfies paragraph (e)(1)(i) of this section that are different from the data in the audited financial statements referred to in paragraph (e)(3)(ii)of this section or any other audited financial statement or data filed with the SEC, then a special report from the owner's or operator's independent certified public accountant to the owner or operator is required. The special report shall be based upon an agreed upon procedures engagement in accordance with professional auditing standards and shall describe the procedures performed in comparing the data in the chief financial officer's letter derived from the independently audited, year-end financial statements for the latest fiscal year with the amounts in such financial statements, the findings of the comparison, and the reasons for any differences.

(4) The owner or operator may obtain an extension of the time allowed for

submission of the documents specified in paragraph (e)(3) of this section if the fiscal year of the owner or operator ends during the 90 days prior to the effective date of these regulations and if the year-end financial statements for that fiscal year will be audited by an independent certified public accountant. The extension will end no later than 90 days after the end of the owner's or operator's fiscal year. To obtain the extension, the owner's or operator's chief financial officer must send, by the effective date of these regulations, a letter to the Regional Administrator of each Region in which the owner's or operator's facilities to be covered by the financial test are located. This letter from the chief financial officer must:

(i) Request the extension;

(ii) Certify that he has grounds to believe that the owner or operator meets the criteria of the financial test;

(iii) Specify for each facility to be covered by the test the EPA Identification Number (if any issued), name, address, and current cost estimates to be covered by the test;

(iv) Specify the date ending the owner's or operator's last complete fiscal year before the effective date of these regulations in this subpart;

(v) Specify the date, no later than 90 days after the end of such fiscal year, when he will submit the documents specified in paragraph (e)(3) of this section; and

(vi) Certify that the year-end financial statements of the owner or operator for such fiscal year will be audited by an independent certified public accountant.

(5) After the initial submission of items specified in paragraph (e)(3) of this section, the owner or operator must send updated information to the Regional Administrator within 90 days after the close of each succeeding fiscal year. This information must consist of all three items specified in paragraph (e)(3) of this section.

(6) If the owner or operator no longer meets the requirements of paragraph (e)(1) of this section, he must send notice to the Regional Administrator of intent to establish alternate financial assurance as specified in this section. The notice must be sent by certified mail within 90 days after the end of the fiscal year for which the year-end financial data show that the owner or operator no longer meets the requirements. The owner or operator must provide the alternate financial assurance within 120 days after the end of such fiscal year.

(7) The Regional Administrator may, based on a reasonable belief that the owner or operator may no longer meet the requirements of paragraph (e)(1) of this section, require reports of financial condition at any time from the owner or operator in addition to those specified in paragraph (e)(3) of this section. If the Regional Administrator finds, on the basis of such reports or other information, that the owner or operator no longer meets the requirements of paragraph (e)(1) of this section, the owner or operator must provide alternate financial assurance as specified in this section within 30 days after notification of such a finding.

(8) The Regional Administrator may disallow use of this test on the basis of qualifications in the opinion expressed by the independent certified public accountant in his report on examination of the owner's or operator's financial statements (see paragraph (e)(3)(ii) of this section). An adverse opinion or a disclaimer of opinion will be cause for disallowance. The Regional Administrator will evaluate other qualifications on an individual basis. The owner or operator must provide alternate financial assurance as specified in this section within 30 days after notification of the disallowance.

(9) The owner or operator is no longer required to submit the items specified in paragraph (e)(3) of this section when:

(i) An owner or operator substitutes alternate financial assurance as specified in this section; or

(ii) The Regional Administrator releases the owner or operator from the requirements of this section in accordance with paragraph (i) of this section.

(10) An owner or operator may meet the requirements of this section by obtaining a written guarantee. The guarantor must be the direct or higher-tier parent corporation of the owner or operator, a firm whose parent corporation is also the parent corporation of the owner or operator, or a firm with a "substantial business relationship" with the owner or operator. The guarantor must meet the requirements for owners or operators in paragraphs (e)(1) through (8) of this section and must comply with the terms of the guarantee. The wording of the guarantee must be identical to the wording specified in § 261.151(g)(1). A certified copy of the guarantee must accompany the items sent to the Regional Administrator as specified in paragraph (e)(3) of this section. One of these items must be the letter from the guarantor's chief financial officer. If the guarantor's parent corporation is also the parent corporation of the owner or operator, the letter must describe the value received in consideration of the guarantee. If the guarantor is a firm with a "substantial business relationship" with the owner or operator, this letter must describe this "substantial business relationship" and the value received in consideration of the guarantee. The terms of the guarantee must provide that:

(i) Following a determination by the Regional Administrator that the hazardous secondary materials at the owner or operator's facility covered by this guarantee do not meet the conditions of the exclusion under § 261.4(a)(24) of this chapter, the guarantor will dispose of any hazardous secondary material as hazardous waste and close the facility in accordance with closure requirements found in parts 264 or 265 of this chapter, as applicable, or establish a trust fund as specified in paragraph (a) of this section in the name of the owner or operator in the amount of the current cost estimate.

(ii) The corporate guarantee will remain in force unless the guarantor sends notice of cancellation by certified mail to the owner or operator and to the Regional Administrator. Cancellation may not occur, however, during the 120 days beginning on the date of receipt of the notice of cancellation by both the owner or operator and the Regional Administrator, as evidenced by the return receipts.

(iii) If the owner or operator fails to provide alternate financial assurance as specified in this section and obtain the written approval of such alternate assurance from the Regional Administrator within 90 days after receipt by both the owner or operator and the Regional Administrator of a notice of cancellation of the corporate guarantee from the guarantor, the guarantor will provide such alternate financial assurance in the name of the owner or operator.

(f) *Use of multiple financial mechanisms.* An owner or operator may satisfy the requirements of this section by establishing more than one financial mechanism per facility. These mechanisms are limited to trust funds, surety bonds, letters of credit, and insurance. The mechanisms must be as specified in paragraphs (a) through (d) of this section, respectively, of this section, except that it is the combination of mechanisms, rather than the single mechanism, which must provide financial assurance for an amount at least equal to the current cost estimate. If an owner or operator uses a trust fund in combination with a surety bond or a letter of credit, he may use the trust fund as the standby trust fund for the other mechanisms. A single standby trust fund may be established for two or more mechanisms. The Regional

Administrator may use any or all of the mechanisms to provide for the facility.

(g) *Use of a financial mechanism for multiple facilities.* An owner or operator may use a financial assurance mechanism specified in this section to meet the requirements of this section for more than one facility. Evidence of financial assurance submitted to the Regional Administrator must include a list showing, for each facility, the EPA Identification Number (if any issued), name, address, and the amount of funds assured by the mechanism. If the facilities covered by the mechanism are in more than one Region, identical evidence of financial assurance must be submitted to and maintained with the Regional Administrators of all such Regions. The amount of funds available through the mechanism must be no less than the sum of funds that would be available if a separate mechanism had been established and maintained for each facility. In directing funds available through the mechanism for any of the facilities covered by the mechanism, the Regional Administrator may direct only the amount of funds designated for that facility, unless the owner or operator agrees to the use of additional funds available under the mechanism.

(h) *Removal and Decontamination Plan for Release* (1) An owner or operator of a reclamation facility or an intermediate facility who wishes to be released from his financial assurance obligations under § 261.4(a)(24)(vi)(F) of this chapter must submit a plan for removing all hazardous secondary material residues to the Regional Administrator at least 180 days prior to the date on which he expects to cease to operate under the exclusion.

(2) The plan must include, at least:

(A) For each hazardous secondary materials storage unit subject to financial assurance requirements under § 261.4(a)(24)(vi)(F), a description of how all excluded hazardous secondary materials will be recycled or sent for recycling, and how all residues, contaminated containment systems (liners, etc), contaminated soils, subsoils, structures, and equipment will be removed or decontaminated as necessary to protect human health and the environment, and

(B) A detailed description of the steps necessary to remove or decontaminate all hazardous secondary material residues and contaminated containment system components, equipment, structures, and soils including, but not limited to, procedures for cleaning equipment and removing contaminated soils, methods for sampling and testing surrounding soils, and criteria for determining the extent of decontamination necessary to protect human health and the environment; and

(C) A detailed description of any other activities necessary to protect human health and the environment during this timeframe, including, but not limited to, leachate collection, run-on and run-off control, etc; and

(D) A schedule for conducting the activities described which, at a minimum, includes the total time required to remove all excluded hazardous secondary materials for recycling and decontaminate all units subject to financial assurance under § 261.4(a)(24)(vi)(F) and the time required for intervening activities which will allow tracking of the progress of decontamination.

(3) The Regional Administrator will provide the owner or operator and the public, through a newspaper notice, the opportunity to submit written comments on the plan and request modifications to the plan no later than 30 days from the date of the notice. He will also, in response to a request or at his discretion, hold a public hearing whenever such a hearing might clarify one or more issues concerning the plan. The Regional Administrator will give public notice of the hearing at least 30 days before it occurs. (Public notice of the hearing may be given at the same time as notice of the opportunity for the public to submit written comments, and the two notices may be combined.) The Regional Administrator will approve, modify, or disapprove the plan within 90 days of its receipt. If the Regional Administrator does not approve the plan, he shall provide the owner or operator with a detailed written statement of reasons for the refusal and the owner or operator must modify the plan or submit a new plan for approval within 30 days after receiving such written statement. The Regional Administrator will approve or modify this plan in writing within 60 days. If the Regional Administrator modifies the plan, this modified plan becomes the approved plan. The Regional Administrator must assure that the approved plan is consistent with paragraph (h) of this section. A copy of the modified plan with a detailed statement of reasons for the modifications must be mailed to the owner or operator.

(4) Within 60 days of completion of the activities described for each hazardous secondary materials management unit, the owner or operator must submit to the Regional Administrator, by registered mail, a certification that all hazardous secondary materials have been removed from the unit and the unit has been decontaminated in accordance with the specifications in the approved plan. The certification must be signed by the owner or operator and by a qualified Professional Engineer. Documentation supporting the Professional Engineer's certification must be furnished to the Regional Administrator, upon request, until he releases the owner or operator from the financial assurance requirements for § 261.4(a)(24)(vi)(F).

(i) *Release of the owner or operator from the requirements of this section.* Within 60 days after receiving certifications from the owner or operator and a qualified Professional Engineer that all hazardous secondary materials have been removed from the facility or a unit at the facility and the facility or a unit has been decontaminated in accordance with the approved plan per paragraph (h), the Regional Administrator will notify the owner or operator in writing that he is no longer required under § 261.4(a)(24)(vi)(F) to maintain financial assurance for that facility or a unit at the facility, unless the Regional Administrator has reason to believe that all hazardous secondary materials have not been removed from the facility or unit at a facility or that the facility or unit has not been decontaminated in accordance with the approved plan. The Regional Administrator shall provide the owner or operator a detailed written statement of any such reason to believe that all hazardous secondary materials have not been removed from the unit or that the unit has not been decontaminated in accordance with the approved plan.

**§§ 261.144–261.146 [Reserved]**

**§ 261.147 Liability requirements.**

(a) *Coverage for sudden accidental occurrences.* An owner or operator of a hazardous secondary material reclamation facility or an intermediate facility subject to financial assurance requirements under § 261.4(a)(24)(vi)(F) of this chapter, or a group of such facilities, must demonstrate financial responsibility for bodily injury and property damage to third parties caused by sudden accidental occurrences arising from operations of the facility or group of facilities. The owner or operator must have and maintain liability coverage for sudden accidental occurrences in the amount of at least $1 million per occurrence with an annual aggregate of at least $2 million, exclusive of legal defense costs. This liability coverage may be demonstrated as specified in paragraphs (a) (1), (2), (3), (4), (5), or (6) of this section:

(1) An owner or operator may demonstrate the required liability coverage by having liability insurance as specified in this paragraph.

(i) Each insurance policy must be amended by attachment of the Hazardous Secondary Material Facility Liability Endorsement, or evidenced by a Certificate of Liability Insurance. The wording of the endorsement must be identical to the wording specified in § 261.151(h). The wording of the certificate of insurance must be identical to the wording specified in § 261.151(i). The owner or operator must submit a signed duplicate original of the endorsement or the certificate of insurance to the Regional Administrator, or Regional Administrators if the facilities are located in more than one Region. If requested by a Regional Administrator, the owner or operator must provide a signed duplicate original of the insurance policy.

(ii) Each insurance policy must be issued by an insurer which, at a minimum, is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

(2) An owner or operator may meet the requirements of this section by passing a financial test or using the guarantee for liability coverage as specified in paragraphs (f) and (g) of this section.

(3) An owner or operator may meet the requirements of this section by obtaining a letter of credit for liability coverage as specified in paragraph (h) of this section.

(4) An owner or operator may meet the requirements of this section by obtaining a surety bond for liability coverage as specified in paragraph (i) of this section.

(5) An owner or operator may meet the requirements of this section by obtaining a trust fund for liability coverage as specified in paragraph (j) of this section.

(6) An owner or operator may demonstrate the required liability coverage through the use of combinations of insurance, financial test, guarantee, letter of credit, surety bond, and trust fund, except that the owner or operator may not combine a financial test covering part of the liability coverage requirement with a guarantee unless the financial statement of the owner or operator is not consolidated with the financial statement of the guarantor. The amounts of coverage demonstrated must total at least the minimum amounts required by this section. If the owner or operator demonstrates the required coverage through the use of a combination of financial assurances under this paragraph, the owner or operator shall specify at least one such assurance as "primary" coverage and shall specify other assurance as "excess" coverage.

(7) An owner or operator shall notify the Regional Administrator in writing within 30 days whenever:

(i) A claim results in a reduction in the amount of financial assurance for liability coverage provided by a financial instrument authorized in paragraphs (a)(1) through (a)(6) of this section; or

(ii) A Certification of Valid Claim for bodily injury or property damages caused by a sudden or non-sudden accidental occurrence arising from the operation of a hazardous secondary material reclamation facility or intermediate facility is entered between the owner or operator and third-party claimant for liability coverage under paragraphs (a)(1) through (a)(6) of this section; or

(iii) A final court order establishing a judgment for bodily injury or property damage caused by a sudden or non-sudden accidental occurrence arising from the operation of a hazardous secondary material reclamation facility or intermediate facility is issued against the owner or operator or an instrument that is providing financial assurance for liability coverage under paragraphs (a)(1) through (a)(6) of this section.

(b) Coverage for nonsudden accidental occurrences. An owner or operator of a hazardous secondary material reclamation facility or intermediate facility with land-based units, as defined in § 260.10 of this chapter, which are used to manage hazardous secondary materials excluded under § 261.4(a)(24) of this chapter or a group of such facilities, must demonstrate financial responsibility for bodily injury and property damage to third parties caused by nonsudden accidental occurrences arising from operations of the facility or group of facilities. The owner or operator must have and maintain liability coverage for nonsudden accidental occurrences in the amount of at least $3 million per occurrence with an annual aggregate of at least $6 million, exclusive of legal defense costs. An owner or operator who must meet the requirements of this section may combine the required per-occurrence coverage levels for sudden and nonsudden accidental occurrences into a single per-occurrence level, and combine the required annual aggregate coverage levels for sudden and nonsudden accidental occurrences into a single annual aggregate level. Owners or operators who combine coverage levels for sudden and nonsudden accidental occurrences must maintain liability coverage in the amount of at least $4 million per occurrence and $8 million annual aggregate. This liability coverage may be demonstrated as specified in paragraph (b)(1), (2), (3), (4), (5), or (6) of this section:

(1) An owner or operator may demonstrate the required liability coverage by having liability insurance as specified in this paragraph.

(i) Each insurance policy must be amended by attachment of the Hazardous Secondary Material Facility Liability Endorsement or evidenced by a Certificate of Liability Insurance. The wording of the endorsement must be identical to the wording specified in § 261.151(h). The wording of the certificate of insurance must be identical to the wording specified in § 261.151(i). The owner or operator must submit a signed duplicate original of the endorsement or the certificate of insurance to the Regional Administrator, or Regional Administrators if the facilities are located in more than one Region. If requested by a Regional Administrator, the owner or operator must provide a signed duplicate original of the insurance policy.

(ii) Each insurance policy must be issued by an insurer which, at a minimum, is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

(2) An owner or operator may meet the requirements of this section by passing a financial test or using the guarantee for liability coverage as specified in paragraphs (f) and (g) of this section.

(3) An owner or operator may meet the requirements of this section by obtaining a letter of credit for liability coverage as specified in paragraph (h) of this section.

(4) An owner or operator may meet the requirements of this section by obtaining a surety bond for liability coverage as specified in paragraph (i) of this section.

(5) An owner or operator may meet the requirements of this section by obtaining a trust fund for liability coverage as specified in paragraph (j) of this section.

(6) An owner or operator may demonstrate the required liability coverage through the use of combinations of insurance, financial test, guarantee, letter of credit, surety bond, and trust fund, except that the owner or operator may not combine a

financial test covering part of the liability coverage requirement with a guarantee unless the financial statement of the owner or operator is not consolidated with the financial statement of the guarantor. The amounts of coverage demonstrated must total at least the minimum amounts required by this section. If the owner or operator demonstrates the required coverage through the use of a combination of financial assurances under this paragraph, the owner or operator shall specify at least one such assurance as "primary" coverage and shall specify other assurance as "excess" coverage.

(7) An owner or operator shall notify the Regional Administrator in writing within 30 days whenever:

(i) A claim results in a reduction in the amount of financial assurance for liability coverage provided by a financial instrument authorized in paragraphs (b)(1) through (b)(6) of this section; or

(ii) A Certification of Valid Claim for bodily injury or property damages caused by a sudden or non-sudden accidental occurrence arising from the operation of a hazardous secondary material treatment and/or storage facility is entered between the owner or operator and third-party claimant for liability coverage under paragraphs (b)(1) through (b)(6) of this section; or

(iii) A final court order establishing a judgment for bodily injury or property damage caused by a sudden or non-sudden accidental occurrence arising from the operation of a hazardous secondary material treatment and/or storage facility is issued against the owner or operator or an instrument that is providing financial assurance for liability coverage under paragraphs (b)(1) through (b)(6) of this section.

(c) *Request for variance.* If an owner or operator can demonstrate to the satisfaction of the Regional Administrator that the levels of financial responsibility required by paragraph (a) or (b) of this section are not consistent with the degree and duration of risk associated with treatment and/or storage at the facility or group of facilities, the owner or operator may obtain a variance from the Regional Administrator. The request for a variance must be submitted in writing to the Regional Administrator. If granted, the variance will take the form of an adjusted level of required liability coverage, such level to be based on the Regional Administrator's assessment of the degree and duration of risk associated with the ownership or operation of the facility or group of facilities. The Regional Administrator may require an owner or operator who requests a variance to provide such technical and engineering information as is deemed necessary by the Regional Administrator to determine a level of financial responsibility other than that required by paragraph (a) or (b) of this section.

(d) *Adjustments by the Regional Administrator.* If the Regional Administrator determines that the levels of financial responsibility required by paragraph (a) or (b) of this section are not consistent with the degree and duration of risk associated with treatment and/or storage at the facility or group of facilities, the Regional Administrator may adjust the level of financial responsibility required under paragraph (a) or (b) of this section as may be necessary to protect human health and the environment. This adjusted level will be based on the Regional Administrator's assessment of the degree and duration of risk associated with the ownership or operation of the facility or group of facilities. In addition, if the Regional Administrator determines that there is a significant risk to human health and the environment from nonsudden accidental occurrences resulting from the operations of a facility that is not a surface impoundment, pile, or land treatment facility, he may require that an owner or operator of the facility comply with paragraph (b) of this section. An owner or operator must furnish to the Regional Administrator, within a reasonable time, any information which the Regional Administrator requests to determine whether cause exists for such adjustments of level or type of coverage.

(e) *Period of coverage.* Within 60 days after receiving certifications from the owner or operator and a qualified Professional Engineer that all hazardous secondary materials have been removed from the facility or a unit at the facility and the facility or a unit has been decontaminated in accordance with the approved plan per § 261.143(h), the Regional Administrator will notify the owner or operator in writing that he is no longer required under § 261.4(a)(24)(vi)(F) to maintain liability coverage for that facility or a unit at the facility, unless the Regional Administrator has reason to believe that that all hazardous secondary materials have not been removed from the facility or unit at a facility or that the facility or unit has not been decontaminated in accordance with the approved plan.

(f) *Financial test for liability coverage.* (1) An owner or operator may satisfy the requirements of this section by demonstrating that he passes a financial test as specified in this paragraph. To pass this test the owner or operator must meet the criteria of paragraph (f)(1) (i) or (ii) of this section:

(i) The owner or operator must have:

(A) Net working capital and tangible net worth each at least six times the amount of liability coverage to be demonstrated by this test; and

(B) Tangible net worth of at least $10 million; and

(C) Assets in the United States amounting to either:

(*1*) At least 90 percent of his total assets; or

(*2*) at least six times the amount of liability coverage to be demonstrated by this test.

(ii) The owner or operator must have:

(A) A current rating for his most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's, or Aaa, Aa, A, or Baa as issued by Moody's; and

(B) Tangible net worth of at least $10 million; and

(C) Tangible net worth at least six times the amount of liability coverage to be demonstrated by this test; and

(D) Assets in the United States amounting to either:

(*1*) At least 90 percent of his total assets; or

(*2*) at least six times the amount of liability coverage to be demonstrated by this test.

(2) The phrase "amount of liability coverage" as used in paragraph (f)(1) of this section refers to the annual aggregate amounts for which coverage is required under paragraphs (a) and (b) of this section and the annual aggregate amounts for which coverage is required under paragraphs (a) and (b) of 40 CFR 264.147 and 265.147.

(3) To demonstrate that he meets this test, the owner or operator must submit the following three items to the Regional Administrator:

(i) A letter signed by the owner's or operator's chief financial officer and worded as specified in § 261.151(f). If an owner or operator is using the financial test to demonstrate both assurance as specified by § 261.143(e), *and* liability coverage, he must submit the letter specified in § 261.151(f) to cover both forms of financial responsibility; a separate letter as specified in § 261.151(e) is not required.

(ii) A copy of the independent certified public accountant's report on examination of the owner's or operator's financial statements for the latest completed fiscal year.

(iii) If the chief financial officer's letter providing evidence of financial assurance includes financial data showing that the owner or operator satisfies paragraph (f)(1)(i) of this

section that are different from the data in the audited financial statements referred to in paragraph (f)(3)(ii) of this section or any other audited financial statement or data filed with the SEC, then a special report from the owner's or operator's independent certified public accountant to the owner or operator is required. The special report shall be based upon an agreed upon procedures engagement in accordance with professional auditing standards and shall describe the procedures performed in comparing the data in the chief financial officer's letter derived from the independently audited, year-end financial statements for the latest fiscal year with the amounts in such financial statements, the findings of the comparison, and the reasons for any difference.

(4) The owner or operator may obtain a one-time extension of the time allowed for submission of the documents specified in paragraph (f)(3) of this section if the fiscal year of the owner or operator ends during the 90 days prior to the effective date of these regulations and if the year-end financial statements for that fiscal year will be audited by an independent certified public accountant. The extension will end no later than 90 days after the end of the owner's or operator's fiscal year. To obtain the extension, the owner's or operator's chief financial officer must send, by the effective date of these regulations, a letter to the Regional Administrator of each Region in which the owner's or operator's facilities to be covered by the financial test are located. This letter from the chief financial officer must:

(i) Request the extension;

(ii) Certify that he has grounds to believe that the owner or operator meets the criteria of the financial test;

(iii) Specify for each facility to be covered by the test the EPA Identification Number, name, address, the amount of liability coverage and, when applicable, current closure and post-closure cost estimates to be covered by the test;

(iv) Specify the date ending the owner's or operator's last complete fiscal year before the effective date of these regulations;

(v) Specify the date, no later than 90 days after the end of such fiscal year, when he will submit the documents specified in paragraph (f)(3) of this section; and

(vi) Certify that the year-end financial statements of the owner or operator for such fiscal year will be audited by an independent certified public accountant.

(5) After the initial submission of items specified in paragraph (f)(3) of this section, the owner or operator must send updated information to the Regional Administrator within 90 days after the close of each succeeding fiscal year. This information must consist of all three items specified in paragraph (f)(3) of this section.

(6) If the owner or operator no longer meets the requirements of paragraph (f)(1) of this section, he must obtain insurance, a letter of credit, a surety bond, a trust fund, or a guarantee for the entire amount of required liability coverage as specified in this section. Evidence of liability coverage must be submitted to the Regional Administrator within 90 days after the end of the fiscal year for which the year-end financial data show that the owner or operator no longer meets the test requirements.

(7) The Regional Administrator may disallow use of this test on the basis of qualifications in the opinion expressed by the independent certified public accountant in his report on examination of the owner's or operator's financial statements (see paragraph (f)(3)(ii) of this section). An adverse opinion or a disclaimer of opinion will be cause for disallowance. The Regional Administrator will evaluate other qualifications on an individual basis. The owner or operator must provide evidence of insurance for the entire amount of required liability coverage as specified in this section within 30 days after notification of disallowance.

(g) *Guarantee for liability coverage.* (1) Subject to paragraph (g)(2) of this section, an owner or operator may meet the requirements of this section by obtaining a written guarantee, hereinafter referred to as "guarantee." The guarantor must be the direct or higher-tier parent corporation of the owner or operator, a firm whose parent corporation is also the parent corporation of the owner or operator, or a firm with a "substantial business relationship" with the owner or operator. The guarantor must meet the requirements for owners or operators in paragraphs (f)(1) through (f)(6) of this section. The wording of the guarantee must be identical to the wording specified in § 261.151(g)(2). A certified copy of the guarantee must accompany the items sent to the Regional Administrator as specified in paragraph (f)(3) of this section. One of these items must be the letter from the guarantor's chief financial officer. If the guarantor's parent corporation is also the parent corporation of the owner or operator, this letter must describe the value received in consideration of the guarantee. If the guarantor is a firm with a "substantial business relationship" with the owner or operator, this letter must describe this "substantial business relationship" and the value received in consideration of the guarantee.

(i) If the owner or operator fails to satisfy a judgment based on a determination of liability for bodily injury or property damage to third parties caused by sudden or nonsudden accidental occurrences (or both as the case may be), arising from the operation of facilities covered by this corporate guarantee, or fails to pay an amount agreed to in settlement of claims arising from or alleged to arise from such injury or damage, the guarantor will do so up to the limits of coverage.

(ii) [Reserved]

(2)(i) In the case of corporations incorporated in the United States, a guarantee may be used to satisfy the requirements of this section only if the Attorneys General or Insurance Commissioners of:

(A) The State in which the guarantor is incorporated; and

(B) Each State in which a facility covered by the guarantee is located have submitted a written statement to EPA that a guarantee executed as described in this section and § 264.151(g)(2) is a legally valid and enforceable obligation in that State.

(ii) In the case of corporations incorporated outside the United States, a guarantee may be used to satisfy the requirements of this section only if:

(A) The non-U.S. corporation has identified a registered agent for service of process in each State in which a facility covered by the guarantee is located and in the State in which it has its principal place of business; and if

(B) The Attorney General or Insurance Commissioner of each State in which a facility covered by the guarantee is located and the State in which the guarantor corporation has its principal place of business, has submitted a written statement to EPA that a guarantee executed as described in this section and § 261.151(h)(2) is a legally valid and enforceable obligation in that State.

(h) *Letter of credit for liability coverage.* (1) An owner or operator may satisfy the requirements of this section by obtaining an irrevocable standby letter of credit that conforms to the requirements of this paragraph and submitting a copy of the letter of credit to the Regional Administrator.

(2) The financial institution issuing the letter of credit must be an entity that has the authority to issue letters of credit and whose letter of credit operations are regulated and examined by a Federal or State agency.

(3) The wording of the letter of credit must be identical to the wording specified in § 261.151(j).

(4) An owner or operator who uses a letter of credit to satisfy the requirements of this section may also establish a standby trust fund. Under the terms of such a letter of credit, all amounts paid pursuant to a draft by the trustee of the standby trust will be deposited by the issuing institution into the standby trust in accordance with instructions from the trustee. The trustee of the standby trust fund must be an entity which has the authority to act as a trustee and whose trust operations are regulated and examined by a Federal or State agency.

(5) The wording of the standby trust fund must be identical to the wording specified in § 261.151(m).

(i) *Surety bond for liability coverage.* (1) An owner or operator may satisfy the requirements of this section by obtaining a surety bond that conforms to the requirements of this paragraph and submitting a copy of the bond to the Regional Administrator.

(2) The surety company issuing the bond must be among those listed as acceptable sureties on Federal bonds in the most recent Circular 570 of the U.S. Department of the Treasury.

(3) The wording of the surety bond must be identical to the wording specified in § 261.151(k) of this chapter.

(4) A surety bond may be used to satisfy the requirements of this section only if the Attorneys General or Insurance Commissioners of:

(i) The State in which the surety is incorporated; and

(ii) Each State in which a facility covered by the surety bond is located have submitted a written statement to EPA that a surety bond executed as described in this section and § 261.151(k) is a legally valid and enforceable obligation in that State.

(j) *Trust fund for liability coverage.* (1) An owner or operator may satisfy the requirements of this section by establishing a trust fund that conforms to the requirements of this paragraph and submitting an originally signed duplicate of the trust agreement to the Regional Administrator.

(2) The trustee must be an entity which has the authority to act as a trustee and whose trust operations are regulated and examined by a Federal or State agency.

(3) The trust fund for liability coverage must be funded for the full amount of the liability coverage to be provided by the trust fund before it may be relied upon to satisfy the requirements of this section. If at any time after the trust fund is created the amount of funds in the trust fund is reduced below the full amount of the liability coverage to be provided, the owner or operator, by the anniversary date of the establishment of the Fund, must either add sufficient funds to the trust fund to cause its value to equal the full amount of liability coverage to be provided, or obtain other financial assurance as specified in this section to cover the difference. For purposes of this paragraph, "the full amount of the liability coverage to be provided" means the amount of coverage for sudden and/or nonsudden occurrences required to be provided by the owner or operator by this section, less the amount of financial assurance for liability coverage that is being provided by other financial assurance mechanisms being used to demonstrate financial assurance by the owner or operator.

(4) The wording of the trust fund must be identical to the wording specified in § 261.151(l).

**§ 261.148 Incapacity of owners or operators, guarantors, or financial institutions.**

(a) An owner or operator must notify the Regional Administrator by certified mail of the commencement of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming the owner or operator as debtor, within 10 days after commencement of the proceeding. A guarantor of a corporate guarantee as specified in § 261.143(e) must make such a notification if he is named as debtor, as required under the terms of the corporate guarantee.

(b) An owner or operator who fulfills the requirements of § 261.143 or § 261.147 by obtaining a trust fund, surety bond, letter of credit, or insurance policy will be deemed to be without the required financial assurance or liability coverage in the event of bankruptcy of the trustee or issuing institution, or a suspension or revocation of the authority of the trustee institution to act as trustee or of the institution issuing the surety bond, letter of credit, or insurance policy to issue such instruments. The owner or operator must establish other financial assurance or liability coverage within 60 days after such an event.

**§ 261.149 Use of State-required mechanisms.**

(a) For a reclamation or intermediate facility located in a State where EPA is administering the requirements of this subpart but where the State has regulations that include requirements for financial assurance of closure or liability coverage, an owner or operator may use State-required financial mechanisms to meet the requirements of § 261.143 or § 261.147 if the Regional Administrator determines that the State mechanisms are at least equivalent to the financial mechanisms specified in this subpart. The Regional Administrator will evaluate the equivalency of the mechanisms principally in terms of certainty of the availability of: Funds for the required closure activities or liability coverage; and the amount of funds that will be made available. The Regional Administrator may also consider other factors as he deems appropriate. The owner or operator must submit to the Regional Administrator evidence of the establishment of the mechanism together with a letter requesting that the State-required mechanism be considered acceptable for meeting the requirements of this subpart. The submission must include the following information: The facility's EPA Identification Number (if available), name, and address, and the amount of funds for closure or liability coverage assured by the mechanism. The Regional Administrator will notify the owner or operator of his determination regarding the mechanism's acceptability in lieu of financial mechanisms specified in this subpart. The Regional Administrator may require the owner or operator to submit additional information as is deemed necessary to make this determination. Pending this determination, the owner or operator will be deemed to be in compliance with the requirements of § 261.143 or § 261.147, as applicable.

(b) If a State-required mechanism is found acceptable as specified in paragraph (a) of this section except for the amount of funds available, the owner or operator may satisfy the requirements of this subpart by increasing the funds available through the State-required mechanism or using additional financial mechanisms as specified in this subpart. The amount of funds available through the State and Federal mechanisms must at least equal the amount required by this subpart.

**§ 261.150 State assumption of responsibility.**

(a) If a State either assumes legal responsibility for an owner's or operator's compliance with the closure or liability requirements of this part or assures that funds will be available from State sources to cover those requirements, the owner or operator will be in compliance with the requirements of § 261.143 or § 261.147 if the Regional Administrator determines that the State's assumption of responsibility is at

least equivalent to the financial mechanisms specified in this subpart. The Regional Administrator will evaluate the equivalency of State guarantees principally in terms of: Certainty of the availability of funds for the required closure activities or liability coverage; and the amount of funds that will be made available. The Regional Administrator may also consider other factors as he deems appropriate. The owner or operator must submit to the Regional Administrator a letter from the State describing the nature of the State's assumption of responsibility together with a letter from the owner or operator requesting that the State's assumption of responsibility be considered acceptable for meeting the requirements of this subpart. The letter from the State must include, or have attached to it, the following information: The facility's EPA Identification Number (if available), name, and address, and the amount of funds for closure or liability coverage that are guaranteed by the State. The Regional Administrator will notify the owner or operator of his determination regarding the acceptability of the State's guarantee in lieu of financial mechanisms specified in this subpart. The Regional Administrator may require the owner or operator to submit additional information as is deemed necessary to make this determination. Pending this determination, the owner or operator will be deemed to be in compliance with the requirements of § 265.143 or § 265.147, as applicable.

(b) If a State's assumption of responsibility is found acceptable as specified in paragraph (a) of this section except for the amount of funds available, the owner or operator may satisfy the requirements of this subpart by use of both the State's assurance and additional financial mechanisms as specified in this subpart. The amount of funds available through the State and Federal mechanisms must at least equal the amount required by this subpart.

**§ 261.151 Wording of the instruments.**

(a)(1) A trust agreement for a trust fund, as specified in § 261.143(a) must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Trust Agreement**

Trust Agreement, the "Agreement," entered into as of [date] by and between [name of the owner or operator], a [name of State] [insert "corporation," "partnership," "association," or "proprietorship"], the "Grantor," and [name of corporate trustee], [insert "incorporated in the State of _____ ----" or "a national bank"], the "Trustee."

Whereas, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator of a facility regulated under parts 264, or 265, or satisfying the conditions of the exclusion under § 261.4(a)(24) shall provide assurance that funds will be available if needed for care of the facility under 40 CFR parts 264 or 265, subparts G, as applicable ,

Whereas, the Grantor has elected to establish a trust to provide all or part of such financial assurance for the facilities identified herein,

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee,

Now, Therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of Facilities and Cost Estimates. This Agreement pertains to the facilities and cost estimates identified on attached Schedule A [on Schedule A, for each facility list the EPA Identification Number (if available), name, address, and the current cost estimates, or portions thereof, for which financial assurance is demonstrated by this Agreement].

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of EPA in the event that the hazardous secondary materials of the grantor no longer meet the conditions of the exclusion under § 261.4(a)(24). The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Section 4. Payments from the Fund. The Trustee shall make payments from the Fund as the EPA Regional Administrator shall direct, in writing, to provide for the payment of the costs of the performance of activities required under subpart G of 40 CFR parts 264 or 265 for the facilities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the EPA Regional Administrator from the Fund for expenditures for such activities in such amounts as the beneficiary shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the EPA Regional Administrator specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a–2.(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or State government; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a–1 *et seq.*, including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing

with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depositary even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depositary with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. The Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the appropriate EPA Regional Administrator a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days prior to the anniversary date of establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the EPA Regional Administrator shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A or such other designees as the Grantor may designate by amendment to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the EPA Regional Administrator to the Trustee shall be in writing, signed by the EPA Regional Administrators of the Regions in which the facilities are located, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or EPA hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the appropriate EPA Regional Administrator, or by the Trustee and the appropriate EPA Regional Administrator if the Grantor ceases to exist.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator, if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of [insert name of State].

Section 19. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In Witness Whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals to be hereunto affixed and attested as of the date first above written: The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 261.151(a)(1) as such regulations were constituted on the date first above written.

[Signature of Grantor]
[Title]

Attest:
[Title]
[Seal]
[Signature of Trustee]

Attest:
[Title]
[Seal]

(2) The following is an example of the certification of acknowledgment which must accompany the trust agreement for a trust fund as specified in § 261.143(a) of this chapter. State requirements may differ on the proper content of this acknowledgment.

*State of* _____
County of _____

On this [date], before me personally came [owner or operator] to me known, who, being by me duly sworn, did depose and say that she/he resides at [address], that she/he is [title] of [corporation], the corporation described in and which executed the above instrument; that she/he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that she/he signed her/his name thereto by like order.

[Signature of Notary Public]

(b) A surety bond guaranteeing payment into a trust fund, as specified in § 261.143(b) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Financial Guarantee Bond**

Date bond executed:
Effective date:
Principal: [legal name and business address of owner or operator]
Type of Organization: [insert "individual," "joint venture," "partnership," or "corporation"]
State of incorporation: _____
Surety(ies): [name(s) and business address(es)]
EPA Identification Number, name, address and amount(s) for each facility guaranteed by this bond: _____
Total penal sum of bond: $ _____
Surety's bond number: _____

Know All Persons By These Presents, That we, the Principal and Surety(ies) are firmly bound to the U.S. EPA in the event that the hazardous secondary materials at the reclamation or intermediate facility listed below no longer meet the conditions of the exclusion under 40 CFR 261.4(a)(24), in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that, where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

Whereas said Principal is required, under the Resource Conservation and Recovery Act as amended (RCRA), to have a permit or interim status in order to own or operate each facility identified above, or to meet conditions under 40 CFR sections 261.4(a)(24), and

Whereas said Principal is required to provide financial assurance as a condition of permit or interim status or as a condition of an exclusion under 40 CFR sections 261.4(a)(24) and

Whereas said Principal shall establish a standby trust fund as is required when a surety bond is used to provide such financial assurance;

Now, Therefore, the conditions of the obligation are such that if the Principal shall faithfully, before the beginning of final closure of each facility identified above, fund the standby trust fund in the amount(s) identified above for the facility,

Or, if the Principal shall satisfy all the conditions established for exclusion of hazardous secondary materials from coverage as solid waste under 40 CFR sections 261.4(a)(24),

Or, if the Principal shall fund the standby trust fund in such amount(s) within 15 days after a final order to begin closure is issued by an EPA Regional Administrator or a U.S. district court or other court of competent jurisdiction,

Or, if the Principal shall provide alternate financial assurance, as specified in subpart H of 40 CFR part 261, as applicable, and obtain the EPA Regional Administrator's written approval of such assurance, within 90 days after the date notice of cancellation is received by both the Principal and the EPA Regional Administrator(s) from the Surety(ies), then this obligation shall be null and void; otherwise it is to remain in full force and effect.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above. Upon notification by an EPA Regional Administrator that the Principal has failed to perform as guaranteed by this bond, the Surety(ies) shall place funds in the amount guaranteed for the facility(ies) into the standby trust fund as directed by the EPA Regional Administrator.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of said penal sum.

The Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the Principal and to the EPA Regional Administrator(s) for the Region(s) in which the facility(ies) is (are) located, provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by both the Principal and the EPA Regional Administrator(s), as evidenced by the return receipts.

The Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the EPA Regional Administrator(s) of the EPA Region(s) in which the bonded facility(ies) is (are) located.

[The following paragraph is an optional rider that may be included but is not required.]

Principal and Surety(ies) hereby agree to adjust the penal sum of the bond yearly so that it guarantees a new amount, provided that the penal sum does not increase by more than 20 percent in any one year, and no decrease in the penal sum takes place without the written permission of the EPA Regional Administrator(s).

In Witness Whereof, the Principal and Surety(ies) have executed this Financial Guarantee Bond and have affixed their seals on the date set forth above.

The persons whose signatures appear below hereby certify that they are authorized to execute this surety bond on behalf of the Principal and Surety(ies) and that the wording of this surety bond is identical to the wording specified in 40 CFR 261.151(b) as such regulations were constituted on the date this bond was executed.

**Principal**

[Signature(s)]

_____

[Name(s)]

_____

[Title(s)]

_____

[Corporate seal] _____

**Corporate Surety(ies)**

[Name and address]
State of incorporation: _____
Liability limit:
$ _____
[Signature(s)]
[Name(s) and title(s)]
[Corporate seal]
[For every co-surety, provide signature(s), corporate seal, and other information in the same manner as for Surety above.]
Bond premium: $ _____

(c) A letter of credit, as specified in § 261.143(c) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Irrevocable Standby Letter of Credit

Regional Administrator(s)

Region(s) _____

U.S. Environmental Protection Agency

Dear Sir or Madam: We hereby establish our Irrevocable Standby Letter of Credit No. _____ in your favor, in the event that the hazardous secondary materials at the covered reclamation or intermediary facility(ies) no longer meet the conditions of the exclusion under 40 CFR 261.4(a)(24), at the request and for the account of [owner's or operator's name and address] up to the aggregate amount of [in words] U.S. dollars $_____, available upon presentation of

(1) your sight draft, bearing reference to this letter of credit No.____, and

(2) your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of the Resource Conservation and Recovery Act of 1976 as amended."

This letter of credit is effective as of [date] and shall expire on [date at least 1 year later], but such expiration date shall be automatically extended for a period of [at least 1 year] on [date] and on each successive expiration date, unless, at least 120 days before the current expiration date, we notify both you and [owner's or operator's name] by certified mail that we have decided not to extend this letter of credit beyond the current expiration date. In the event you are so notified, any unused portion of the credit shall be available upon presentation of your sight draft for 120 days after the date of receipt by both you and [owner's or operator's name], as shown on the signed return receipts.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us, and we shall deposit the amount of the draft directly into the standby trust fund of [owner's or operator's name] in accordance with your instructions.

We certify that the wording of this letter of credit is identical to the wording specified in 40 CFR 261.151(c) as such regulations were constituted on the date shown immediately below.

[Signature(s) and title(s) of official(s) of issuing institution] [Date]

This credit is subject to [insert "the most recent edition of the Uniform Customs and Practice for Documentary Credits, published

and copyrighted by the International Chamber of Commerce," or "the Uniform Commercial Code"].

(d) A certificate of insurance, as specified in § 261.143(e) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Certificate of Insurance

Name and Address of Insurer (herein called the "Insurer"):

_____

Name and Address of Insured (herein called the "Insured"):

_____

Facilities Covered: [List for each facility: The EPA Identification Number (if any issued), name, address, and the amount of insurance for all facilities covered, which must total the face amount shown below.

Face Amount:

_____

Policy Number: _____

Effective Date:

_____

The Insurer hereby certifies that it has issued to the Insured the policy of insurance identified above to provide financial assurance so that in accordance with applicable regulations all hazardous secondary materials can be removed from the facility or any unit at the facility and the facility or any unit at the facility can be decontaminated at the facilities identified above. The Insurer further warrants that such policy conforms in all respects with the requirements of 40 CFR 261.143(d) as applicable and as such regulations were constituted on the date shown immediately below. It is agreed that any provision of the policy inconsistent with such regulations is hereby amended to eliminate such inconsistency.

Whenever requested by the EPA Regional Administrator(s) of the U.S. Environmental Protection Agency, the Insurer agrees to furnish to the EPA Regional Administrator(s) a duplicate original of the policy listed above, including all endorsements thereon.

I hereby certify that the wording of this certificate is identical to the wording specified in 40 CFR 261.151(d) such regulations were constituted on the date shown immediately below.

[Authorized signature for Insurer]

[Name of person signing]

[Title of person signing]

Signature of witness or notary: _____

[Date]

(e) A letter from the chief financial officer, as specified in § 261.143(e) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Letter From Chief Financial Officer

[Address to Regional Administrator of every Region in which facilities for which financial responsibility is to be demonstrated through the financial test are located].

I am the chief financial officer of [name and address of firm]. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in subpart H of 40 CFR part 261.

[Fill out the following nine paragraphs regarding facilities and associated cost estimates. If your firm has no facilities that belong in a particular paragraph, write "None" in the space indicated. For each facility, include its EPA Identification Number (if any issued), name, address, and current cost estimates.]

1. This firm is the owner or operator of the following facilities for which financial assurance is demonstrated through the financial test specified in subpart H of 40 CFR 261. The current cost estimates covered by the test are shown for each facility: _____.

2. This firm guarantees, through the guarantee specified in subpart H of 40 CFR part 261, the following facilities owned or operated by the guaranteed party. The current cost estimates so guaranteed are shown for each facility: _____. The firm identified above is [insert one or more: (1) The direct or higher-tier parent corporation of the owner or operator; (2) owned by the same parent corporation as the parent corporation of the owner or operator, and receiving the following value in consideration of this guarantee_____, or (3) engaged in the following substantial business relationship with the owner or operator _____, and receiving the following value in consideration of this guarantee_____]. [Attach a written description of the business relationship or a copy of the contract establishing such relationship to this letter].

3. In States where EPA is not administering the financial requirements of subpart H of 40 CFR part 261, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR part 261. The current cost estimates covered by such a test are shown for each facility:_____.

4. This firm is the owner or operator of the following hazardous secondary materials management facilities for which financial assurance is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in subpart H of 40 CFR part 261 or equivalent or substantially equivalent State mechanisms. The current cost estimates not covered by such financial assurance are shown for each facility:_____.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:_____.

6. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: _____ .

7. This firm guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: _____. The firm identified above is [insert one or more: (1) The direct or higher-tier parent corporation of the owner or operator; (2) owned by the same parent corporation as the parent corporation of the owner or operator, and receiving the following value in consideration of this guarantee _____; or (3) engaged in the following substantial business relationship with the owner or operator ____, and receiving the following value in consideration of this guarantee ____]. [Attach a written description of the business relationship or a copy of the contract establishing such relationship to this letter].

8. In States where EPA is not administering the financial requirements of subpart H of 40 CFR part 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: ____.

9. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in subpart H of 40 CFR parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: ____.

This firm [insert "is required" or "is not required"] to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on [month, day]. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended [date].

[Fill in Alternative I if the criteria of paragraph (e)(1)(i) of § 261.143 of this chapter are used. Fill in Alternative II if the criteria of paragraph (e)(1)(ii) of § 261.143(e) of this chapter are used.]

Alternative I

1. Sum of current cost estimates [total of all cost estimates shown in the nine paragraphs above] $____

*2. Total liabilities [if any portion of the cost estimates is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines 3 and 4] $____

*3. Tangible net worth $_____

*4. Net worth $_____

*5. Current assets $_____

*6. Current liabilities $_____

7. Net working capital [line 5 minus line 6] $_____

*8. The sum of net income plus depreciation, depletion, and amortization $_____-

*9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) $_____-

10. Is line 3 at least $10 million? (Yes/No) _____

11. Is line 3 at least 6 times line 1? (Yes/No) _____-

12. Is line 7 at least 6 times line 1? (Yes/No) _____-

*13. Are at least 90% of firm's assets located in the U.S.? If not, complete line 14 (Yes/No) _____

14. Is line 9 at least 6 times line 1? (Yes/No) _____-

15. Is line 2 divided by line 4 less than 2.0? (Yes/No) _____-

16. Is line 8 divided by line 2 greater than 0.1? (Yes/No) _____-

17. Is line 5 divided by line 6 greater than 1.5? (Yes/No) _____-

Alternative II

1. Sum of current cost estimates [total of all cost estimates shown in the eight paragraphs above] $_____-

2. Current bond rating of most recent issuance of this firm and name of rating service _____-

3. Date of issuance of bond _____-

4. Date of maturity of bond _____-

*5. Tangible net worth [if any portion of the cost estimates is included in "total liabilities" on your firm's financial statements, you may add the amount of that portion to this line] $_____-

*6. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.) $_____-

7. Is line 5 at least $10 million? (Yes/No) _____

8. Is line 5 at least 6 times line 1? (Yes/No) _____

*9. Are at least 90% of firm's assets located in the U.S.? If not, complete line 10 (Yes/No) _____

10. Is line 6 at least 6 times line 1? (Yes/No) _____-

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 261.151(e) as such regulations were constituted on the date shown immediately below.

[Signature] _____

[Name] _____

[Title] _____

[Date]

_____

(f) A letter from the chief financial officer, as specified in Sec. 261.147(f) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted.

Letter From Chief Financial Officer

[Address to Regional Administrator of every Region in which facilities for which financial responsibility is to be demonstrated through the financial test are located].

I am the chief financial officer of [firm's name and address]. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage under § 261.147[insert "and costs assured § 261.143(e)" if applicable] as specified in subpart H of 40 CFR part 261.

[Fill out the following paragraphs regarding facilities and liability coverage. If there are no facilities that belong in a particular paragraph, write "None" in the space indicated. For each facility, include its EPA Identification Number (if any issued), name, and address].

The firm identified above is the owner or operator of the following facilities for which liability coverage for [insert "sudden" or "nonsudden" or "both sudden and nonsudden"] accidental occurrences is being demonstrated through the financial test specified in subpart H of 40 CFR part 261:_____

The firm identified above guarantees, through the guarantee specified in subpart H of 40 CFR part 261, liability coverage for [insert "sudden" or "nonsudden" or "both sudden and nonsudden"] accidental occurrences at the following facilities owned or operated by the following: _____-. The firm identified above is [insert one or more: (1) The direct or higher-tier parent corporation of the owner or operator; (2) owned by the same parent corporation as the parent corporation of the owner or operator, and receiving the following value in consideration of this guarantee -_____; or (3) engaged in the following substantial business relationship with the owner or operator _____-, and receiving the following value in consideration of this guarantee _____-]. [Attach a written description of the business relationship or a copy of the contract establishing such relationship to this letter.]

The firm identified above is the owner or operator of the following facilities for which liability coverage for [insert "sudden" or "nonsudden" or "both sudden and nonsudden"] accidental occurrences is being demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265:_____

The firm identified above guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, liability coverage for [insert "sudden" or "nonsudden" or "both sudden and nonsudden"] accidental occurrences at the following facilities owned or operated by the following: ____. The firm identified above is [insert one or more: (1) The direct or higher-tier parent corporation of the owner or operator; (2) owned by the same parent corporation as the parent corporation of the owner or operator, and receiving the following value in consideration of this guarantee ____; or (3) engaged in the following substantial business relationship with the owner or operator ____, and receiving the following value in consideration of this guarantee ____]. [Attach a written description of the business relationship or a copy of the contract establishing such relationship to this letter.]

[If you are using the financial test to demonstrate coverage of both liability and costs assured under § 261.143(e) or closure or post-closure care costs under 40 CFR 264.143, 264.145, 265.143 or 265.145, fill in the following nine paragraphs regarding facilities and associated cost estimates. If there are no facilities that belong in a particular paragraph, write "None" in the space indicated. For each facility, include its EPA identification number (if any issued), name, address, and current cost estimates.]

1. This firm is the owner or operator of the following facilities for which financial assurance is demonstrated through the financial test specified in subpart H of 40 CFR 261. The current cost estimates covered by the test are shown for each facility:_____.

2. This firm guarantees, through the guarantee specified in subpart H of 40 CFR part 261, the following facilities owned or operated by the guaranteed party. The current cost estimates so guaranteed are shown for each facility:_____. The firm identified above is [insert one or more: (1) The direct or higher-tier parent corporation of the owner or operator; (2) owned by the same parent corporation as the parent corporation of the owner or operator, and receiving the following value in consideration of this guarantee_____, or (3) engaged in the following substantial business relationship with the owner or operator _____, and receiving the following value in consideration of this guarantee_____]. [Attach a written description of the business relationship or a copy of the contract establishing such relationship to this letter].

3. In States where EPA is not administering the financial requirements of subpart H of 40 CFR part 261, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR part 261. The current cost estimates covered by such a test are shown for each facility:_____.

4. This firm is the owner or operator of the following hazardous secondary materials management facilities for which financial assurance is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in subpart H of 40 CFR part 261 or equivalent or substantially equivalent State mechanisms. The current cost estimates not covered by such financial assurance are shown for each facility:_____.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:_____.

6. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: _____.

7. This firm guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by the guaranteed party. The

current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: _____. The firm identified above is [insert one or more: (1) The direct or higher-tier parent corporation of the owner or operator; (2) owned by the same parent corporation as the parent corporation of the owner or operator, and receiving the following value in consideration of this guarantee _____; or (3) engaged in the following substantial business relationship with the owner or operator _____, and receiving the following value in consideration of this guarantee _____].

[Attach a written description of the business relationship or a copy of the contract establishing such relationship to this letter].

8. In States where EPA is not administering the financial requirements of subpart H of 40 CFR part 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: _____.

9. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in subpart H of 40 CFR parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: _____.

This firm [insert "is required" or "is not required"] to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on [month, day]. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended [date].

**Part A. Liability Coverage for Accidental Occurrences**

[Fill in Alternative I if the criteria of paragraph (f)(1)(i) of Sec. 261.147 are used. Fill in Alternative II if the criteria of paragraph (f)(1)(ii) of Sec. 261.147 are used.]

**Alternative I**

1. Amount of annual aggregate liability coverage to be demonstrated $_____-.

*2. Current assets $_____-.

*3. Current liabilities $_____-.

4. Net working capital (line 2 minus line 3) $_____-.

*5. Tangible net worth $_____-.

*6. If less than 90% of assets are located in the U.S., give total U.S. assets $_____

7. Is line 5 at least $10 million? (Yes/No) _____-.

8. Is line 4 at least 6 times line 1? (Yes/No) _____-.

9. Is line 5 at least 6 times line 1? (Yes/No) _____-.

*10. Are at least 90% of assets located in the U.S.? (Yes/No) _____. If not, complete line 11.

11. Is line 6 at least 6 times line 1? (Yes/No) _____.

**Alternative II**

1. Amount of annual aggregate liability coverage to be demonstrated $_____-.

2. Current bond rating of most recent issuance and name of rating service _____ _____-.

3. Date of issuance of bond _____—.

4. Date of maturity of bond _____—.

*5. Tangible net worth $_____-.

*6. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) $_____-.

7. Is line 5 at least $10 million? (Yes/No) _____-.

8. Is line 5 at least 6 times line 1? _____

9. Are at least 90% of assets located in the U.S.? If not, complete line 10. (Yes/No) ——.

10. Is line 6 at least 6 times line 1? _____-.

[Fill in part B if you are using the financial test to demonstrate assurance of both liability coverage and costs assured under § 261.143(e) or closure or post-closure care costs under 40 CFR 264.143, 264.145, 265.143 or 265.145.]

**Part B. Facility Care and Liability Coverage**

[Fill in Alternative I if the criteria of paragraphs (e)(1)(i) of Sec. 261.143 and (f)(1)(i) of Sec. 261.147 are used. Fill in Alternative II if the criteria of paragraphs (e)(1)(ii) of Sec. 261.143 and (f)(1)(ii) of Sec. 261.147 are used.]

**Alternative I**

1. Sum of current cost estimates (total of all cost estimates listed above) $_____-

2. Amount of annual aggregate liability coverage to be demonstrated $_____-

3. Sum of lines 1 and 2 $_____

*4. Total liabilities (if any portion of your cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) $_____-

*5. Tangible net worth $_____

*6. Net worth $_____-

*7. Current assets $_____

*8. Current liabilities $_____

9. Net working capital (line 7 minus line 8) $_____

*10. The sum of net income plus depreciation, depletion, and amortization $_____-

*11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) $_____

12. Is line 5 at least $10 million? (Yes/No)

13. Is line 5 at least 6 times line 3? (Yes/No)

14. Is line 9 at least 6 times line 3? (Yes/No)

*15. Are at least 90% of assets located in the U.S.? (Yes/No) If not, complete line 16.

16. Is line 11 at least 6 times line 3? (Yes/No)

17. Is line 4 divided by line 6 less than 2.0? (Yes/No)

18. Is line 10 divided by line 4 greater than 0.1? (Yes/No)

19. Is line 7 divided by line 8 greater than 1.5? (Yes/No)

**Alternative II**

1. Sum of current cost estimates (total of all cost estimates listed above) $____-

2. Amount of annual aggregate liability coverage to be demonstrated $____-

3. Sum of lines 1 and 2 $____

4. Current bond rating of most recent issuance and name of rating service _____-

5. Date of issuance of bond _____—

6. Date of maturity of bond _____—

*7. Tangible net worth (if any portion of the cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line) $____-

*8. Total assets in the U.S. (required only if less than 90% of assets are located in the U.S.) $____-

9. Is line 7 at least $10 million? (Yes/No)

10. Is line 7 at least 6 times line 3? (Yes/No)

*11. Are at least 90% of assets located in the U.S.? (Yes/No) If not complete line 12.

12. Is line 8 at least 6 times line 3? (Yes/No)

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 261.151(f) as such regulations were constituted on the date shown immediately below.

[Signature] _____

[Name] _____

[Title] _____

[Date] _____

(g)(1) A corporate guarantee, as specified in § 261.143(e) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Corporate Guarantee for Facility Care**

Guarantee made this [date] by [name of guaranteeing entity], a business corporation organized under the laws of the State of [insert name of State], herein referred to as guarantor. This guarantee is made on behalf of the [owner or operator] of [business address], which is [one of the following: "our subsidiary"; "a subsidiary of [name and address of common parent corporation], of which guarantor is a subsidiary"; or "an entity with which guarantor has a substantial business relationship, as defined in 40 CFR 264.141(h) and 265.141(h)" to the United States Environmental Protection Agency (EPA).

**Recitals**

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in 40 CFR 261.143(e).

2. [Owner or operator] owns or operates the following facility(ies) covered by this guarantee: [List for each facility: EPA Identification Number (if any issued), name, and address.

3. "Closure plans" as used below refer to the plans maintained as required by subpart H of 40 CFR part 261 for the care of facilities as identified above.

4. For value received from [owner or operator], guarantor guarantees that in the event of a determination by the Regional Administrator that the hazardous secondary materials at the owner or operator's facility covered by this guarantee do not meet the conditions of the exclusion under § 261.4(a)(24), the guarantor will dispose of any hazardous secondary material as hazardous waste, and close the facility in accordance with closure requirements found in parts 264 or 265 of this chapter, as applicable, or establish a trust fund as specified in § 261.143(a) in the name of the owner or operator in the amount of the current cost estimate.

5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the EPA Regional Administrator(s) for the Region(s) in which the facility(ies) is(are) located and to [owner or operator] that he intends to provide alternate financial assurance as specified in subpart H of 40 CFR part 261, as applicable, in the name of [owner or operator]. Within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless [owner or operator] has done so.

6. The guarantor agrees to notify the EPA Regional Administrator by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding.

7. Guarantor agrees that within 30 days after being notified by an EPA Regional Administrator of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor, he shall establish alternate financial assurance as specified in of 40 CFR parts 264, 265, or subpart H of 40 CFR part 261, as applicable, in the name of [owner or operator] unless [owner or operator] has done so.

8. Guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following: amendment or modification of the closure plan, the extension or reduction of the time of performance, or any other modification or alteration of an obligation of the owner or operator pursuant to 40 CFR parts 264, 265, or Subpart H of 40 CFR part 261.

9. Guarantor agrees to remain bound under this guarantee for as long as [owner or operator] must comply with the applicable financial assurance requirements of 40 CFR parts 264 and 265 or the financial assurance condition of 40 CFR 261.4(a)(24)(vi)(F) for the above-listed facilities, except as provided in paragraph 10 of this agreement.

10. [Insert the following language if the guarantor is (a) a direct or higher-tier corporate parent, or (b) a firm whose parent corporation is also the parent corporation of the owner or operator]:

Guarantor may terminate this guarantee by sending notice by certified mail to the EPA Regional Administrator(s) for the Region(s) in which the facility(ies) is(are) located and to [owner or operator], provided that this guarantee may not be terminated unless and until [the owner or operator] obtains, and the EPA Regional Administrator(s) approve(s), alternate coverage complying with 40 CFR 261.143.

[Insert the following language if the guarantor is a firm qualifying as a guarantor due to its "substantial business relationship" with the owner or operator]

Guarantor may terminate this guarantee 120 days following the receipt of notification, through certified mail, by the EPA Regional Administrator(s) for the Region(s) in which the facility(ies) is(are) located and by [the owner or operator].

11. Guarantor agrees that if [owner or operator] fails to provide alternate financial assurance as specified in 40 CFR parts 264, 265, or subpart H of 40 CFR 261, as applicable, and obtain written approval of such assurance from the EPA Regional Administrator(s) within 90 days after a notice of cancellation by the guarantor is received by an EPA Regional Administrator from guarantor, guarantor shall provide such alternate financial assurance in the name of [owner or operator].

12. Guarantor expressly waives notice of acceptance of this guarantee by the EPA or by [owner or operator]. Guarantor also expressly waives notice of amendments or modifications of the closure plan and of amendments or modifications of the applicable requirements of 40 CFR parts 264, 265, or subpart H of 40 CFR 261.

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 261.151(g)(1) as such regulations were constituted on the date first above written.

Effective date: _____

[Name of guarantor] _____

[Authorized signature for guarantor] _____

[Name of person signing] _____

[Title of person signing] _____

Signature of witness or notary: _____

(2) A guarantee, as specified in Sec. 261.147(g) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Guarantee for Liability Coverage**

Guarantee made this [date] by [name of guaranteeing entity], a business corporation organized under the laws of [if incorporated within the United States insert "the State of ____" and insert name of State; if incorporated outside the United States insert the name of the country in which incorporated, the principal place of business within the United States, and the name and address of the registered agent in the State of the principal place of business], herein referred to as guarantor. This guarantee is made on behalf of [owner or operator] of [business address], which is one of the following: "our subsidiary;" "a subsidiary of [name and address of common parent corporation], of which guarantor is a subsidiary;" or "an entity with which guarantor has a substantial business relationship, as defined in 40 CFR [either 264.141(h) or 265.141(h)]", to any and all third parties who have sustained or may sustain bodily injury or property damage caused by [sudden and/or nonsudden] accidental occurrences arising from operation of the facility(ies) covered by this guarantee.

**Recitals**

1. Guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in 40 CFR 261.147(g).

2. [Owner or operator] owns or operates the following facility(ies) covered by this guarantee: [List for each facility: EPA identification number (if any issued), name, and address; and if guarantor is incorporated outside the United States list the name and address of the guarantor's registered agent in each State.] This corporate guarantee satisfies RCRA third-party liability requirements for [insert "sudden" or "nonsudden" or "both sudden and nonsudden"] accidental occurrences in above-named owner or operator facilities for coverage in the amount of [insert dollar amount] for each occurrence and [insert dollar amount] annual aggregate.

3. For value received from [owner or operator], guarantor guarantees to any and all third parties who have sustained or may sustain bodily injury or property damage caused by [sudden and/or nonsudden] accidental occurrences arising from operations of the facility(ies) covered by this guarantee that in the event that [owner or operator] fails to satisfy a judgment or award based on a determination of liability for bodily injury or property damage to third parties caused by [sudden and/or nonsudden] accidental occurrences, arising from the operation of the above-named facilities, or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor will satisfy such judgment(s), award(s) or settlement agreement(s) up to the limits of coverage identified above.

4. Such obligation does not apply to any of the following:

(a) Bodily injury or property damage for which [insert owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that [insert owner or operator] would be obligated to pay in the absence of the contract or agreement.

(b) Any obligation of [insert owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or any similar law.

(c) Bodily injury to:

(1) An employee of [insert owner or operator] arising from, and in the course of, employment by [insert owner or operator]; or

(2) The spouse, child, parent, brother, or sister of that employee as a consequence of, or arising from, and in the course of employment by [insert owner or operator]. This exclusion applies:

(A) Whether [insert owner or operator] may be liable as an employer or in any other capacity; and

(B) To any obligation to share damages with or repay another person who must pay damages because of the injury to persons identified in paragraphs (1) and (2).

(d) Bodily injury or property damage arising out of the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle or watercraft.

(e) Property damage to:

(1) Any property owned, rented, or occupied by [insert owner or operator];

(2) Premises that are sold, given away or abandoned by [insert owner or operator] if the property damage arises out of any part of those premises;

(3) Property loaned to [insert owner or operator];

(4) Personal property in the care, custody or control of [insert owner or operator];

(5) That particular part of real property on which [insert owner or operator] or any contractors or subcontractors working directly or indirectly on behalf of [insert owner or operator] are performing operations, if the property damage arises out of these operations.

5. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the EPA Regional Administrator[s] for the Region[s] in which the facility[ies] is[are] located and to [owner or operator] that he intends to provide alternate liability coverage as specified in 40 CFR 261.147, as applicable, in the name of [owner or operator]. Within 120 days after the end of such fiscal year, the guarantor shall establish such liability coverage unless [owner or operator] has done so.

6. The guarantor agrees to notify the EPA Regional Administrator by certified mail of a voluntary or involuntary proceeding under title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days after commencement of the proceeding. Guarantor agrees that within 30 days after being notified by an EPA Regional Administrator of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor, he shall establish alternate liability coverage as specified in 40 CFR 261.147 in the name of [owner or operator], unless [owner or operator] has done so.

7. Guarantor reserves the right to modify this agreement to take into account amendment or modification of the liability requirements set by 40 CFR 261.147, provided that such modification shall become effective only if a Regional Administrator does not disapprove the modification within 30 days of receipt of notification of the modification.

8. Guarantor agrees to remain bound under this guarantee for so long as [owner or operator] must comply with the applicable requirements of 40 CFR 261.147 for the above-listed facility(ies), except as provided in paragraph 10 of this agreement.

9. [Insert the following language if the guarantor is (a) a direct or higher-tier corporate parent, or (b) a firm whose parent corporation is also the parent corporation of the owner or operator]:

10. Guarantor may terminate this guarantee by sending notice by certified mail to the EPA Regional Administrator(s) for the Region(s) in which the facility(ies) is(are) located and to [owner or operator], provided that this guarantee may not be terminated unless and until [the owner or operator] obtains, and the EPA Regional Administrator(s) approve(s), alternate liability coverage complying with 40 CFR 261.147.

[Insert the following language if the guarantor is a firm qualifying as a guarantor due to its "substantial business relationship" with the owner or operator]:

Guarantor may terminate this guarantee 120 days following receipt of notification, through certified mail, by the EPA Regional Administrator(s) for the Region(s) in which the facility(ies) is(are) located and by [the owner or operator].

11. Guarantor hereby expressly waives notice of acceptance of this guarantee by any party.

12. Guarantor agrees that this guarantee is in addition to and does not affect any other responsibility or liability of the guarantor with respect to the covered facilities.

13. The Guarantor shall satisfy a third-party liability claim only on receipt of one of the following documents:

(a) Certification from the Principal and the third-party claimant(s) that the liability claim should be paid. The certification must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Certification of Valid Claim**

The undersigned, as parties [insert Principal] and [insert name and address of third-party claimant(s)], hereby certify that the claim of bodily injury and/or property damage caused by a [sudden or nonsudden] accidental occurrence arising from operating [Principal's] facility should be paid in the amount of $ .

[Signatures] _____

Principal _____

(Notary) Date _____

[Signatures] _____

*Claimant(s)* _____

(Notary) Date _____

(b) A valid final court order establishing a judgment against the Principal for bodily injury or property damage caused by sudden or nonsudden accidental occurrences arising from the operation of the Principal's facility or group of facilities.

14. In the event of combination of this guarantee with another mechanism to meet liability requirements, this guarantee will be considered [insert "primary" or "excess"] coverage.

I hereby certify that the wording of the guarantee is identical to the wording specified in 40 CFR 261.151(g)(2) as such regulations were constituted on the date shown immediately below.

Effective date: _____

[Name of guarantor] _____

[Authorized signature for guarantor] _____

[Name of person signing] _____

[Title of person signing] _____

Signature of witness or notary: _____

(h) A hazardous waste facility liability endorsement as required § 261.147 must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Hazardous Secondary Material Reclamation/ Intermediate Facility Liability Endorsement**

1. This endorsement certifies that the policy to which the endorsement is attached provides liability insurance covering bodily injury and property damage in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR 261.147. The coverage applies at [list EPA Identification Number (if any issued), name, and address for each facility] for [insert "sudden accidental occurrences," "nonsudden accidental occurrences," or "sudden and nonsudden accidental occurrences"; if coverage is for multiple facilities and the coverage is different for different facilities, indicate which facilities are insured for sudden accidental occurrences, which are insured for nonsudden accidental occurrences, and which are insured for both]. The limits of liability are [insert the dollar amount of the "each occurrence" and "annual aggregate" limits of the Insurer's liability], exclusive of legal defense costs.

2. The insurance afforded with respect to such occurrences is subject to all of the terms and conditions of the policy; provided, however, that any provisions of the policy inconsistent with subsections (a) through (e) of this Paragraph 2 are hereby amended to conform with subsections (a) through (e):

(a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy to which this endorsement is attached.

(b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 261.147(f).

(c) Whenever requested by a Regional Administrator of the U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.

(d) Cancellation of this endorsement, whether by the Insurer, the insured, a parent corporation providing insurance coverage for its subsidiary, or by a firm having an insurable interest in and obtaining liability insurance on behalf of the owner or operator of the facility, will be effective only upon written notice and only after the expiration of 60 days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.

(e) Any other termination of this endorsement will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is (are) located.

Attached to and forming part of policy No. ___ issued by [name of Insurer], herein called the Insurer, of [address of Insurer] to [name of insured] of [address] this _____ day of _____, 19___. The effective date of said policy is _____ day of _____, 19___.

I hereby certify that the wording of this endorsement is identical to the wording specified in 40 CFR 261.151(h) as such

regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

[Signature of Authorized Representative of Insurer]

[Type name]

[Title], Authorized Representative of [name of Insurer]

[Address of Representative]

(i) A certificate of liability insurance as required in § 261.147 must be worded as follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Hazardous Secondary Material Reclamation/ Intermediate Facility Certificate of Liability Insurance**

1. [Name of Insurer], (the "Insurer"), of [address of Insurer] hereby certifies that it has issued liability insurance covering bodily injury and property damage to [name of insured], (the "insured"), of [address of insured] in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR parts 264, 265, and the financial assurance condition of 40 CFR 261.4(a)(24)(vi)(F). The coverage applies at [list EPA Identification Number (if any issued), name, and address for each facility] for [insert "sudden accidental occurrences," "nonsudden accidental occurrences," or "sudden and nonsudden accidental occurrences"; if coverage is for multiple facilities and the coverage is different for different facilities, indicate which facilities are insured for sudden accidental occurrences, which are insured for nonsudden accidental occurrences, and which are insured for both]. The limits of liability are [insert the dollar amount of the "each occurrence" and "annual aggregate" limits of the Insurer's liability], exclusive of legal defense costs. The coverage is provided under policy number, issued on [date]. The effective date of said policy is [date].

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:

(a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligations under the policy.

(b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in 40 CFR 261.147.

(c) Whenever requested by a Regional Administrator of the U.S. Environmental Protection Agency (EPA), the Insurer agrees to furnish to the Regional Administrator a signed duplicate original of the policy and all endorsements.

(d) Cancellation of the insurance, whether by the insurer, the insured, a parent corporation providing insurance coverage for its subsidiary, or by a firm having an insurable interest in and obtaining liability insurance on behalf of the owner or operator of the hazardous waste management facility, will be effective only upon written notice and only after the expiration of 60 days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is(are) located.

(e) Any other termination of the insurance will be effective only upon written notice and only after the expiration of thirty (30) days after a copy of such written notice is received by the Regional Administrator(s) of the EPA Region(s) in which the facility(ies) is (are) located.

I hereby certify that the wording of this instrument is identical to the wording specified in 40 CFR 261.151(i) as such regulation was constituted on the date first above written, and that the Insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more States.

[Signature of authorized representative of Insurer]

[Type name]

[Title], Authorized Representative of [name of Insurer]

[Address of Representative]

(j) A letter of credit, as specified in § 261.147(h) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Irrevocable Standby Letter of Credit**

Name and Address of Issuing Institution ____

Regional Administrator(s) _____

Region(s) _____

U.S. Environmental Protection Agency ____

Dear Sir or Madam: We hereby establish our Irrevocable Standby Letter of Credit No. _____----- in the favor of ["any and all third-party liability claimants" or insert name of trustee of the standby trust fund], at the request and for the account of [owner or operator's name and address] for third-party liability awards or settlements up to [in words] U.S. dollars $_____----- per occurrence and the annual aggregate amount of [in words] U.S. dollars $_—, for sudden accidental occurrences and/or for third-party liability awards or settlements up to the amount of [in words] U.S. dollars $_____----- per occurrence, and the annual aggregate amount of [in words] U.S. dollars $_____-----, for nonsudden accidental occurrences available upon presentation of a sight draft bearing reference to this letter of credit No. _____----, and [insert the following language if the letter of credit is being used without a standby trust fund: (1) a signed certificate reading as follows:

**Certificate of Valid Claim**

The undersigned, as parties [insert principal] and [insert name and address of third party claimant(s)], hereby certify that the claim of bodily injury and/or property damage caused by a [sudden or nonsudden] accidental occurrence arising from operations of [principal's] facility should be paid in the amount of $[ ]. We hereby certify that the claim does not apply to any of the following:

(a) Bodily injury or property damage for which [insert principal] is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that [insert principal] would be obligated to pay in the absence of the contract or agreement.

(b) Any obligation of [insert principal] under a workers' compensation, disability benefits, or unemployment compensation law or any similar law.

(c) Bodily injury to:

(1) An employee of [insert principal] arising from, and in the course of, employment by [insert principal]; or

(2) The spouse, child, parent, brother or sister of that employee as a consequence of, or arising from, and in the course of employment by [insert principal].

This exclusion applies:

(A) Whether [insert principal] may be liable as an employer or in any other capacity; and

(B) To any obligation to share damages with or repay another person who must pay damages because of the injury to persons identified in paragraphs (1) and (2).

(d) Bodily injury or property damage arising out of the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle or watercraft.

(e) Property damage to:

(1) Any property owned, rented, or occupied by [insert principal];

(2) Premises that are sold, given away or abandoned by [insert principal] if the property damage arises out of any part of those premises;

(3) Property loaned to [insert principal];

(4) Personal property in the care, custody or control of [insert principal];

(5) That particular part of real property on which [insert principal] or any contractors or subcontractors working directly or indirectly on behalf of [insert principal] are performing operations, if the property damage arises out of these operations.

[Signatures] _____

Grantor _____

[Signatures] _____

Claimant(s) _____

or (2) a valid final court order establishing a judgment against the Grantor for bodily injury or property damage caused by sudden or nonsudden accidental occurrences arising from the operation of the Grantor's facility or group of facilities.]

This letter of credit is effective as of [date] and shall expire on [date at least one year later], but such expiration date shall be automatically extended for a period of [at least one year] on [date and on each successive expiration date, unless, at least 120 days before the current expiration date, we notify you, the USEPA Regional Administrator for Region [Region], and [owner's or operator's name] by certified mail that we have decided not to extend this letter of credit beyond the current expiration date.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us.

[Insert the following language if a standby trust fund is not being used: "In the event that this letter of credit is used in combination with another mechanism for

liability coverage, this letter of credit shall be considered [insert "primary" or "excess" coverage]."

We certify that the wording of this letter of credit is identical to the wording specified in 40 CFR 261.151(j) as such regulations were constituted on the date shown immediately below. [Signature(s) and title(s) of official(s) of issuing institution] [Date].

This credit is subject to [insert "the most recent edition of the Uniform Customs and Practice for Documentary Credits, published and copyrighted by the International Chamber of Commerce," or "the Uniform Commercial Code"].

(k) A surety bond, as specified in Sec. 261.147(i) of this chapter, must be worded as follows: except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Payment Bond**

Surety Bond No. [Insert number]

Parties [Insert name and address of owner or operator], Principal, incorporated in [Insert State of incorporation] of [Insert city and State of principal place of business] and [Insert name and address of surety company(ies)], Surety Company(ies), of [Insert surety(ies) place of business].

EPA Identification Number (if any issued), name, and address for each facility guaranteed by this bond: ____

_____

_____

Nonsudden

Sudden accidental

accidental

occurrences

occurrences

_____

_____

| | | |
|---|---|---|
| Penal Sum Per Occurrence | [insert amount] | [insert amount] |
| Annual Aggregate | [insert amount] | [insert amount] |

_____

_____

Purpose: This is an agreement between the Surety(ies) and the Principal under which the Surety(ies), its(their) successors and assignees, agree to be responsible for the payment of claims against the Principal for bodily injury and/or property damage to third parties caused by ["sudden" and/or "nonsudden"] accidental occurrences arising from operations of the facility or group of facilities in the sums prescribed herein; subject to the governing provisions and the following conditions.

Governing Provisions:

(1) Section 3004 of the Resource Conservation and Recovery Act of 1976, as amended.

(2) Rules and regulations of the U.S. Environmental Protection Agency (EPA), particularly 40 CFR parts 264, 265, and Subpart H of 40 CFR part 261 (if applicable).

(3) Rules and regulations of the governing State agency (if applicable) [insert citation].

Conditions:

(1) The Principal is subject to the applicable governing provisions that require the Principal to have and maintain liability coverage for bodily injury and property damage to third parties caused by ["sudden" and/or "nonsudden"] accidental occurrences arising from operations of the facility or group of facilities. Such obligation does not apply to any of the following:

(a) Bodily injury or property damage for which [insert Principal] is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that [insert Principal] would be obligated to pay in the absence of the contract or agreement.

(b) Any obligation of [insert Principal] under a workers' compensation, disability benefits, or unemployment compensation law or similar law.

(c) Bodily injury to:

(1) An employee of [insert Principal] arising from, and in the course of, employment by [insert principal]; or

(2) The spouse, child, parent, brother or sister of that employee as a consequence of, or arising from, and in the course of employment by [insert Principal]. This exclusion applies:

(A) Whether [insert Principal] may be liable as an employer or in any other capacity; and

(B) To any obligation to share damages with or repay another person who must pay damages because of the injury to persons identified in paragraphs (1) and (2).

(d) Bodily injury or property damage arising out of the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle or watercraft.

(e) Property damage to:

(1) Any property owned, rented, or occupied by [insert Principal];

(2) Premises that are sold, given away or abandoned by [insert Principal] if the property damage arises out of any part of those premises;

(3) Property loaned to [insert Principal];

(4) Personal property in the care, custody or control of [insert Principal];

(5) That particular part of real property on which [insert Principal] or any contractors or subcontractors working directly or indirectly on behalf of [insert Principal] are performing operations, if the property damage arises out of these operations.

(2) This bond assures that the Principal will satisfy valid third party liability claims, as described in condition 1.

(3) If the Principal fails to satisfy a valid third party liability claim, as described above, the Surety(ies) becomes liable on this bond obligation.

(4) The Surety(ies) shall satisfy a third party liability claim only upon the receipt of one of the following documents:

(a) Certification from the Principal and the third party claimant(s) that the liability claim should be paid. The certification must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

**Certification of Valid Claim**

The undersigned, as parties [insert name of Principal] and [insert name and address of third party claimant(s)], hereby certify that the claim of bodily injury and/or property damage caused by a [sudden or nonsudden] accidental occurrence arising from operating [Principal's] facility should be paid in the amount of $[ ].

[Signature]

Principal

[Notary] Date

[Signature(s)]

Claimant(s)

[Notary] Date

or (b) A valid final court order establishing a judgment against the Principal for bodily injury or property damage caused by sudden or nonsudden accidental occurrences arising from the operation of the Principal's facility or group of facilities.

(5) In the event of combination of this bond with another mechanism for liability coverage, this bond will be considered [insert "primary" or "excess"] coverage.

(6) The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond. In no event shall the obligation of the Surety(ies) hereunder exceed the amount of said annual aggregate penal sum, provided that the Surety(ies) furnish(es) notice to the Regional Administrator forthwith of all claims filed and payments made by the Surety(ies) under this bond.

(7) The Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the Principal and the USEPA Regional Administrator for Region [Region ], provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by the Principal and the Regional Administrator, as evidenced by the return receipt.

(8) The Principal may terminate this bond by sending written notice to the Surety(ies) and to the EPA Regional Administrator(s) of the EPA Region(s) in which the bonded facility(ies) is (are) located.

(9) The Surety(ies) hereby waive(s) notification of amendments to applicable laws, statutes, rules and regulations and agree(s) that no such amendment shall in any way alleviate its (their) obligation on this bond.

(10) This bond is effective from [insert date] (12:01 a.m., standard time, at the address of the Principal as stated herein) and shall continue in force until terminated as described above.

In Witness Whereof, the Principal and Surety(ies) have executed this Bond and have affixed their seals on the date set forth above.

The persons whose signatures appear below hereby certify that they are authorized

to execute this surety bond on behalf of the Principal and Surety(ies) and that the wording of this surety bond is identical to the wording specified in 40 CFR 261.151(k), as such regulations were constituted on the date this bond was executed.

**PRINCIPAL**

[Signature(s)]
[Name(s)]
[Title(s)]
[Corporate Seal]

**CORPORATE SURETY[IES]**

[Name and address]
State of incorporation: _____
Liability Limit: $ _____
[Signature(s)]
[Name(s) and title(s)]
[Corporate seal]
[For every co-surety, provide signature(s), corporate seal, and other information in the same manner as for Surety above.]
Bond premium: $ _____

(l)(1) A trust agreement, as specified in § 261.147(j) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Trust Agreement

Trust Agreement, the "Agreement," entered into as of [date] by and between [name of the owner or operator] a [name of State] [insert "corporation," "partnership," "association," or "proprietorship"], the "Grantor," and [name of corporate trustee], [insert, "incorporated in the State of _____" or "a national bank"], the "trustee."

Whereas, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator must demonstrate financial responsibility for bodily injury and property damage to third parties caused by sudden accidental and/or nonsudden accidental occurrences arising from operations of the facility or group of facilities.

Whereas, the Grantor has elected to establish a trust to assure all or part of such financial responsibility for the facilities identified herein.

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee.

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of Facilities. This agreement pertains to the facilities identified on attached schedule A [on schedule A, for each facility list the EPA Identification Number (if any issued), name, and address of the facility(ies) and the amount of liability coverage, or portions thereof, if more than one instrument affords combined coverage as demonstrated by this Agreement].

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, hereinafter the "Fund," for the benefit of any and all third parties injured or damaged by [sudden and/or nonsudden] accidental occurrences arising from operation of the facility(ies) covered by this guarantee, in the amounts of _____-[up to $1 million] per occurrence and [up to $2 million] annual aggregate for sudden accidental occurrences and _____ [up to $3 million] per occurrence and _____-[up to $6 million] annual aggregate for nonsudden occurrences, except that the Fund is not established for the benefit of third parties for the following:

(a) Bodily injury or property damage for which [insert Grantor] is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that [insert Grantor] would be obligated to pay in the absence of the contract or agreement.

(b) Any obligation of [insert Grantor] under a workers' compensation, disability benefits, or unemployment compensation law or any similar law.

(c) Bodily injury to:

(1) An employee of [insert Grantor] arising from, and in the course of, employment by [insert Grantor]; or

(2) The spouse, child, parent, brother or sister of that employee as a consequence of, or arising from, and in the course of employment by [insert Grantor]. This exclusion applies:

(A) Whether [insert Grantor] may be liable as an employer or in any other capacity; and

(B) To any obligation to share damages with or repay another person who must pay damages because of the injury to persons identified in paragraphs (1) and (2).

(d) Bodily injury or property damage arising out of the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle or watercraft.

(e) Property damage to:

(1) Any property owned, rented, or occupied by [insert Grantor];

(2) Premises that are sold, given away or abandoned by [insert Grantor] if the property damage arises out of any part of those premises;

(3) Property loaned to [insert Grantor];

(4) Personal property in the care, custody or control of [insert Grantor];

(5) That particular part of real property on which [insert Grantor] or any contractors or subcontractors working directly or indirectly on behalf of [insert Grantor] are performing operations, if the property damage arises out of these operations.

In the event of combination with another mechanism for liability coverage, the Fund shall be considered [insert "primary" or "excess"] coverage.

The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Section 4. Payment for Bodily Injury or Property Damage. The Trustee shall satisfy a third party liability claim by making payments from the Fund only upon receipt of one of the following documents;

(a) Certification from the Grantor and the third party claimant(s) that the liability claim should be paid. The certification must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Certification of Valid Claim

The undersigned, as parties [insert Grantor] and [insert name and address of third party claimant(s)], hereby certify that the claim of bodily injury and/or property damage caused by a [sudden or nonsudden] accidental occurrence arising from operating [Grantor's] facility or group of facilities should be paid in the amount of $[ ].

[Signatures]

Grantor

[Signatures]

Claimant(s)

(b) A valid final court order establishing a judgment against the Grantor for bodily injury or property damage caused by sudden or nonsudden accidental occurrences arising from the operation of the Grantor's facility or group of facilities.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstance then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a–2.(a), shall not be acquired or held unless they are securities or other obligations of the Federal or a State government;

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or State government; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common commingled, or collective trust fund created by the Trustee in which the fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 81a–1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuations. The Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the appropriate EPA Regional Administrator a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days prior to the anniversary date of establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the EPA Regional Administrator shall constitute a conclusively binding assent by the Grantor barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A or such other designees as the Grantor may designate by amendments to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the EPA Regional Administrator to the Trustee shall be in writing, signed by the EPA Regional Administrators of the Regions in which the facilities are located, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or EPA hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 15. Notice of Nonpayment. If a payment for bodily injury or property damage is made under Section 4 of this trust, the Trustee shall notify the Grantor of such payment and the amount(s) thereof within five (5) working days. The Grantor shall, on or before the anniversary date of the establishment of the Fund following such notice, either make payments to the Trustee in amounts sufficient to cause the trust to return to its value immediately prior to the payment of claims under Section 4, or shall provide written proof to the Trustee that other financial assurance for liability coverage has been obtained equaling the amount necessary to return the trust to its value prior to the payment of claims. If the Grantor does not either make payments to the Trustee or provide the Trustee with such proof, the Trustee shall within 10 working days after the anniversary date of the establishment of the Fund provide a written notice of nonpayment to the EPA Regional Administrator.

Section 16. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the appropriate EPA Regional Administrator, or by the Trustee and the appropriate EPA Regional Administrator if the Grantor ceases to exist.

Section 17. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator, if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

The Regional Administrator will agree to termination of the Trust when the owner or operator substitutes alternate financial assurance as specified in this section.

Section 18. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity,

including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 19. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of [enter name of State].

Section 20. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In Witness Whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals to be hereunto affixed and attested as of the date first above written. The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 261.151(l) as such regulations were constituted on the date first above written.

[Signature of Grantor]

[Title]

Attest:

[Title]

[Seal]

[Signature of Trustee]

Attest:

[Title]

[Seal]

(2) The following is an example of the certification of acknowledgement which must accompany the trust agreement for a trust fund as specified in Sec. 261.147(j) of this chapter. State requirements may differ on the proper

State of _____

County of _____

On this [date], before me personally came [owner or operator] to me known, who, being by me duly sworn, did depose and say that she/he resides at [address], that she/he is [title] of [corporation], the corporation described in and which executed the above instrument; that she/he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that she/he signed her/ his name thereto by like order.

[Signature of Notary Public]

(m)(1) A standby trust agreement, as specified in § 261.147(h) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Standby Trust Agreement

Trust Agreement, the "Agreement," entered into as of [date] by and between [name of the owner or operator] a [name of a State] [insert "corporation," "partnership," "association," or "proprietorship"], the "Grantor," and [name of corporate trustee], [insert, "incorporated in the State of _____" or "a national bank"], the "trustee."

Whereas the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator must demonstrate financial responsibility for bodily injury and property damage to third parties caused by sudden accidental and/or nonsudden accidental occurrences arising from operations of the facility or group of facilities.

Whereas, the Grantor has elected to establish a standby trust into which the proceeds from a letter of credit may be deposited to assure all or part of such financial responsibility for the facilities identified herein.

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee.

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term Grantor means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term Trustee means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of Facilities. This Agreement pertains to the facilities identified on attached schedule A [on schedule A, for each facility list the EPA Identification Number (if any issued), name, and address of the facility(ies) and the amount of liability coverage, or portions thereof, if more than one instrument affords combined coverage as demonstrated by this Agreement].

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a standby trust fund, hereafter the "Fund," for the benefit of any and all third parties injured or damaged by [sudden and/or nonsudden] accidental occurrences arising from operation of the facility(ies) covered by this guarantee, in the amounts of _____-[up to $1 million] per occurrence and _____-[up to $2 million] annual aggregate for sudden accidental occurrences and _____-[up to $3 million] per occurrence and _____-[up to $6 million] annual aggregate for nonsudden occurrences, except that the Fund is not established for the benefit of third parties for the following:

(a) Bodily injury or property damage for which [insert Grantor] is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that [insert Grantor] would be obligated to pay in the absence of the contract or agreement.

(b) Any obligation of [insert Grantor] under a workers' compensation, disability benefits, or unemployment compensation law or any similar law.

(c) Bodily injury to:

(1) An employee of [insert Grantor] arising from, and in the course of, employment by [insert Grantor]; or

(2) The spouse, child, parent, brother or sister of that employee as a consequence of, or arising from, and in the course of employment by [insert Grantor].

This exclusion applies:

(A) Whether [insert Grantor] may be liable as an employer or in any other capacity; and

(B) To any obligation to share damages with or repay another person who must pay damages because of the injury to persons identified in paragraphs (1) and (2).

(d) Bodily injury or property damage arising out of the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle or watercraft.

(e) Property damage to:

(1) Any property owned, rented, or occupied by [insert Grantor];

(2) Premises that are sold, given away or abandoned by [insert Grantor] if the property damage arises out of any part of those premises;

(3) Property loaned by [insert Grantor];

(4) Personal property in the care, custody or control of [insert Grantor];

(5) That particular part of real property on which [insert Grantor] or any contractors or subcontractors working directly or indirectly on behalf of [insert Grantor] are performing operations, if the property damage arises out of these operations.

In the event of combination with another mechanism for liability coverage, the Fund shall be considered [insert "primary" or "excess"] coverage.

The Fund is established initially as consisting of the proceeds of the letter of credit deposited into the Fund. Such proceeds and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Section 4. Payment for Bodily Injury or Property Damage. The Trustee shall satisfy a third party liability claim by drawing on the letter of credit described in Schedule B and by making payments from the Fund only upon receipt of one of the following documents:

(a) Certification from the Grantor and the third party claimant(s) that the liability claim should be paid. The certification must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Certification of Valid Claim

The undersigned, as parties [insert Grantor] and [insert name and address of third party claimant(s)], hereby certify that the claim of bodily injury and/or property damage caused by a [sudden or nonsudden] accidental occurrence arising from operating [Grantor's] facility should be paid in the amount of $[ ]

[Signature] _____

Grantor _____

[Signatures] _____

Claimant(s) _____

(b) A valid final court order establishing a judgment against the Grantor for bodily injury or property damage caused by sudden or nonsudden accidental occurrences arising from the operation of the Grantor's facility or group of facilities.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of the proceeds from the letter of credit drawn upon by the Trustee in accordance with the requirements of 40 CFR 261.151(k) and Section 4 of this Agreement.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a–2(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or a State government; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a–1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depositary even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depositary with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve Bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements to the Trustee shall be paid from the Fund.

Section 10. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 11. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 12. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 13. Instructions to the Trustee. All orders, requests, certifications of valid claims, and instructions to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A or such other designees as the Grantor may designate by amendments to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or the EPA Regional Administrator hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 14. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator if the Grantor ceases to exist.

Section 15. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 14, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator, if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be paid to the Grantor.

The Regional Administrator will agree to termination of the Trust when the owner or operator substitutes alternative financial assurance as specified in this section.

Section 16. Immunity and indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor and the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 17. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of [enter name of State].

Section 18. Interpretation. As used in this Agreement, words in the singular include the

plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation of the legal efficacy of this Agreement.

In Witness Whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals to be hereunto affixed and attested as of the date first above written. The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 261.151(m) as such regulations were constituted on the date first above written.

[Signature of Grantor]

[Title]

Attest:

[Title]

[Seal]

[Signature of Trustee]

Attest:

[Title]

[Seal]

(2) The following is an example of the certification of acknowledgement which must accompany the trust agreement for a standby trust fund as specified in section 261.147(h) of this chapter. State requirements may differ on the proper content of this acknowledgement.

State of _____

County of _____

On this [date], before me personally came [owner or operator] to me known, who, being by me duly sworn, did depose and say that she/he resides at [address], that she/he is [title] of [corporation], the corporation described in and which executed the above instrument; that she/he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that she/he signed her/ his name thereto by like order.

[Signature of Notary Public]

## PART 270—EPA ADMINISTERED PERMIT PROGRAMS: THE HAZARDOUS WASTE PERMIT PROGRAM

■ 13. The authority citation for part 270 continues to read as follows:

**Authority:** 42 U.S.C. 6905, 6912, 6924, 6925, 6927, 6939 and 6974.

### Subpart D—Changes to Permits

■ 14. In § 270.42, Appendix I is amended to add a new A. 9 and A. 10 to read as follows:

**§ 270.42 Permit modification at the request of the permittee.**

* * * * *

### Appendix I to § 270.42—Classification of permit modification

| Modifications | Class |
|---|---|
| A. General Permit Provisions. | |
| * * * * * * * | |
| 9. Changes to remove permit conditions applicable to a unit excluded under the provisions of § 261.4. | [1] 1 |
| 10. Changes in the expiration date of a permit issued to a facility at which all units are excluded under the provisions of § 261.4. | [1] 1 |
| * * * * * * * | |

[1] Class 1 modifications requiring prior Agency approval.

[FR Doc. E8–24399 Filed 10–29–08; 8:45 am]

BILLING CODE 6560–50–P