This memorandum has been withdrawn.

See the January 25, 2018 memorandum titled Reclassification of Major Sources as Area Sources Under Section 112 of the Clean Air Act

May 16, 1995

MEMORANDUM

SUBJECT: Potential to Emit for MACT Standards -- Guidance on Timing Issues

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Section 112 of the Clean Air Act distinguishes between major sources and area sources of hazardous air pollutants. Although maximum achievable control technology (MACT) is required for all major sources of hazardous air pollutants, lesser controls or no controls may be required of area sources in a particular industry. In addition, whether a facility is a major or area source of hazardous air pollutants may affect the applicability of other CAA requirements -- such as when or whether the facility is required to obtain a Title V operating permit.

The purpose of this memo is to clarify when a major source of hazardous air pollutants can become an area source -- by obtaining federally enforceable limits on its potential to emit -- rather than comply with major source requirements. Timing questions are important to address now because several MACT standards have been promulgated and because an increasing number of sources are nearing deadlines for submitting Title V operating permit applications. The EPA recently provided guidance on how

facilities can obtain federally enforceable limits on their potential to emit hazardous and criteria air pollutants in a January 25, 1995, memo from me to you.

STATUTORY AND REGULATORY BACKGROUND

Section 112 of the Act defines a "major source" as "any stationary source or group of stationary sources located within a contiguous area and under common control that emits or has the potential to emit considering controls, in the aggregate, 10 tons per year or more of any hazardous air pollutant or 25 tons per year or more of any combination of hazardous air pollutants..." The term "potential to emit" is defined in the section 112 general provisions (40 CFR Part 63.2) as " the maximum capacity of a stationary source to emit a pollutant under its physical or operational design," considering controls and limitations that are federally enforceable. This definition is consistent with definitions in regulations for the new source review and Title V permit programs.

SCOPE OF TODAY'S GUIDANCE

EPA has received a number of requests for clarification concerning when facilities may limit their potential to emit to avoid applicability of major source requirements of promulgated MACT standards. Most of these issues are not explicitly addressed by the section 112 general provisions nor by MACT standards themselves. Therefore, EPA is providing this guidance for MACT standards based on the Agency's interpretation of the relevant statutory language.

Today's guidance addresses three issues:

- By what date must a facility limit its potential to emit if it wishes to avoid major source requirements of a MACT standard?

- Is a facility that is required to comply with a MACT standard permanently subject to that standard?

- In the case of facilities with two or more sources in different source categories: If such a facility is a major source for purposes of one MACT standard, is the facility necessarily a major source for purposes of subsequently promulgated MACT standards?

EPA plans to follow this guidance memorandum with rulemaking actions to address these issues. The Agency intends to include provisions on potential to emit timing <u>in future MACT</u> rules and amendments to the section 112 general provisions. The EPA believes that the structure of section 112 strongly suggests certain outer limits for when a source may avoid a standard through a limit on its potential to emit. However, EPA also

believes the statute may be flexible enough to allow the Agency

to reach different results through rulemaking. In forthcoming rulemaking, EPA will be considering alternative approaches that could garner additional environmental benefits and provide additional flexibility to small sources.

TIMING FOR OBTAINING POTENTIAL TO EMIT RESTRICTIONS: GUIDANCE FOR PROMULGATED STANDARDS

Existing sources

Today's guidance clarifies that facilities may switch to area source status at any time until the "first compliance date" of the standard. The "first compliance date" is defined as the first date a source must comply with an emission limitation or other substantive regulatory requirement (i.e., leak detection and repair programs, work practice measures, housekeeping measures, etc..., but not a notice requirement) in the applicable MACT standard. By that date, to avoid being in violation, a major source must either comply with the standard, or obtain and comply with federally enforceable limits ensuring that actual and potential emissions are below major source thresholds.

The Act does not directly address a deadline for a source to avoid requirements applicable to major sources through a reduction of potential to emit. However, a result that is consistent with the language and structure of the Act is that sources should not be allowed to avoid compliance with a standard after the compliance date, even through a reduction in potential to emit. In the absence of a rulemaking record supporting a different result, EPA believes that once a source is required to install controls or take other measures to comply with a MACT standard, it should not be able to substitute different controls or measures that happen to bring the source below major source levels.

Moreover, while some standards have multiple, staggered compliance dates, these requirements are intended to function in an integrated manner to meet the statutory goals for that source category. For such a standard, the relevant date for purposes of this policy is the first substantive compliance date. While the Act may permit exceptions to these general rules, any such exceptions will need to be developed through rulemaking.

Some have read the Act to require an even earlier deadline, namely, the date of standard promulgation. EPA believes this result is not as strongly compelled by the statute. It is reasonable to presume that Congress intended a source to have some opportunity to avoid a standard by becoming an area source once it has been identified as subject in a promulgated standard.

The compliance date deadline approach would give small emitters (i.e. facilities with actual emissions below the major threshold) time to limit their potential emissions rather than comply with major source requirements. Under this approach, a facility will have the same amount of time to comply whether it chooses to meet the standard or limit its potential to emit.

This compliance date approach for existing sources is also reasonable because it recognizes the circumstances that exist regarding MACT standards issued to date. States are in the process of developing additional mechanisms that can provide federally enforceable limits to sources. In addition, EPA rules have not previously specified when facilities may switch from major to area-source status to avoid MACT applicability. It would be inequitable to hold sources to a promulgation date deadline absent clear advance notice to sources of the full significance of that date. Although the Act gives EPA discretion to designate a deadline earlier than the first compliance date, this is most appropriately done through rulemaking in a manner that gives adequate notice to the regulated community. By contrast, any source should presume that the compliance date is the final date to establish its status as an area source, at least for purposes of that standard.

For clarity, the Agency wishes to note that as long as a facility does not qualify for treatment as an area source, the facility must comply with any applicable major source requirement under the Clean Air Act. Facilities in need to comply with additional limits to qualify as area sources will need to plan ahead to obtain the limits before compliance deadlines for major source requirements. Facilities should consult with State and local air agencies concerning the timing of any necessary submittal.

New sources

Section 112 requires new sources to comply with a MACT standard upon startup or no later than the promulgation date of the standard, whichever is later. As a legal matter, to avoid being in violation, a "potential" major source must either comply with MACT or obtain and comply with federally enforceable limits by this statutory deadline.

Therefore, the Agency advises that any new facility that would be a major source in the absence of federally enforceable limits must obtain and comply with such limits no later than the promulgation date of the standard or the date of startup of the source, whichever is later. For the same reasons articulated below with regard to existing sources, a new source that is major

at the time of promulgation or startup will remain major for purposes of that standard.

Once In, Always In Interpretation

EPA is today clarifying that facilities that are major sources for HAPs on the "first compliance date" are required to comply permanently with the MACT standard to ensure that maximum achievable reductions in toxic emissions are achieved and maintained.

EPA believes that this once in, always in policy follows most naturally from the language and structure of the statute. In many cases, application of MACT will reduce a major emitter's emissions to levels substantially below the major thresholds. Without a once in, always in policy, these facilities could "backslide" from MACT control levels by obtaining potential-to-emit limits, escaping applicability of the MACT standard, and increasing emissions to the major-source threshold (10/25 tons per year). Thus, the maximum achievable emissions reductions that Congress mandated for major sources would not be achieved. A once in, always in policy ensures that MACT emissions reductions are permanent, and that the health and environmental protection provided by MACT standards is not undermined.

> Example: A facility has potential emissions of 100 tons/year. After compliance with the applicable MACT standard, which requires a 99 percent emissions reduction, the facility's total potential emissions would be 1 ton/year. Under today's guidance, that facility could not subsequently operate with emissions exceeding the maximum achievable control technology emission level. The facility could not escape continued applicability of the MACT standard by obtaining "area source" status through limitations on emissions up to the 10/25 ton per year major source thresholds.

Additionally, the Act requires all major sources to obtain a Part 70 operating permit. Section 501(2) provides that any source that is major under section 112 will also be major under title V. It follows that a source that is major for purposes of any MACT standard will be subject to title V as a major source. As clarification, most MACT standards explicitly require operating permits for major sources. However, this principle applies regardless of whether it is specified in the particular standard. Therefore, a source required to comply with MACT requirements applicable to major sources will also be required to obtain a Part 70 permit for that MACT requirement.

APPLICABILITY OF MULTIPLE MACT STANDARDS TO A SINGLE FACILITY

A facility that is subject to a MACT standard is not

necessarily a major source for future MACT standards. For example, if after compliance with a MACT standard, a source's potential to emit is less than the 10/25 tons per year applicability level, the EPA will consider the facility an area source for purposes of a subsequent standard.

> EXAMPLE: A facility has degreasing operations which emit 30 tons per year of HAP. The same facility also has the potential to emit 5 tons/year of HAP from the coating of miscellaneous metal parts. After complying with the Halogenated Solvent Cleaning MACT, the maximum potential emissions from degreasing operations is 3 tons per year. The total federally enforceable potential emissions from this facility would now be 8 tons per year which meets the definition for an "area source." Therefore, this facility would not be subject to the major source requirements of the future miscellaneous metal parts MACT standard.

It should be noted that EPA has authority to require additional reductions in toxic emissions from sources that avoid MACT requirements through reductions in potential to emit. Section 112(f), the residual risk program, requires EPA to evaluate the risk and to promulgate additional standards for each category or subcategory of major sources, and allows EPA discretion to do the same for area sources, where there is not an ample margin of safety to protect public health within 8 years after promulgation of the MACT standard. The EPA will consider whether residual risk standards are appropriate for sources complying with MACT standards or potential to emit limits.

In addition, EPA is committed to implementation of the urban area source program as required in Section 112(c)(3) of the CAA. This program requires EPA to issue air toxics standards for area sources representing 90 percent of the area source emissions of the 30 hazardous air pollutants that present the greatest threat to public health in the largest number of urban areas. Together, the Residual Risk Standards and the Urban Area Source Standards ensure protection of public health beyond that achieved by implementation of the MACT standards for major sources.