# DRAFT Slides for Discussion

## NOx RECLAIM WORKING GROUP MEETING

MARCH 18, 2021
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Updated link.

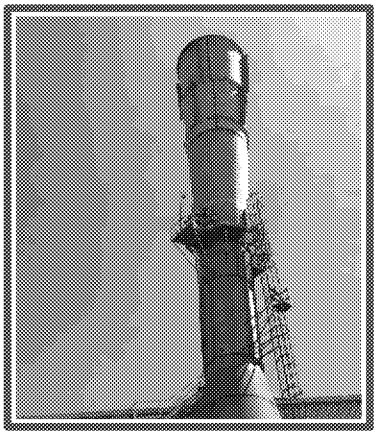
# Agenda

- Rulemaking Status on Landing Rules
- Comment letters on the RECLAIM Transition Plan
- Ongoing Efforts and Next Steps

# RULEMAKING STATUS ON LANDING RULES

## Rule 218 and Rules 218.2 & 218.3 – Requirements for Continuous Emissions Monitoring Systems

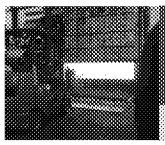
- Public Hearing on March 5, 2021
- Amended Rule 218 to include a phase out provision
- Adopted Rules 218.2 and 218.3 to:
  - Provide specifications for proper installation and operation to ensure accuracy and precision of the CEMS
  - Consolidate CEMS requirements for non-RECLAIM and former RECLAIM facilities
  - Address CEMS requirements for facilities that transition from RECLAIM to a command-and-control regulatory structure including alignment with federal regulations and correlating with landing rules
  - Streamline and provide additional clarifications and flexibility pursuant to stakeholders' request
  - Codify existing practices to improve transparency
  - Establish a tiered transition for the implementation



# Rules Under Development

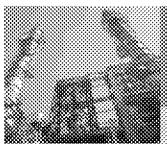
**PR 1147.1 – Aggregate Facilities**

Public Hearing: June 4, 2021



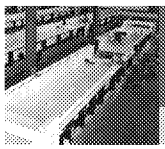
**PR 1147.2 – Metal Melting and Heating Furnaces**

Public Hearing: August 6, 2021



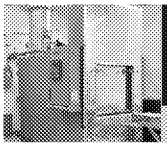
**PR 1109.1 – Refinery Equipment**

Public Hearing: June 4, 2021



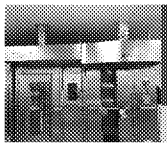
**PR 1159.1 – Nitric Acid Processing Tanks**

Public Hearing: November 5, 2021



**PAR 1147 – Miscellaneous Combustion Sources**

Public Hearing: October 1, 2021

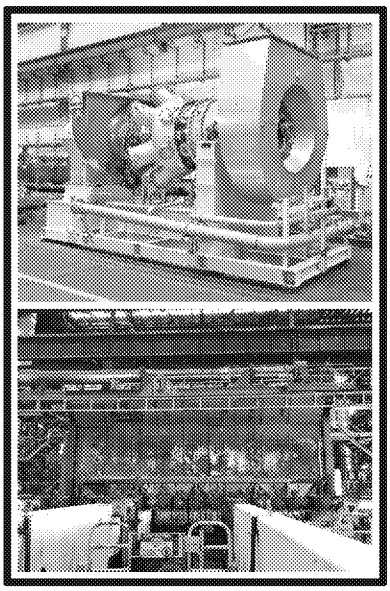


**PAR 1153.1 – Commercial Food Ovens**

Public Hearing: December 3, 2021

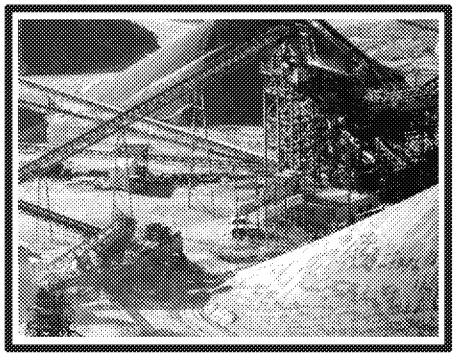
## PAR 1147 – Miscellaneous Combustion Sources

- Previous Working Group Meeting held March 10, 2021
- Working with equipment vendors and burner manufacturers
- Cost-effectiveness analysis for remaining equipment categories anticipated to be presented at the next Working Group Meeting
- Next Working Group Meeting: April 2021
- Public Hearing: October 1, 2021



## PR 1147.1 – Aggregate Facilities

- Working Group Meeting held on March 11, 2021
- Aggregate drying equipment will remain in PR 1147.1 instead of incorporating into PAR 1147
- Draft Staff Report and Draft Rule Language to be available by Public Workshop
- Public Workshop: March 31, 2021
- Public Hearing: June 4, 2021

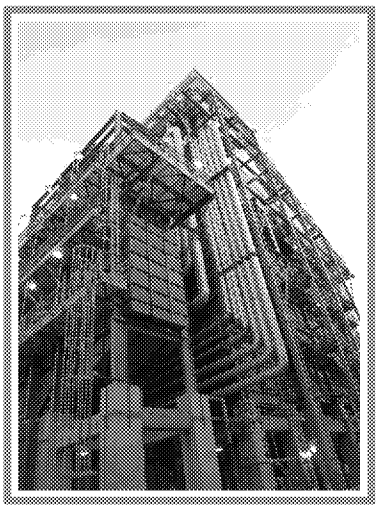


## PR 1147.2 – Metal Melting and Heating Furnaces

- Working Group Meeting held on February 2, 2021
- Meeting with facilities to obtain more information
- Next Working Group Meeting: Early April 2021
- Public Hearing: August 6, 2021

# PR 1109.1 – Refinery Equipment

- Working Group Meeting held on March 4, 2021
- Requested revised cost data from facilities
  - March 12th submittal deadline
- BARCT limit for heaters and boilers >40 MMBtu/hr will be reassessed based on revised costs
- Continuing to work on issues and concerns raised by stakeholders
- Ongoing meetings with all stakeholders
- Start-up and shutdown provisions will be addressed in separate rule (PR 429.1)
- Stationary Source Committee Update: March 19, 2021
- Public Hearing: June 4, 2021



# PR 1159.1 – Nitric Acid Processing Tanks

- Addresses NOx emissions from nitric acid processing tanks
- Staff in data gathering phase
- Public Hearing: November 5, 2021

https://tri-mer.com/tanks/polypro-tanks-case-study.html

## PAR 1153.1 – Commercial Food Ovens

- Staff identified 6 RECLAIM facilities which operate food ovens, smokers, or dryers that will be subject Rule 1153.1
- BARCT analysis is needed
- Food ovens at RECLAIM facilities will become subject to the requirements of Rule 1153.1
- Public Hearing: December 3, 2021

# Emission Reductions (Tons per Day*)

| | |
|---|---|
| Rules 1146, 1146.1, 1146.2 – Boilers, Process Heaters, and Steam Generators | 0.27 |
| Rule 1118.1 – Non Refinery Flares | 0 |
| Rules 218, 218.2, 218.3 – Continuous Emissions Monitoring Systems | 0 |
| Rule 1134 – Gas Turbines | 1.8 |
| Rule 1135 – Electric Generating Facilities | 1.7 |
| Rule 1110.2 – Gaseous- and Liquid-Fueled Engines | 0.29 |
| Rule 1117 – Container Glass Melting/Sodium Silicate Furnaces | 0.57 |

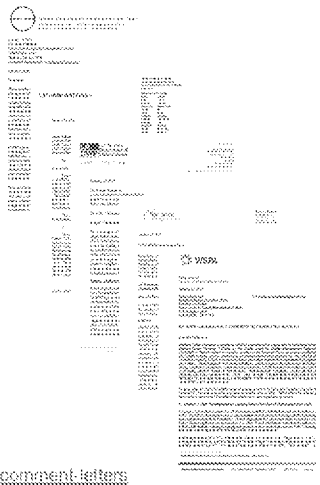
**Total NOx Reductions = 4.63 tons per day***

* Sum of NOx reductions from RECLAIM facilities only. Some NOx reductions can be attributed to the 2015 RECLAIM shave.

# COMMENT LETTERS ON THE RECLAIM TRANSITION PLAN

# Comment Letters

- Five comment letters were received from:
  - California Council for Environmental and Economic Balance (CCEEB)
  - Latham & Watkins on behalf of the Regulatory Flexibility Group (RFG)
  - Los Angeles Department of Water & Power (LADWP)
  - Torrance Refining Company LLC (TORC)
  - Western States Petroleum Association (WSPA)
- Comment letters are available on the proposed rules webpage[1]



[1] http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules/regulation-xx/comment-letters

# Overview of Comments

- Comments grouped into five categories with subtopics within each category
- Rule specific comments such as PR 1109.1 or Continuous Emissions Monitoring Rules are addressed in those rulemaking processes
- Today's presentation focuses on comments applicable to the Transition Plan

Areas of General Agreement

RECLAIM Transition

Landing Rules

New Source Review

Permitting

## General Agreement Stated in Comment Letters – RECLAIM Transition and Landing Rules

- Supports maintaining the RECLAIM program until all of the elements of the replacement program are in place
- Agree with approach of one-time programmatic equivalency demonstration for 12 tpd shave of RECLAIM allocations and that no demonstration is needed for the additional 5 tpd associated with CMB-05
- Supports proposed amendment to Rule 1304 to add a narrow exemption from BACT
  - Requesting additional details on applicability and limitations

# General Agreement of New Source Review Comments

- Will update Transition Plan to reflect current proposal to amend Rule 1304 to add a narrow exemption from BACT
- Supports replacing the current BACT discount with a BARCT discount
- Supports allowing offsets to be based on emissions during any consecutive 2-year period within the 5-year period preceding the date of application
  - Staff is proposing that the time period for calculating emission decreases for offsets is the **most recent** 2-years OR other consecutive 2-years over a 5-year period **only if more representative**
- Support removing the usage factor
  - Staff is reassessing the usage factor and how the usage factor is applied
- Support concept of using of a two-tier NSR applicability test for Major Modifications
- Incorporating by reference the federal NSR applicability test
- Support continuing to allow the generation of ERCs for the Open Market

# General Agreement Stated in Comment Letters – Permitting

- Forgoing a projected actual emissions permit limit and requiring reporting/recordkeeping
- Establishing ammonia slip limits during permitting instead of specifying ammonia limits in the landing rules
  - Provided staff accounts for the impact ammonia slip limits will have on the ability to achieve proposed NOx limits
- Retaining RECLAIM MRR in Title V permits during RECLAIM transition

# Overview of RECLAIM Transition Comments

| RECLAIM Transition | | | |
|---|---|---|---|
| Effectiveness of NOx RECLAIM | Disproportionate Impacts | Quantification of Emission Reductions from Landing Rules | AB 617 and CMB-05 Requirements |

## RTCs from Facility Shutdowns

- "Draft Transition Plan states that a "windfall" of RECLAIM Trading Credits ("RTCs") entering the market from facilities that shut down resulted in delays of installation of cost-effective control equipment"
- RECLAIM Transition Plan should include supporting information for this assertion
- RTCs from facility shutdowns was addressed through the October 2016 amendments to Regulation XX

# RTCs from Facility Shutdowns

## Staff Response

RECLAIM Transition

- RECLAIM Transition Plan states "… some large RECLAIM facilities shutdown, providing a windfall of RTCs in the market allowing some facilities to delay installation of Best Available Retrofit Control Technology (BARCT)."
- Statement was based on December 2015 amendments to Regulation XX
- 2016 amendments to Regulation XX do help to reduce use of shutdown RTCs in RECLAIM
  - Amendments only affect facility shutdowns that occur after October 2016
- Purpose of the statement was to provide background information for the RECLAIM Transition Plan
  - Focus of the RECLAIM Transition Plan is on issues related to the transition of RECLAIM facilities to a command-and-control regulatory program

RECLAIM Transition

# RTCs from Facility Shutdowns

## Revisions to the Transition Plan

- Preface will be modified to state "… some large RECLAIM facilities shutdown, providing RTCs in the market allowing some facilities to delay installation of Best Available Retrofit Control Technology (BARCT)."
  - Will add footnote references to the 2015 and 2016 staff reports for Regulation XX amendments
- Will add a sentence to state, "The 2016 amendments to the RECLAIM program were designed to prevent NOx RTCs from shutting down the largest RECLAIM facilities from entering the market, for facilities that shutdown after October 2016."
- No additional analysis will be included
  - Sentence is background information for the Transition Plan
  - Focus of the Transition Plan is on the process and key issues related to the transition of RECLAIM facilities to a command-and-control regulatory structure

RECLAIM Transition

## Effectiveness of RECLAIM

- The Preface of Draft Transition Plan states that "well over half the equipment at RECLAIM facilities is currently not at BARCT" as evidence of the shortcomings of the program
- The measure of success of a cap-and-trade program is if mass emissions are within the aggregate cap of the program, not the number of units equipped with emission control equipment
- RECLAIM reduced actual emissions by 50 tpd from 1994 to 2017
- RECLAIM met its emission goals for every compliance year except for 2000
- RECLAIM is on track to achieve an additional 10 percent reduction in actual emissions by 2023

RECLAIM Transition

# Effectiveness of RECLAIM

## Staff Response

- Staff is not disputing that emission reductions have occurred in RECLAIM
- The Transition Plan is not accessing the "success" of RECLAIM, but providing background information about the transition of RECLAIM facilities to a command-and-control regulatory structure
- Based on adopted and proposed BARCT limits, it is accurate that, "Based on South Coast AQMD's permit database, well over half of the equipment at RECLAIM facilities is currently not at BARCT."

## Revisions to the Transition Plan

- Preface will be modified to add a paragraph to discuss the emission reductions that have occurred under NOx RECLAIM
- Will revise sentence to say, "…well over half of the equipment at RECLAIM facilities is currently not at *proposed and adopted BARCT limits*."

RECLAIM Transition

# Disproportionate Impacts for RECLAIM Facilities Health and Safety Code Section 39616 (c)(7) and Additional Costs

- To avoid disproportionate impacts, new command and control requirements should not become effective until RECLAIM requirements have been removed
- Health and Safety Code Section 39616(c)(7) prohibits imposing "…disproportionate impacts, measured on an aggregate basis, on those stationary sources included in the [market based] program compared to other permitted stationary sources in the district's plan for attainment"
- Requiring RECLAIM facilities to comply with Regulation XX and command-and-control rules will result in disproportionate impacts due to increased compliance costs with:
  - Construction and operation of control equipment
  - RECLAIM Trading Credits
  - Duplicative monitoring, recordkeeping, and reporting

RECLAIM Transition

# Disproportionate Impacts
# Health and Safety Code Section 39616(c)(7)

## Staff Response

- Section 39616(c)(7) applies only upon initial adoption of the rules to implement a market-based program and is not a finding required to be ratified five years into the program
  - For example the requirement that the program obtain equivalent or greater emission reductions than command and control Section 39616(e); 39616(c)(1)
- Since Section 39616(c)(7) is a prerequisite to a market- based program, if there were a violation of this clause the remedy would be to eliminate the market-based program
- U.S. EPA has commented that facilities cannot exit RECLAIM until BARCT rules, New Source Review revisions, and amendments to RECLAIM have been approved by U.S. EPA
- South Coast AQMD does not have the option of delaying the effectiveness of BARCT rules until after the end of RECLAIM
  - AB 617 requires that BARCT be implemented by the earliest feasible date and no later than December 31, 2023; earliest feasible date not dependent on end of RECLAIM

[1] Health & Safety Code Section 40920.6(c)(1)

# Disproportionate Impacts Additional Costs

## Staff Response

### RECLAIM Transition

**Reduce Need for RTCs**

- Installation of pollution controls will reduce need to purchase RTCs
- Facility can sell excess RTCs
- Landing rules recognize 2015 shave reductions

**Minimizes Duplicative MRRs**

- RECLAIM facilities generally maintain current MRRs until they exit RECLAIM
- CEMS provisions under Rule 218.2 and 218.3 are not applicable until facilities exit RECLAIM

**No BACT Discounting of RTCs**

RECLAIM
- No discount of RTCs associated with decreases or shutdowns

Regulation XIII
- BACT discount of ERCs associated with decreases or shutdowns

**No Offset Ratio of RTCs**

RECLAIM
- No offset ratio for offsetting new and modified sources

Regulation XIII
- Emission increases under Regulation XIII must be offset by a factor of 1.2 to 1.0

**Transition is Temporary**

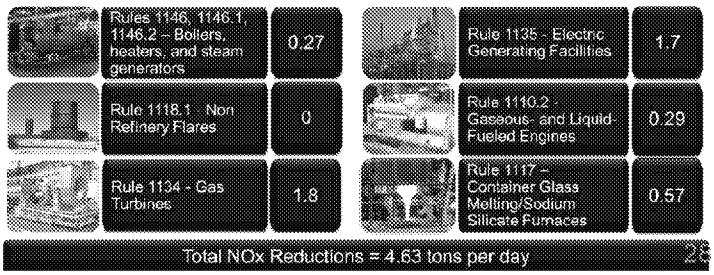
- Temporary period where both RECLAIM provisions and BARCT regulations overlap
- Upon U.S. EPA approval, facilities will be exited out of RECLAIM

RECLAIM Transition

# Estimated NOx Reductions from RECLAIM Facilities is Misleading

- Emission reductions in Figure 2-1 of the Transition Plan is misleading because reductions were claimed for SIP credit under the December 2015 amendments to Regulation XX
  - South Coast AQMD claimed 12 tons per day of NOx reductions for the 2015 RECLAIM shave
  - Current RECLAIM shave occurring through 2022

**Figure 2-1**
**Estimated NOx Emission Reductions from RECLAIM Facilities for Adopted or Amended Landing Rules**



RECLAIM Transition

# Estimated NOx Reductions from RECLAIM Facilities is Misleading

## Staff Response

- Staff is providing estimated emission reductions from implementing the NOx concentration limits specified in each landing rule
  - As these rules are submitted for SIP approval, emission reductions will be adjusted to ensure there is no double counting of emission reductions from implementation of the 2015 shave and command-and-control rules
- The 12 tpd SIP commitment for the RECLAIM shave can be achieved through:
  - Installation of pollution controls which may achieve a different NOx limit than the command-and-control rule
  - Reduction in throughput
  - Equipment or facility shutdowns
- Under command-and-control rules, units must meet a specified NOx limit

## Revisions to the Transition Plan

- Footnote will be added to the table stating, "Some NOx reductions can be attributed to the 2015 RECLAIM shave."
- Sentence will be added to acknowledge emission reductions will be adjusted to ensure no double counting of NOx reductions from the 2015 shave and command-and-control rules

## Implementation of BARCT

- BARCT analysis must not be truncated or distorted by 2023 date
- Health and Safety Code Section 40920.6 requires a district to adopt BARCT rules by December 31, 2023, but the completion of installation/operation of controls must be determined by cost, technological feasibility, and necessary lead time
- District staff approach is “as fast as possible” by requiring commencement of the transition before it is technologically achievable and cost-effective

RECLAIM Transition

# AB 617 and CMB-05

## Staff Response

- Staff agrees that AB 617 does not accelerate effort to transition to command-and-control regulatory. CMB-05 directs staff to transition as soon as practicable
- AB 617, through Section 40920.6(c) requires BARCT applied to each industrial source subject to a market-based compliance mechanism as of January 1, 2017
- Staff has included compliance flexibility alternatives that will achieve equal or greater emission reductions
- BARCT analyses have included assessment of technological feasibility, necessary lead time, stranded assets, and other factors in determining when BARCT limits shall apply

# Overview of General Landing Rule Comments

| Landing Rules | | | |
|---|---|---|---|
| Start-Up, Shutdown, and Malfunction | BARCT Assessment | Alternative Emission Control Plans | Cost-Effectiveness Analysis |

# Startup, Shutdown, and Malfunctions (LADWP)

Landing Rules

| Comment | Staff Response |
| --- | --- |
| ▪ Support South Coast AQMD approach to consider providing SSM exemptions<br>▪ U.S. EPA's recent approval of state implementation plans (SIP) and policy guidance reflect change in requirements<br>▪ SIP may contain SSM exemptions for specific sources if all emission control requirements in SIP collectively protect National Ambient Air Quality Standards (NAAQS) | ▪ Staff is working with U.S. EPA to determine appropriate regulatory structure to address start-up and shutdown events<br>▪ Rule 429 contains provisions for start-up and shutdown provisions for several categories of equipment<br>  ▪ Will amend Rule 429 to incorporate additional provisions and other source categories<br>▪ Proposed Rule 429.1 will address start-up and shutdown events for refinery and refinery-related facilities<br>▪ No plans to include malfunction provisions |

## Revisions to the Transition Plan

- No changes to the Transition Plan

Landing Rules

## Definition of BARCT

- Disagree that definition of BARCT includes replacement
  - Merriam- Webster definition requires existing equipment to "furnish" or "install"
  - "Common sense definition" argument is contrary to the "plain meaning rule"
  - Health and Safety Code Section 40920.6 refers to "control options" to be "applied to" the emitting source
  - The legislature uses the terms "replacement" and "retrofit" in conjunction, indicating a distinction
  - The legislature has defined "retrofit" and distinguished it from "repower" (replacement)
  - American Coatings decision has no application to BARCT rules
  - CARB and all air districts have interpreted Health and Safety Code Section 40406 to require retrofitting only

Landing Rules

# Definition of BARCT

## Staff Response

- South Coast AQMD retains broad statutory authority to adopt emission-control requirements for stationary sources, and that authority may include equipment replacement, as long as the requirement is not arbitrary and capricious
- None of the landing rules adopted or amended rely on equipment replacement
- American Coatings decision applies to BARCT

## Revisions to the Transition Plan

- No revisions to the Transition Plan

Landing Rules

# Alternative Implementation Approaches

## State Law Allows Alternative Implementation Approaches

- Health and Safety Code Section 40920.6(f) allows for "alternative means of producing equivalent emissions reductions"

## BARCT Not Required on Every Source

- AB 617 does not mandate emission controls on every source or preclude districts from taking advantage of the flexibility to achieve emission reductions in Health and Safety Code Sections 40920.6(e) and (f)

## Transition Plan Should Discuss Alternatives to Equipment BARCT Standards

- Transition plan should include a discussion of alternatives to equipment-by-equipment BARCT standards such as Alternative Emissions Control Plans that include:
  - Mass-based caps covering all facilities under the same ownership
  - Emission reduction targets equivalent to the 2015 NOx shave requirements until 2022
  - After 2022, emission targets based on BARCT limits can be converted to mass limits

# Alternative Implementation Approaches

Landing Rules

## Staff Response

**BARCT Allows Consideration of Technological, Economic, and Other Factors**

- Staff has included alternative implementation approaches in landing rules

**BARCT Not Required on all Sources**

- AB 617 requires BARCT for "each industrial source" and refers to requirements being prioritized for specific "permitted units" that have not installed BARCT for the longest time
  - BARCT is to be imposed on a source-specific basis, rather than to be met on a basis that allows trading between sources, such as RECLAIM

**Transition Plan Should Discuss Alternatives to Equipment BARCT Standards**

- The BARCT analyses conducted for landing rules is much more detailed and specific than the 2015 shave requirements
  - Any alternative approach should provide equivalent NOx reductions as the NOx BARCT limits established in the source- or industry-specific rule
  - In the individual rulemaking, staff will work with stakeholders regarding details of any alternative approach such as facilities under common ownership

## Revisions to the Transition Plan

- A discussion of alternative implementation approaches will be added to the Transition Plan

# BARCT Determination

Landing Rules

## Comment

- BARCT determination for different emission sources are dependent on the technology, fuel use, and equipment age
- Recommend allowing facility operators to perform their own analysis of technical and economic feasibility of BARCT for each affected unit
- Recommend that South Coast AQMD work with operators to determine BARCT on a case-by-case basis to ensure facilities will have cost-effective emission reductions

## Staff Response

- BARCT is based on the maximum degree of reduction achievable, taking into account environmental, energy, and economic impacts by each class or category of source[1]
- Staff does take into account technology, fuel use, and equipment age when establishing BARCT limits
- During the rule development process staff requests:
  - Facility specific cost information
  - Encourages facility operators to meet with staff to discuss specific challenges

## Revisions to the Transition Plan

- Will add additional information in the Transition Plan that the BARCT analysis takes into account facility-specific information and accounting for the class and category of the equipment

[1] Health and Safety Code Section 40406

# Cost-Effectiveness Determination

Landing Rules

## Comment

- 2016 Air Quality Management Plan established an average cost-effectiveness threshold of $50,000 per ton of NOx reduced
- Cost-effectiveness is not a "guideline" but a threshold established by the 2016 AQMP
- Emission control proposals must be below threshold in order for that proposal to constitute BARCT

## Staff Response

- 2016 AQMP states that proposed rules with an average cost-effectiveness greater than $50,000 per ton on NOx reduced would trigger a more rigorous analysis that includes:
  - Public review
  - Incremental cost-effectiveness scenarios and methodology
  - Industry-specific affordability issues
  - Possible alternative control measures
- Viable alternatives will be reviewed by the Board at a public meeting no less than 90 days prior to rule adoption where:
  - Board can provide direction to staff for further analysis
  - Board may adopt the original or alternative proposal
- Set hearing notice must include if proposed rule exceeds cost effectiveness threshold

## Revisions to the Transition Plan

- Discussion of analysis for cost-effectiveness greater than $50,000 per ton on NOx will be added into the Transition Plan

Landing Rules

# Cost-Effectiveness Analysis for Landing Rules

## Levelized Cash Flow ( LCF) Method to Calculate Cost-Effectiveness

- Recommend LCF instead of Discounted Cash Flow (DCF) method to calculate cost-effectiveness
- LCF is used by CARB and U.S. EPA
- DCF method results in projected costs that are less than those produced by the levelized cash flow (LCF) method

## Useful Life Assumption in Cost-Effectiveness Assessment

- Recommend revising the useful life assumption to 10-15 years instead of 25 years
- Assuming a 25-year useful life for control equipment is inappropriate
- 2015 NOx RECLAIM amendments assumed a 25-year life
- Only 5 years later, South Coast AQMD is proposing the same controls need to retrofit further and will again have a 25-year useful life

RECLAIM Transition

# Cost-Effective Analysis for Landing Rules

## Staff Response

### Levelized Cash Flow ( LCF) Method to Calculate Cost-Effectiveness

- Cost-effectiveness threshold level of $50,000 per ton of NOx reduced is determined using DCF method
- The cost-effectiveness values based on DCF and LCF methods are not directly comparable
  - DCF discounts all future costs to their present values
  - LCF amortizes the initial capital and installation costs over the equipment lifetime
- $50,000 per ton using DCF is approximately $80,0000 per ton using LCF method

### Useful Life Assumption in Cost-Effectiveness Assessment

- Useful life of equipment should reflect how long that equipment is typically in-use
- SCRs have been operated in petroleum refineries since the 1980s
- Not aware of any SCRs that have been replaced due to the end of their useful life
- A 25-year useful life is a conservative assumption

## Revisions to the Transition Plan

- No changes to the Transition Plan

Landing Rules

# Incremental Cost-Effectiveness

## Incremental Cost-Effectiveness Analysis Not Properly Completed

- South Coast AQMD needs to evaluate the cost per emission reduction for each progressively more stringent control option (i.e. stacking)

## Conduct Incremental Cost-Effectiveness When Considering BARCT

- Incremental cost effectiveness analysis needs to be performed and considered when determining BARCT
- Incremental cost-effectiveness analysis needs to be conducted earlier in rulemaking process to allow opportunity to comment before the Public Hearing for adoption

RECLAIM Transition

# Incremental Cost-Effectiveness

## Staff Response

### Incremental Cost-Effectiveness Analysis Not Properly Completed

- Staff conducts the incremental cost-effectiveness consistent with the Health and Safety Code
- Incremental cost-effectiveness is conducted on the potential control options which achieves the emission reduction objectives for the proposed rule

### Conduct Incremental Cost-Effectiveness When Considering BARCT

- Incremental cost effectiveness analysis is generally conducted after the proposed BARCT NOx limit is established
- Staff will conduct the incremental cost-effectiveness as part of the BARCT determination process

## Revisions to the Transition Plan

- Add a discussion about the incremental cost-effectiveness
- Staff will conduct the incremental cost-effectiveness when establishing the BARCT limit

# Summary of Comments Regarding NSR

## New Source Review

| Offset Quantification and Availability | Co-Pollutant Strategy | Scope of NSR Changes |
|---|---|---|

New Source Review

# NSR Program Changes Beyond Scope of AB 617

## Comment

- Staff's decision to transition NOx RECLAIM to a command-and-control regulatory structure causes the District to re-write the entire NSR program for RECLAIM and non-RECLAIM facilities
- NSR program changes are beyond the scope of the Governing Board and AB 617 direction to transition to a command-and control regulatory program

## Staff Response

- Neither the Governing Board nor AB 617 limit NSR program changes
- Revisions to NSR are needed as RECLAIM facilities transition to command and control to ensure the availability of offsets
- Other revisions are needed to ensure Regulation XIII meets federal requirements
- Staff also proposing revisions to streamline generation and use of offsets under Regulation XIII

## Revisions to the Transition Plan

- No changes to the Transition Plan

New Source Review

# Quantification and Availability of Offsets

## •Proposed Banks

- Concepts to establish and seed the proposed banks must be vetted with U.S. EPA prior to adopting Regulation XIII and Regulation XX amendments

## Use of Internal Bank Offsets

- Concerns with directing offsets from the Internal Bank to seed the proposed banks are unwarranted based on the large margin between the anticipated demand and supply for the Internal Bank

New Source Review

# Quantification and Availability of Offsets

## Staff Response

### Proposed Banks

- Staff has been working with U.S. EPA to develop the concepts for Minor and Major Source Banks to ensure the offsets used will meet all federal criteria

### Use of Internal Bank Offsets

- Staff has been exploring a variety of amendments to Regulation XIII to increase the supply of offsets
- As RECLAIM facilities transition to command-and-control, emission decreases from these facilities will be an additional supply of offsets
- Staff is conducting analyses to ensure that there are sufficient offsets for facilities as they transition out of RECLAIM
- Further details will be provided in upcoming working group meetings

## Revisions to the Transition Plan

- Staff is providing additional details on offset availability in Transition Plan to examine impacts of Minor and Major Source banks

New Source Review

# Conversion of RTCs to ERCs Offsets

## Comment

- Recommend to allow RTCs that were created from the conversion of ERCs at the commencement of the RECLAIM program to be converted back to ERCs
- Recommend to allow option to convert in perpetuity RTCs to ERCs

## Staff Response

- U.S. EPA strongly opposes the conversion of RTCs back to ERCs, even for those that originated as ERCs at the beginning of RECLAIM
- U.S. EPA has expressed concern that there is no mechanism to trace the use of the RTC
- All RTCs will be retired at the end of RECLAIM

## Revisions to the Transition Plan

- No changes to the Transition Plan

# Summary of Comments Regarding Permitting

| Permitting | | |
|---|---|---|
| Permit Structure | Permitting Fees | Permit Application Type |

Permitting

# Permit Structure

| Comment | Staff Response |
| --- | --- |
| ▪ Recommend retaining RECLAIM facility permit structure under command-and-control, rather than separating equipment into individual permits | ▪ Staff plans to maintain the general facility permit structure for current RECLAIM facilities<br>▪ A facility may voluntarily request to change their RECLAIM permit into command-and-control permits for a fee |

## Revisions to the Transition Plan

- ??

Permitting

# Permit Fees

## Comment

- The general facility permit structure used for RECLAIM permits should remain under command-and-control, rather than separating equipment into individual permits
- Individual permits could result in substantial permit fees
- Requests transparency regarding permitting fee changes

## Staff Response

- Permit fees for reissuing a facility permit are specified under Rule 301(l) and are necessary to recover costs
  - Fees consist of a flat fee and an additional time and materials charge where applicable
  - Fees are tiered based on the number of permitted NOx sources at the facility
- Rule 301(l) includes fees if a facility volunteers to change their RECLAIM permit into command-and-control permits

## Revisions to the Transition Plan

- ??

Permitting

# Permit Application Type

## Comment

- Removing non-applicable RECLAIM provisions and adding applicable command-and control requirements should be considered an administrative change rather than a modification which could trigger NSR
- Requests "safe harbor" language in rules or permits that confirms NSR will not be triggered

## Staff Response

- Permit applications submitted solely for removing non-applicable RECLAIM provisions and adding applicable command-and-control rule requirements is an administrative action
- Transition will not be considered a modification under Regulation XIII and will not be considered as an NSR event
- A discussion will be included in the staff report for amending Regulation XIII and XX rules confirming that the transition is administrative and does not constitute a modification that could trigger NSR

## Revisions to the Transition Plan

- ??

# Ongoing Efforts and Next Steps

- Continue rulemaking activities
- Continue working with U.S. EPA, CARB, and stakeholders
- Monthly RECLAIM and Regulation XIII NSR Working Group Meetings
- Quarterly Stationary Source Committee updates

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To receive e-mail notifications for Regulation XX or Regulation XIII, sign up at: www.aqmd.gov/sign-up
To view proposed rules and supporting documentation, visit the South Coast AQMD Proposed Rules webpage at:
http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules

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