

To: South Coast AQMD

From: Southern California Building Electrification Coalition

Date: 2/1/2025

Re: Proposed Amended Rules 1111 and 1121 Improvements

We must convey our profound disappointment regarding the delays in passing the proposed rules 1111 and 1121. Amendments to Rules 1111 and 1121 are essential to reducing criteria pollution in the region and achieving greater deployment of zero-NOx furnaces and water heaters. **We urge you to stay the course and adopt these long overdue rule amendments at your May Governing Board meeting without any further delay.**

It is particularly disheartening, however, to witness opposition continue their calculated 11th hour effort to further weaken these essential regulations during a time when we can least afford to backtrack on our commitment to emissions reduction. The current rule proposals already reflect significant concessions that ultimately bring the emissions reductions from these rules below the commitments made in the 2022 AQMP to reduce pollution from these sources. We cannot afford to weaken these amendments any further.

Just this past July, the Board Chair championed these amendments as a pivotal component of our emissions reduction strategy. Unfortunately, due to the regulatory offramps being offered and extended timelines, what was once heralded as the most impactful rule in three decades for NOx emissions—projecting a reduction of 10 tons per day—has already been diminished by 40%. We urge you to resist industry special interests calling for even greater concessions.

We believe this rule can still maintain its strength with targeted improvements to modestly accelerate compliance timelines and establish more robust mitigation fees. Our air quality and our community's health depend on it.

There are two areas of improvement to the current rule proposals that will ensure greater emissions reductions and increased regulatory compliance, and we ask Board Members to request these commonsense alterations.

- a. **Mitigation Fees Must be Higher and Reflect Emissions Impact:** A mitigation fee should be tethered to the emissions impacts of the targeted activity, however the current proposal includes fees that are far too small to mitigate impacts – \$50–100 per unit sold. Applying the District's screening threshold value for NOx emissions, the cost of the lifetime NOx emissions from a new gas water heater is roughly \$865, and roughly \$3,035 for a new gas furnace.¹ While the District may not want the mitigation fee to reflect the full cost of the of the resulting pollution, a mitigation fee that more closely reflects the cost of the resulting emissions is both consistent with

¹ Using baseline daily emissions, estimated number of units, and useful life figures from the [Preliminary Draft Staff Report](#) on the rules (pgs. 2-18, 2-20, and 5-2 [Table 5-1]).

the purpose of a mitigation fee and provides more funds to support deployment of heat pumps for low- and moderate-income individuals—thus helping to ensure equitable and affordable implementation of the rules.

- b. **Stronger Manufacturer Requirements:** The final rule should accelerate compliance percentage targets for manufacturers. We ask that staff look at more ambitious percentages across the board so that more zero-emission appliances are made available sooner, which will help bring down unit costs. For example, the proposal could skip the initial 70% NO_x-emitting sales cap and move directly to the 50% NO_x-emitting sales target for both space and water heating in 2027. In the case of space heating, because baseline sales of NO_x emitting units in 2027 will already be at 64 percent according to an RMI analysis, a 70 percent cap will not accomplish anything. A 50 percent target is necessary to achieve meaningful progress and continue to move the market toward zero-emission options. In the case of water heating, because zero-emission units have more predictable installation costs and are available in 120V models to avoid the potential need for electric upgrades, these units can be readily deployed with the right regulatory signal.

With these two adjustments, we support the current structure of the rule and believe it offers the greatest flexibility while still having the potential to achieve significant NO_x reductions. It is imperative that we finalize these rules, however. Passing them in May will send a strong message that the SCAQMD is committed to meeting its NO_x reduction obligations and will send a strong signal to encourage the market: that the South Coast is ready for zero-pollution appliances.