



# NO<sub>x</sub> RECLAIM WORKING GROUP MEETING

APRIL 19, 2017

SCAQMD

DIAMOND BAR, CA

# RECLAIM Program Recent Actions

- December 2015 amendments established a 12 tpd NO<sub>x</sub> RTC shave which will end in 2022 (current NO<sub>x</sub> reduction commitment)
- October 2016 amendments established provisions for facility shutdowns and the handling of RTCs (prevents excess NO<sub>x</sub> RTCs in the market and encourages the installation of BARCT)
- 2016 Air Quality Management Plan Control Measure CMB-05 called for further NO<sub>x</sub> reductions from an assessment of the RECLAIM program, including:
  - A 5 ton per day NO<sub>x</sub> reduction to be achieved no later than 2031; and
  - Develop options and timing for a transition to a command-and-control regulatory structure

# 2016 Final AQMP Resolution

- Adopted at March 3, 2017 Governing Board Meeting:

“BE IT FURTHER RESOLVED, that the SCAQMD Governing Board does hereby direct staff to modify the 2016 AQMP NOx RECLAIM measure (CMB-05) to achieve the five (5) tons per day NOx emission reduction commitment as soon as feasible, and no later than 2025, and to transition the RECLAIM program to a command and control regulatory structure requiring BARCT level controls as soon as practicable, and to request staff to return in 60 days to report feasible target dates for sunseting the RECLAIM program.”

# 60-Day Report on Feasible Timing for Sunset

- Staff is to provide the Governing Board a report on feasible target dates for sunseting the RECLAIM program at the May 5<sup>th</sup> Governing Board Meeting, which would align both Governing Board directives of reducing NOx RTCs by 5 tons per day and complete transition of the RECLAIM program to a command-and-control regulatory framework
- Actual sunset timing may require additional analysis beyond the 60 days provided
- Staff have met with several stakeholders/facility operators thus far, have received comments, and more meetings forthcoming

# Initial Considerations for the Transition

- Grouped considerations into four categories based on:
  - Policy Considerations
    - Policy decisions regarding the overall transition and specific issues related to the transition
  - Early Action Considerations
    - Issues that can be implemented within the first 18 months
  - Longer-term Action Considerations
    - Issues that are more complex
      - Requires data analysis, rulemaking, etc.
    - Initiate work on issues, but implementation expected to occur beyond 18 months
  - Other Considerations

# Policy Considerations

- Issue: Should SO<sub>x</sub> RECLAIM program be included in the same transition process with NO<sub>x</sub> RECLAIM
  - Currently 31 SO<sub>x</sub> RECLAIM facilities, all are in NO<sub>x</sub> RECLAIM
  - Sunsetting both programs together could lessen the impact on resources and provide more regulatory certainty to affected facilities

# Policy Considerations *(Continued)*

- Issue: Establish a transition schedule that provides greater regulatory certainty
  - 12 tons/day 2016-2022 NOx shave
  - The 2016 AQMP 5 tons/day NOx reduction must be completed by 2025
  - Considerations for transition schedule
    - Specifics regarding timing and emission reduction requirements that will allow facilities to make earlier investment decisions
    - Transition mechanisms such as an RTC trading freeze after a certain date or voiding future year RTCs beyond the sunset date
    - The need for and timing of amendments to Regulation XX and other command-and-control rules

# Policy Considerations *(Continued)*

- Issue: Concept of equipment/source requirements versus facility and common ownership bubbles after exiting RECLAIM
  - As facilities transition to command and control, there are several options for operating scenarios
  - Considerations for operating scenarios:
    - Individual equipment/process permits – traditional command and control
    - Individual facility bubble
      - Individual equipment/process permits under a facility-wide bubble
    - Common ownership facility bubble
      - Whether the transitioned facilities would be placed under an emissions cap prior to or after exiting the RECLAIM program
  - Any approach can also establish equipment/process limits and permit conditions
  - Other



# Policy Considerations *(Continued)*

- Issue: What RECLAIM monitoring, reporting and recordkeeping requirements should be applied to facilities as they transition out
  - In the absence of credit trading some of the more stringent requirements may no longer be necessary
  - Reasonable assurance of compliance
  - Considerations:
    - Missing data provisions
    - Frequency of reporting and recordkeeping requirements
    - Applicability of CEMS
    - Source testing requirements/RATA
    - Other?

# Policy Considerations *(Continued)*

- Issue: Determination of BARCT levels as facilities transition out of RECLAIM
  - BARCT determinations will be an ongoing process
  - New rules may need to be adopted and old rules may need to be amended
  - BARCT will be evaluated across all current RECLAIM source categories

# Early Action Considerations

- Early Action: Stopping new facilities from entering the RECLAIM program
  - Rule 2001 - Applicability
    - Facilities  $\geq 4$  tons per year of NO<sub>x</sub> or SO<sub>x</sub> are required to enter into RECLAIM
    - Allows facilities to elect to enter RECLAIM
  - Amendments to Rule 2001 to end the influx of facilities into RECLAIM
  - Anticipated Implementation: 2018

# Early Action Considerations *(Continued)*

- Early Action: Identify source or industry categories that can exit the program earlier
- Considerations:
  - The ease at which the facility's equipment can be demonstrated to be at BACT or BARCT
    - Facilities may be allowed to exit from the RECLAIM program if all of their units are at current BACT or BARCT, or as currently specified in Rule 2001, at least 99 percent (*or another appropriate percentage*) of the facility's NOx and SOx equipment are at BACT or BARCT
  - Similarity of equipment profiles, industry types, etc.
  - The number of facilities or equipment affected

# Longer-term Action Items

- Longer-Term Actions: Developing transition strategy for more complex facilities
  - Considerations:
    - Identify facilities that are more complex based on the type(s) of process operations, the quantity/variety of equipment categories within the facility, etc.
    - Explore opportunities to transition portions of more complex facilities sooner
    - Consider mechanisms for transition

# Other considerations

- Transition timing should take into account scheduled facility turnarounds and major equipment downtime
- The economic and environmental impacts of the RECLAIM transition should be minimized while still achieving the air quality objectives

# Next Steps

- Governing Board Meeting: May 5, 2017
- Continue to meet with the Working Group and individual stakeholders/facility operators as the rulemaking process develops
- Establish priorities for and initiate rulemaking process with the first phase of proposed rule amendments targeted for completion by the end of 2018, beginning with Rule 2001
  - These rule changes can define the glide path of the transition process and provide more regulatory certainty
- Identify target dates for the completion of rules or rule amendments governing the transitioned facilities to a command and control rule structure