



NO_x RECLAIM WORKING GROUP MEETING

NOVEMBER 8, 2017

SCAQMD

DIAMOND BAR, CA

Agenda

- October 12, 2017 working group meeting highlights
- Discussion of Transition Mechanisms
- RTC Holdings as Facilities Transition to Command and Control
- Other Updates

October 12, 2017 Working Group Meeting

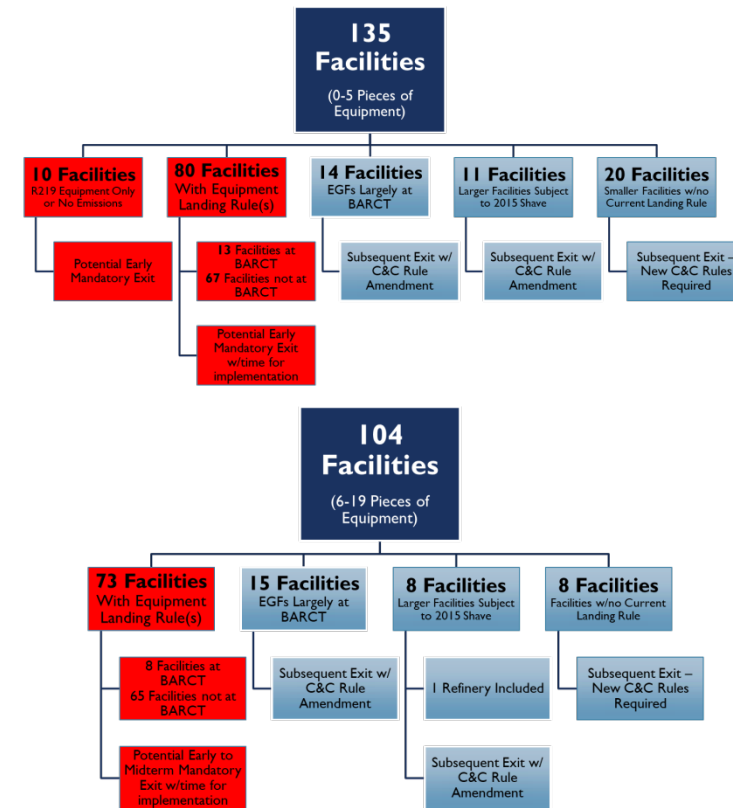
- Overview of Rules 2001 and 2002 proposed amendments
- Guiding Principles for New Source Review
- Discussed five policy issues for New Source Review
- Update on AB 617



DISCUSSION OF TRANSITION MECHANISMS

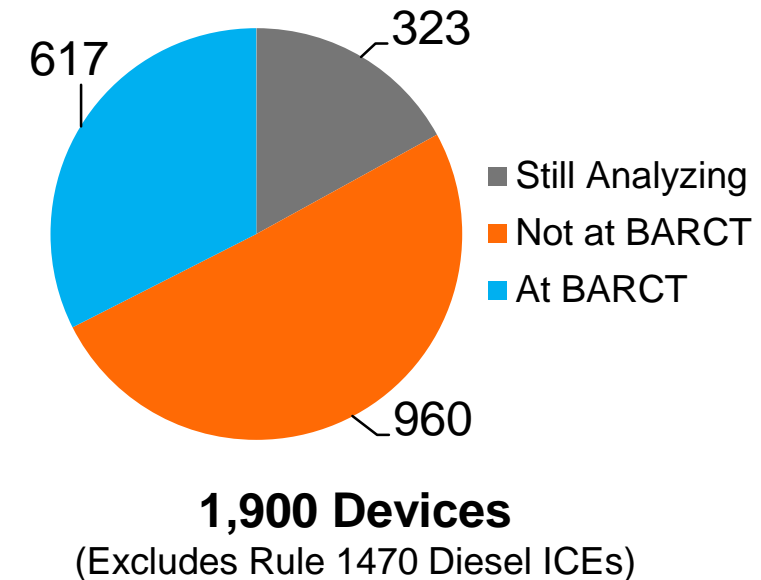
Background

- Previous Working Group Meetings presented information
 - Groupings of facilities by the amount of equipment
 - Identified “landing rules” and where new or amended rules are needed
- Staff has been further analyzing NOx RECLAIM facilities at the device level
 - Looking at the equipment size
 - Mass emissions by device
 - Analysis not yet complete



Considerations When Transitioning Facilities

- Of the 229 NO_x RECLAIM facilities 106 facilities are affected by multiple rules (excludes facilities with Rule 1470 equipment)
- Many pieces of equipment not at BARCT
- Must coordinate implementation schedule to ensure greatest emission reductions can occur in early years
- Consideration of ability for facilities to implement multiple emission reduction projects – particularly facilities with 10+ pieces of equipment



Concepts for Guiding Principles for Transition

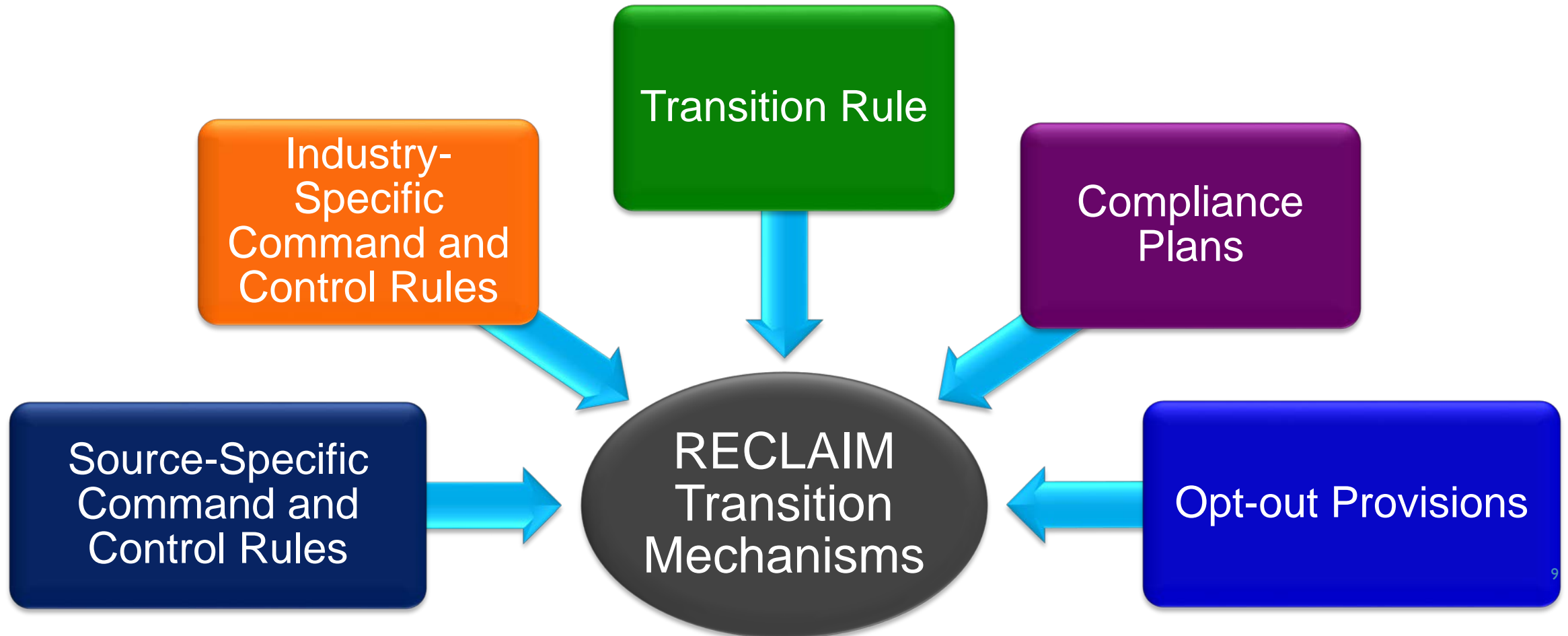
- No backsliding of programmatic emissions or controls
- Implementation timeframe that accounts for:
 - Where feasible, seek to achieve greatest emission reductions first
 - Coordination of multiple BARCT rules that affect individual facilities
 - Coordination of multiple pieces of equipment that are affected by an individual BARCT rule
 - Consideration of industry categories to ensure transition does not create advantages or disadvantages to individual businesses
 - Consideration of other regulatory requirements that may be impacting industry categories

Concepts for Guiding Principles for Transition

(Continued)

- Implementation approach that:
 - Incorporates a public process
 - Accounts for resources
 - SCAQMD resources to implement transition – permitting, rulemaking
 - Facility resources – ability to implement many emission reduction projects simultaneously
 - Other resources – availability of installers, source testers, contractors, etc.
- Other?

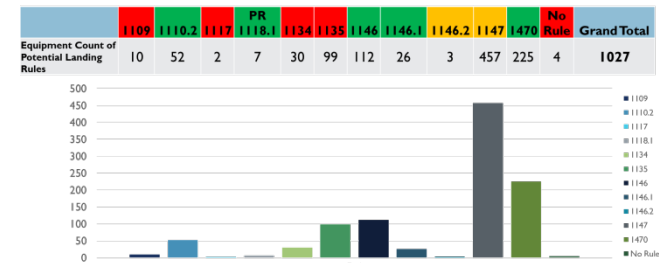
Potential RECLAIM Transition Mechanisms



Source-Specific Command and Control Rules

- Source-specific command and control rules
- Amendments to existing and development of new command and control rules
- Facilities with equipment that is under one source-specific rule can directly comply with BARCT rule
 - BARCT rule will establish emission limit and implementation schedule
- Other facilities will likely need to follow an implementation schedule in the RECLAIM transition rule

Source-Specific Command and Control Rules



Source-Specific Command and Control Rules – Proposed Schedule

First Quarter 2018

- Rule 1146 (Boilers and Process Heaters)
- Rule 1146.1 (Boilers and Process Heaters)
- Rule 1146.2 (Small Boilers and Process Heaters)

Second Quarter 2018

- Rule 1118.1 (Non-Refinery Flares)
- Rule 1147 (Miscellaneous NOx Sources)

Third Quarter 2018

- Rule 1110.2 (Internal Combustion Engines)

Fourth Quarter 2018

- Rule 1134 (Stationary Gas Turbines)
- Rule 1147.1 (Large Miscellaneous NOx Combustion Sources)

2019

- Rule 1117 (Glass Melting Furnaces)
- Rule 1159.1 (Nitric Acid Units)

Industry-Specific Command and Control Rules

- Industry-specific command and control rules allows for:
 - Implementation schedule and approach that accounts for issues that are unique to a specific industry
 - Establish BARCT requirements that are more representative of equipment for that industry
- Several industry categories have been identified where industry-specific rules will be developed
 - Refineries (Rule 1109.1)
 - Electrical Generating Facilities (Rule 1135)
- Other industry categories that are being considered – particularly certain industries that have Rule 1147 equipment
 - Metal melting and heat treating facilities (Rule 1147.2)
 - Other?

Industry-Specific
Command and
Control Rules

Industry-Specific Command and Control Rules – General Schedule

Fourth Quarter 2018

- Rule 1109.1 (Refineries)
- Rule 1135 (Electrical Generating Facilities)

2019

- Rule 1147.2 (Metal Melting and Heat Treating Facilities)

Concept for a RECLAIM Transition Rule

- A RECLAIM transition rule may be needed to establish the implementation schedule for facilities with multiple pieces of equipment
- Transition rule will ensure facilities that are affected by multiple rules will achieve the greatest emission reductions early
- Transition rule will coordinate implementation schedules to account for facilities with multiple pieces of equipment that are affected by multiple BARCT rules

Transition Rule

Concept for a RECLAIM Transition Rule *(Continued)*

- In general, the RECLAIM Transition Rule would include:
 - Compliance schedule for facilities with common pieces of equipment that accounts for the emissions from each piece of equipment
 - Reference emission limits in applicable BARCT rules

Transition Rule

Compliance Plans

- Compliance Plans can be used to address unique operations where there are unique pieces of equipment
- Preference is to use the source-specific, industry-specific, and RECLAIM transition rule before utilizing individual compliance plans
- In general compliance plan would include:
 - A facility-specific compliance schedule for each piece of equipment
 - Reference emission limits in applicable BARCT rules
 - Emission limits in the absence of a BARCT rule

Compliance
Plans

Opt-Out Provisions

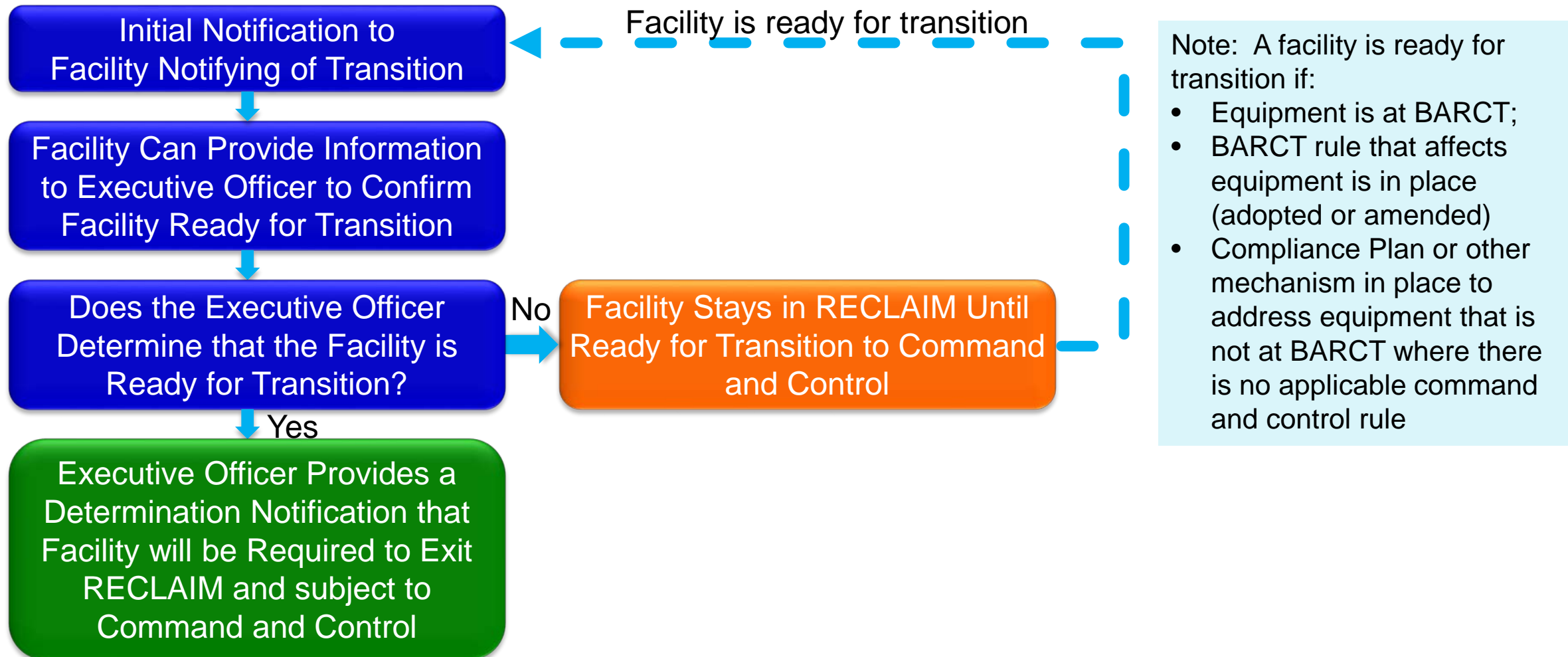
- Opt-out provisions will allow facilities to opt-out of RECLAIM
- Opt-out provisions will be incorporated in Rule 2002
- In general, opt-out provisions would include:
 - Specific criteria that a facility must meet to opt-out
 - If equipment is not at BARCT, facility would be required to submit a compliance plan specifying the schedule to achieve BARCT

Opt-out Provisions



RTC HOLDINGS AS FACILITIES TRANSITION TO COMMAND AND CONTROL

Background of Concept for Transition Process



Adjusting RTCs Holdings as Facilities Transition to Command and Control

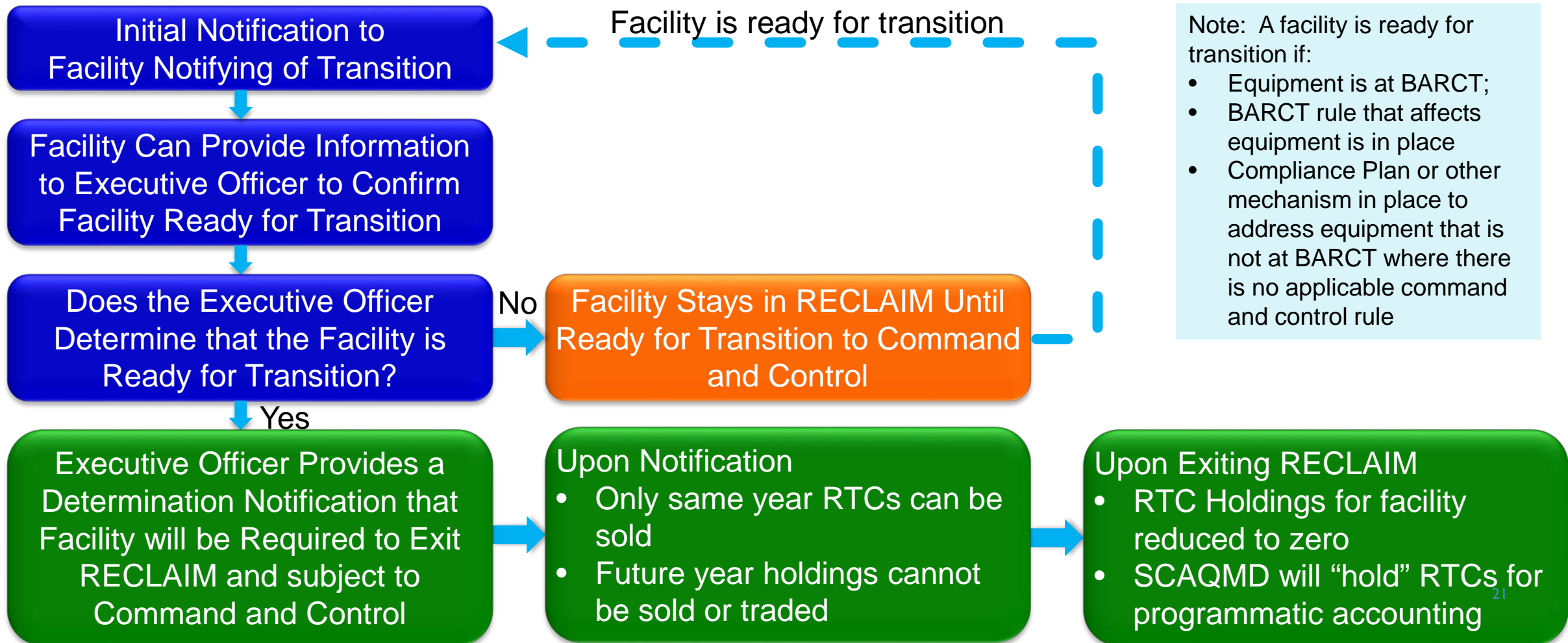
Background

- As program transitions to command and control, RTCs holdings will be adjusted downward
- It is expected that some facilities may be subject to command and control rules while in RECLAIM, which may reduce the demand for RTCs
- Initial recommendation: Reduce RTC holdings as each facility exits RECLAIM

General Approach

- As a facility transitions to command and control, the Executive Officer will issue a determination notification to facility
- Upon notification only same year RTCs can be sold; future year holdings are frozen and cannot be sold or traded
- Upon exiting RECLAIM, RTC holdings for the facility will be reduced to zero

Overview of Transition Approach



Adjusting RTCs Holdings as Facilities Transition to Command and Control - Discussion

Discussion

- Facilities that are required to exit RECLAIM early do not have the same opportunity to sell RTCs as that facilities that have not exited RECLAIM, however,
 - Transition is expected to occur over a two-year period
 - Value of the RTCs will diminish as more facilities transition to command and control
- Removing RTCs in RECLAIM as facilities exit can help to reduce excessive surplus of RTCs in the RECLAIM market
- As more facilities exit RECLAIM, the supply will decrease which may be difficult for some facilities to demonstrate compliance before they transition
- SCAQMD staff can monitor supply of RTCs and if needed, RTCs that were surrendered from facilities that have already transitioned to command and control can used to demonstrate compliance



OTHER UPDATES



SOx RECLAIM

- Initial staff recommendation
 - Focus on transitioning NOx RECLAIM to command and control
 - Address SOx RECLAIM at a later date
- Staff is considering
 - Prohibiting additional facilities entering SOx RECLAIM

Update on New Source Review

- SCAQMD initiated a call with EPA to discuss possibility of using internal bank for NOx offsets
- EPA expressed concern regarding the quality of the credits in the internal bank
- Staff emphasized the importance of resolving issues regarding the availability of NOx offsets as facilities transition to command and control
- Staff will continue to dialogue with EPA regarding all NSR issues

Next Steps *(Continued)*

- Proposed Amended Rules 2001 and 2002 Public Consultation Meeting – November 8, 2017
- Working Group Meetings (monthly)
 - December 14, 2017 at 10:00 AM

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