

BOARD MEETING DATE: May 5, 2017

AGENDA NO. 26

PROPOSAL: Report on Feasible Target Dates for Sunsetting the RECLAIM Program

SYNOPSIS: At the March 3, 2017 Board meeting, staff was directed to modify the 2016 AQMP NO_x RECLAIM control measure CMB-05 to achieve the five (5) tons per day NO_x emission reduction commitment as soon as feasible, but no later than 2025. In addition, staff was directed to transition the RECLAIM program to a command and control regulatory structure requiring BARCT level controls as soon as practicable, and return in 60 days to report on feasible target dates for sunsetting the RECLAIM program. This item provides staff's initial considerations and suggestions for feasible sunset dates for the RECLAIM program.

COMMITTEE: No Committee Review

RECOMMENDED ACTION:
Receive and file.

Wayne Natri
Executive Officer

PMF:SN:TG:GQ:KO

Background

The South Coast Air Quality Management District (SCAQMD) Board adopted the 2016 Air Quality Management Plan (AQMP) on March 3, 2017. Control Measure CMB-05 of the 2016 AQMP commits to an assessment of the RECLAIM program in order to achieve further NO_x reductions of five tons per day, including actions to sunset the program and ensure future equivalency to command and control regulations. The adopting Resolution directed staff to modify Control Measure CMB-05 to achieve the five tons per day NO_x emission reduction as soon as feasible but no later than 2025, to transition the RECLAIM program to a command and control regulatory structure requiring BARCT level controls as soon as practicable, and to return in 60 days to the Board to report on feasible target dates for sunsetting the RECLAIM program.

Public Process

Since the March 3, 2017 Board meeting, staff has held two working group meetings, on March 24, 2017 and on April 19, 2017. In addition, a conference call was conducted on April 26, 2017 to allow stakeholders an opportunity to provide comments on staff's presentation to the Board. Throughout the 60 days and moving forward, staff encouraged stakeholders to meet with the SCAQMD staff to provide input on the transition to a command and control regulatory structure.

Development of a Transition Plan

There are a number of challenges for transitioning RECLAIM to command and control. One of the challenges is due to the complexity of the 268 NO_x RECLAIM facilities, which include over 2,500 individual pieces of equipment. Adding to the challenge are the many issues that will need to be addressed through the transition process, such as New Source Review, permitting, rule development, monitoring, and a variety of policy decisions. Staff has initiated the development of a Transition Plan that provides an approach and general timeframe for addressing these topics as the RECLAIM program is transitioned to a command and control regulatory structure. The overall objective is to achieve the additional 5 tons per day of NO_x reductions by 2025. It should be noted that some Working Group members suggested a range of dates for sunseting the program, from 2023 to 2031.

The transition development plan will include the following four elements: 1) Identifying Key Issues; 2) Collaboration; 3) Strategic Planning, and 4) Implementing Recommendations. A description of these four elements is as follows:

- **Identifying Key Issues:** Over the past 60 days staff has developed an initial list of issues with input from the RECLAIM Working Group. As the transition process progresses, it is expected that additional issues will be identified.
- **Collaboration:** Throughout the process, staff will collaborate with CARB and other stakeholders to discuss key issues and develop options and actions to address issues. Collaboration will occur through the RECLAIM Working Group, sub-topic work groups, and individual meetings.
- **Strategic Planning:** This element includes development of recommendations for each of the issues identified. Each issue will be categorized in the following three groups based on the expected timeframe recommendations that are expected to be implemented: Early Action Recommendations: <18 months; Mid-Term Action Recommendations: 18 to 36 months; and Longer-Term Action Recommendations: no later than 2024.
- **Implementing Recommendations:** Implementation of recommendations is expected to occur throughout the process up to 2025.

Initial List of Key Issues Identified

The following provides a summary of the initial list of key issues developed with input from the RECLAIM Working Group. Many of these issues are complex and will require substantial additional analysis. In addition to the issues identified below, there are a number of considerations that must be taken into account when addressing the issues discussed below, such as turnaround schedules and major downtime for large facilities; regulatory certainty for the 12 tons per day shave plus the additional commitment of 5 tons per day; BARCT assessments and mechanisms to minimize stranded assets; economic and environmental impacts of the RECLAIM transition while still achieving air quality objectives; and consideration of SCAQMD resources throughout this process.

Potential Early Recommendations and Action Items

Potential early recommendations and action items are in response to those issues which staff anticipates will occur within 18 months. In general, these issues are less complex or are issues for which early resolution is needed for the overall transition process. One of the initial early actions would be to amend Rule 2001 - Applicability, to prohibit new facilities from entering the RECLAIM program. Staff also intends on establishing provisions to provide for an easy earlier exit for facilities at BARCT and to establish a command and control rulemaking schedule. Technology assessments and rule developments will be initiated, with emphasis on the largest RECLAIM sources. During this early phase of the transition, staff will develop a more detailed transition schedule to provide more regulatory certainty for stakeholders. In addition, some policy decisions will need to be addressed, such as a possible SO_x RECLAIM sunset; and an assessment of alternative compliance approaches within a command and control regulatory structure such as facility bubbles.

Potential Mid-term Recommendations and Action Items

Potential mid-term recommendations and action items are in response to those issues which staff anticipates will occur within 18 to 36 months. In general, these issues are more complex, will require more time to work with stakeholders, and more time to conduct analysis. Some of these actions will include a continuation of BARCT determinations and further rule development, as needed. Additional policy issues would be addressed within the timeframe which include New Source Review Emission Reduction Credits (ERCs), permitting, and Monitoring, Recordkeeping, and Reporting requirements for facilities exiting RECLAIM.

Potential Longer-term Recommendations and Action Items

Under this category of issues, staff anticipates recommendations and actions to occur after mid-term recommendations and no later than 2024. The objective is to establish any remaining rule development activities or other actions by 2024 to ensure that the

smooth transition to command and control will occur as soon as possible. These amendments will include those that sunset all remaining aspects of the RECLAIM program. Throughout the process, staff will track emission reductions to ensure that the 5 tons per day of NO_x reductions from current RECLAIM facilities will be achieved by 2025.

Next Steps

Staff will meet with the RECLAIM Working Group monthly. In the coming months staff will begin development of early action recommendations to better identify key issues and to further develop the Transition Plan. Staff will also commence efforts to establish priorities and initiate the rulemaking processes, with the first phase of proposed rule amendments targeted for completion in 2018. In addition, staff will identify target dates for the completion of rules or rule amendments governing facilities that transition to a command and control regulatory structure. Staff will report back to the Stationary Source Committee on progress and recommendations every six months.

Attachment

Board Meeting Presentation

60-Day Report on Transitioning NOx RECLAIM to Command and Control

May 5, 2017

Governing Board Meeting

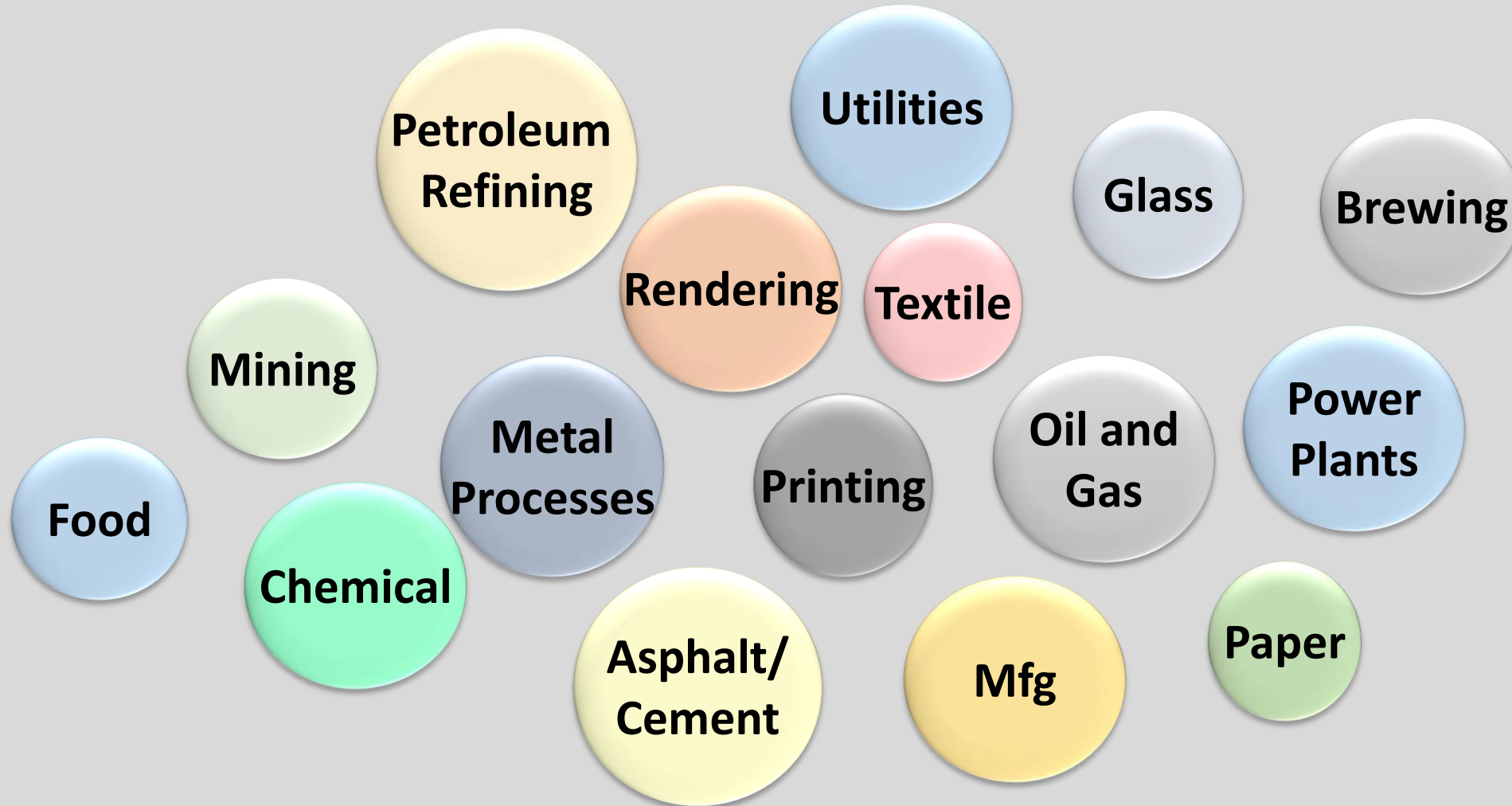
60-Day Process

- Two Working Group Meetings and a conference call with Working Group
- 5 individual stakeholder meetings
- Goal is to achieve an additional 5 tons per day NO_x reductions by 2025, and transition the program to command and control as soon as practicable
- Complex program with steep challenges for the transition

Complexity of RECLAIM Universe

**268
Facilities in
NO_x
RECLAIM**

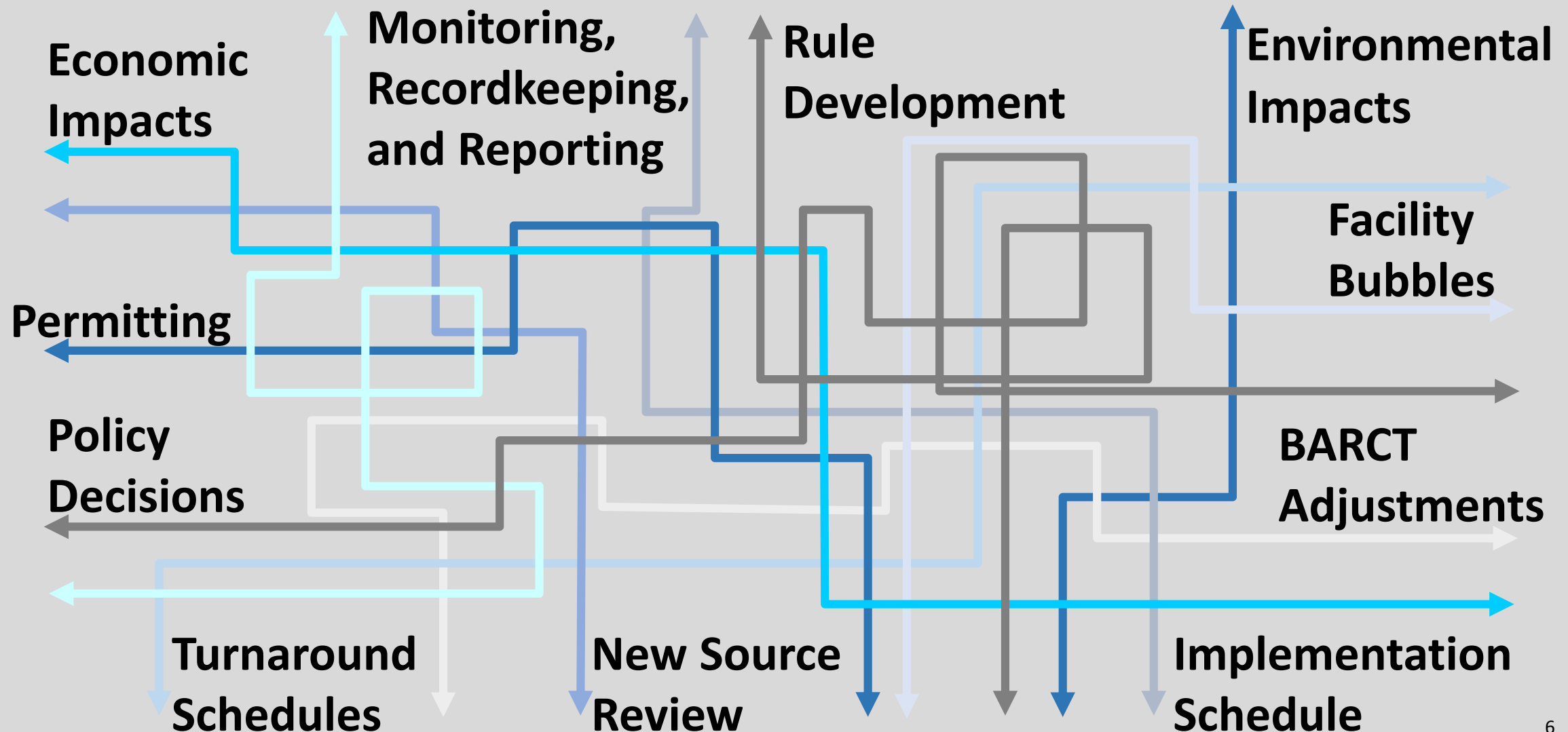
Complexity of RECLAIM Universe



Complexity of RECLAIM Universe

**>2,500
Pieces of
Equipment**

Complexity of the Challenge



Development of a Transition Plan



Identify Issues

- Create list of considerations and potential issues for transition



Stakeholder Collaboration

- Discuss issues with Working Group
- Sub-Topic Work Groups
- Individual Meetings
- Develop options and actions to address issues



Strategic Planning

- Develop recommendations for each issue identified
- Schedule for recommendations:
 - Early Recommendations (<18 months)
 - Mid-term Recommendations: (18 - 36 months)
 - Longer-Term Recommendations (No later than 2024)




Implement

Implement recommendations

A photograph of an industrial facility, likely a power plant or refinery, featuring a tall, dark smokestack and various structural elements. The image is partially obscured by the text on the right.


Potential Early Recommendations and Action Items (18 months)

- Amend Rule 2001 to prohibit new facilities entering into the RECLAIM program
- Establish provisions for easy early exit for facilities
- Establish command and control rulemaking schedule
- Initiate technology assessments and rule development - emphasis on largest sources
- Establish a transition schedule to provide regulatory certainty
- Policy decisions:
 - SO_x RECLAIM – sunset?
 - Assess alternative compliance approaches within command and control such as facility bubbles



Potential Mid-term Recommendations and Action Items (36 months)

- Continue with BARCT determinations and rule development to amend command and control rules as needed
- Additional policy decisions
 - New source review – ERC availability
 - Permitting for ex-RECLAIM facilities
 - Monitoring, Recordkeeping, and Reporting Requirements

A vertical photograph on the left side of the slide shows industrial machinery. It features a large circular gauge near the top, several vertical pipes, and a control panel with various buttons and a smaller gauge at the bottom.

Potential Longer-term Recommendations and Action Items (No later than 2024)

- Track and ensure 5 tons per day are on schedule to be achieved by 2025
- Amend remaining command and control rules
- Amendments that sunset all remaining aspects of NO_x RECLAIM program as soon as feasible



Other Considerations

- Turnaround schedules and major downtime for large facilities
- Regulatory certainty: 12 tpd + 5 tpd
- BARCT assessments – minimizing stranded assets
- Economic and environmental impacts of the RECLAIM transition while still achieving air quality objectives
- Alternative compliance options during transition or within command and control
- SCAQMD resources

A photograph of industrial machinery. It features a blue metal frame with various pipes and components. A prominent green circular component is visible, along with a brass-colored cylindrical part. There are also some electrical conduits and a small white box at the bottom right of the frame.

Timing of Transition to Command and Control

- Will require substantial additional analyses and public process beyond initial 60 days
- Staff discussed alignment of sunset date with 5 tpd commitment in 2025
- Working group suggested range of dates, from 2023 to 2031
- Practically, timing of sunset will likely vary for different
 - Industry sectors
 - Equipment types
 - Complexities and numbers of equipment at facility
 - BARCT/BACT status of facility
 - Allocation/Holding status – structured buyers, newer facilities

Next Steps for the Transition

- Continue to meet with the Working Group (monthly) and individual stakeholders/facility operators
- Further development of Transition Plan
- Establish priorities and initiate rulemaking with the first phase of proposed rule amendments
 - 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
- Report back to Stationary Source Committee on progress and recommendations every ~6 months