Scope of White Paper

- **Stationary sources**
  - Individual and facility-wide
  - New and existing

- **Mobile sources**
  - That are dedicated to a stationary source facility
  - Associated with permitting for new sources and for CEQA projects

- NOx and PM as those are the reductions most needed for the 2016 AQMP
Key Comments Raised by Stakeholders

- White Paper should also focus on retaining existing business.
- Addressing NSR issues should be a key component.
- A cap and trade program for non-RECLAIM facilities would encourage facilities to modernize.
- The Clean Air Investment Fund could be used to help address credit offset price and availability issues.
- Credit offset leasing should be made available to facilities.
- ERCs should be converted to annual credits.
- Rule 1304 - Exemptions should be expanded.
Approach to Facility Modernization

- Identify key objectives
- Identify hurdles and barriers that have impeded facility modernization
- Use an incentive-based approach
  - Encourage businesses to choose ultra clean technologies, where feasible
  - Consistent with comments regarding business retention
Three Objectives

**Objective 1:** Provide incentives to replace older higher-emitting equipment with newer lower emitting equipment, which can apply to a single source or an entire facility

**Objective 2:** Provide incentives for existing businesses to implement zero and near-zero emission technologies throughout their operations

**Objective 3:** Encourage new businesses that use and/or manufacture near-zero and zero emission technologies to site in the Basin
**Objective 1: Provide incentives to replace older higher-emitting equipment with newer lower emitting equipment**

- Encourage businesses to replace older higher-emitting equipment with lower emitting equipment sooner
- Purpose is to realize emission reductions sooner than would occur without incentives
- SCAQMD’s regulatory program generally allows equipment to reach its useful life
  - BARCT – retrofit requirements
  - Manufacturer requirements upon replacement
- Encouraging zero and near-zero emission technologies is always a goal, but not purpose of this objective (Objective 2)
Objective 2: Provide incentives for existing businesses to implement zero and near-zero emission technologies

- Promote use of zero- and near-zero emission stationary and mobile source technologies at stationary sources
- Stationary combustion sources
  - Identify opportunities to implement zero and near-zero emission technologies
- Mobile sources dedicated to a stationary source facility such as fork lifts, yard equipment, or other off-road equipment
- Advantage: Implementing zero emission technologies provides certainty that no further reductions required
- Reduce Facility Emissions and Fees paid
Objective 3: Encourage new businesses that use and/or manufacture near-zero and zero emission technologies to site in the Basin

- Additional incentives for new businesses that use or manufacture zero or near-zero technologies
- Include incentives for California Environmental Quality Act (CEQA), NSR, permitting, annual permitting and emissions fees, etc.
- Potential for long-term benefits to encourage ultra-clean facilities to site in the Basin
- Supports need to implement and use zero-emission technologies
Potential Benefits

- Additional NO\textsubscript{x} and PM reductions sooner
- Reach emission sources that may be difficult through a traditional regulatory approach
- Approach is consistent with business retention
- Potential for additional business certainty when zero or near zero-emission technologies are employed
- Supports need to implement and use zero or near zero-emission technologies
We Need to Tip the Scale

Many variables involved when a business is deciding to replace equipment or to decide to use ultra clean technologies

Must tip the scale to make Facility Modernization meaningful

- Must address key barriers
- Must provide incentives
- Identify opportunities – find the low hanging fruit

Must prioritize incentives and barriers to achieve the objectives
Barriers and Hurdles to Facility Modernization

- **Cost**
  - Cost of replacing equipment
  - Cost of zero and near-zero technologies – capital and operating costs

- **New Source Review**
  - Supply of existing ERCs
  - Generation of new ERCs – mainly shutdowns
  - ERC Cost (NOx and PM)

- **Other?**
Facility Modernization Incentives

▶ **Economic Incentives:** Identifies incentives using grants and loans

▶ **Permitting and Fee Incentives:** Expansion of pre-approved permit equipment categories and reduced fee programs for advanced technologies

▶ **Credit Offset and NSR Incentives:** Expansion of Exemptions and use of Priority Reserve, Clean Air Investment Fund, and short-term leasing offset program

▶ **CEQA Incentives:** CEQA-related incentives

▶ **Branding Incentives:** Clean-Air and advanced technology labeling and recognition

▶ **Others?**
Concepts for Economic Incentives

- Grants and loans for lower emitting equipment purchases (INC-01)
- Stationary source grant program similar to Carl Moyer
- Explore potential to use Clean Fuels Program to fund stationary source projects
- Direct penalty/mitigation monies to fund stationary source projects
- Key issue: Identify source of funding
Concepts for Permitting and Fee Incentives

- Expedited permit processing for near zero emission projects (zero emission sources exempt from permit)
- Expand pre-approved list of equipment and controls to speed processing times and provide business certainty
- Development of tiered or fee sliding scale based on advanced technology – reduced permitting and/or annual emission fees
Concepts for Credit Offset & NSR Incentives

- Allow use of ERCs for short-term leasing of non-tradable credit offsets on a temporary basis
  - Limited to a specific number of years (e.g., for the first 5 years)
  - If unused, credit offsets could then be returned to the SCAQMD with any applicable emission offset discounts
- Expand use of priority reserve for new manufacturing facilities that emit within a specified annual emission range (e.g., 4 to 10 tpd)
Concepts for Credit Offset & NSR Incentives (Continued)

- Establish pre-funded clean air investment fund administered by SCAQMD or other publicly-accountable entity
  - Facilities would pay a benchmark fee to use offset credits
  - Monies collected would be used to invest in zero and near-zero emission technologies (mobile and stationary sources)
- Calculate future ERC and convert existing ERCs to annual instead of daily credits
- Expand Rule 1304 – Exemptions for zero- or near-zero emissions technologies
- Investigate modifications to the discounting of newly generated ERC for zero- or near-zero emission technologies
Concepts for Branding & CEQA Incentives

- Provide incentive for new facilities to receive recognition for zero and near-zero technologies – similar to LEED program
- CEQA document preparation assistance (INC-02)
Next Steps

- Release of Draft White Paper
- Schedule another Working Group Meeting
- November/December Governing Board Meeting