

# NSR Stakeholders Working Group Meeting

January 21, 2009

# Agenda Item #2

## Background on NSR and Offsets

NSR Stakeholders Working Group  
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# New Source Review (NSR) Background

- Federal Law – The Federal Clean Air Act has NSR requirements for major sources for both Attainment and Non-Attainment Air Contaminants
- State Law – The California Clean Air Act has NSR (No Net Increase) requirements for both major and non-major source of Non-Attainment Air Contaminants

# New Source Review Requirements

- Attainment Air Contaminants  
Requirements are for Prevention of Significant Deterioration (PSD):
  - Best Available Control Technology (BACT)
  - Air Dispersion Modeling
  - Visibility Analysis
- Non-Attainment Air Contaminants  
Requirements are for Non-attainment NSR:
  - BACT/ Lowest Achievable Emission Rate (LAER)
  - Air Dispersion Modeling
  - **Emission Offsets**

# When are Emission Offsets Required?

- Emission Offsets are required for permitting of:
  - New Facilities
  - Relocations
  - Existing Facility Modifications/Expansions by:
    - Installation of New Equipment
    - Replacement of Existing Equipment
    - Modification and/or modernization of equipment

# New Source Review

## SCAQMD NSR Rules

- SCAQMD adopted its NSR Rules in 1976 prior to adoption of federal and state Clean Air Acts
- Emission Offsets are required from the applicants in the form of Emission Reduction Credits (ERCs) or RECLAIM Trading Credits (RTCs)
- Emission Offset Exemptions (Rules 1309.1 and 1304)
  - SCAQMD NSR Rules provide exemptions from offsets (i.e., ERCs) for certain specific sources
  - SCAQMD provides offsets for the exempt sources from its Offset Credit Bank

# Rule 1309.1 -Priority Reserve

## What Sources Qualify?

- Innovative Technology
- Research Operations
- Essential Public Service
  - sewage treatment facilities, prisons; police facilities; fire fighting facilities; schools; hospitals; construction and operation of a landfill gas control or processing facility; water delivery operations; and public transit.
- Limited Electrical Generating Facilities

# Rule 1304- Exemptions

## What Sources Qualify?

- Equipment Replacements
- Facility or Equipment Relocations
- Emergency Equipment or Operations
- Air Pollution Control Strategies
- Regulatory Compliance
- Concurrent Facility Modification
- Small Sources (< 4 Tons per Year)
- Others (Abrasive Blasting & Portable equipment, Replacement of ODCs)

# What Are the Sources of Offsets?

## ■ Open Market Credits

- Sources shutdown or over-control emissions and apply for and obtain Emission Reduction Credits (ERCs)
- ERCs traded between companies for offsets

## ■ The SCAQMD's Offset Credit Bank

- Offset credits are emission reductions created from sources which do not obtain ERCs (Orphan Shutdowns)
- Offsets are provided free of charge to Essential Public Services, Smaller Sources and other exempt sources

# The SCAQMD's Offset Credit Bank

1990 -Offset Credit Bank established

Funded primarily with:

- (i) "Pre-1990" emission reduction credits
- (ii) Post 1990 "major-source orphan shutdowns"

An NSR Tracking System is used to account for credit withdrawals and deposits

2002

In connection with other NSR rule amendments EPA asked SCAQMD to memorialize NSR Tracking system in a SCAQMD regulation

# Actions Taken by SCAQMD in 2006 and 2007

## SCAQMD Adopted Rule 1315 →

### NSR Tracking Rule

- Replaced some of pre-1990 credits with creditable minor source orphan shutdowns

## Use of SCAQMD Credit Bank



### SCAQMD Rule 1309.1- Priority Reserve

- Essential Public Services (i.e. sewage treatment plants, landfills, hospitals)
- Amended to add power plants

### SCAQMD Rule 1304 (Exemptions)

- Credit exemptions for certain sources

# Agenda Item #4

## Permitting Status

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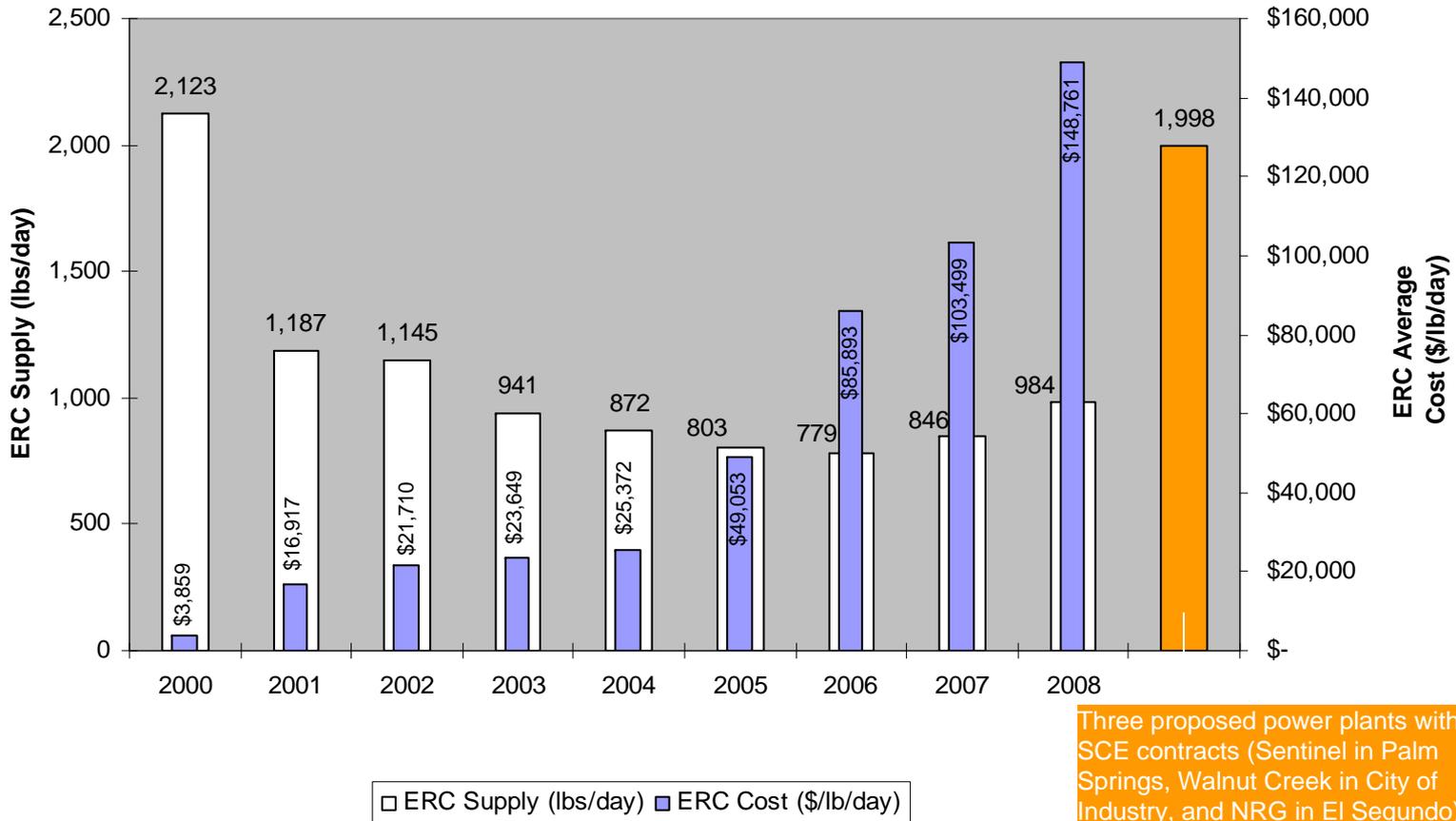
# As a Result of the Court Decision

- Without SCAQMD's bank of offset credits:
  - No essential public service projects can be permitted
  - No other local government & business permits can be issued
  - No new power plants can be permitted
- The only remaining option for local government and business is to purchase ERCs in Open Market
  - Not enough ERCs in the open market
  - ERCs are expensive and potentially unaffordable

# PM10 ERC Supply & Average Cost Trends (2000-2008)

Supply dropped by 54% since 2000  
 Cost increased by 3,755% since 2000

Highest Price of PM10 ERC sold in 2008 was \$247,000 per lb/day



# Cost of ERCs for Businesses, If SCAQMD Does not Provide Offset Credits

<u>Typical Projects</u>	<u>Cost of ERCs*</u>
■ Police Station (Emergency Backup Generator)	\$110,000
■ Gas Station	\$255,000
■ Printer (Printing Press)	\$390,000
■ Auto body Shop (Spray Booth)	\$500,000
■ Hospital (Boiler)	\$2 million
■ Food Processing (Tortilla Fryer & Oven)	\$2 million
■ Sewage Treatment Plant Expansion	\$3 million
■ Landfill Gas Recovery (Renewable Energy)	\$140 million
■ Power Plants (state-of-the-art)	\$100-200 million

\* *Based on typical project emissions and average market price of ERCs in 2008. Individual project emissions and ERC purchase prices may vary on a case-by-case basis.*

# Permit Applications with Offset Exemptions on Hold

Presently, the following number of permit applications which qualify for offset exemptions are on hold:

- |  |        |
|--|--------|
| ■ For Rule 1309.1 Exemption            | > 130  |
| ■ For Rule 1304 Exemption              | >1,100 |
| ■ Exempt Projects which Purchased ERCs | 11     |

# Examples of Projects Currently on Hold

PROJECT NAME	LOCATION	TYPE OF FACILITY	PROJECT DESCRIPTION
Eastern Municipal Water District	Moreno Valley	Sewage Treatment	Expanding capacity at sewage treatment facility
Eastern Municipal Water District	San Jacinto	Sewage Treatment	Expanding capacity at sewage treatment facility
Riverside Co. Waste Management	Moreno Valley	Landfill	Air pollution control device consisting of a landfill gas flare
Los Angeles City	Terminal Island	Sewage Treatment	Air pollution control device consisting of digester gas flare
MM West Covina	West Covina	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Montauk Energy	Irvine	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Ridgewood Power Management	Brea	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Sunshine Gas Producers	Sylmar	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Los Angeles City Sanitation & DWP (SHARE Project)	Los Angeles	Sewage Treatment	Air pollution control device consisting of digester gas to energy turbine
Los Angeles County Sanitation District	Palos Verdes	Landfill	Air pollution control device consisting of landfill gas to energy turbine and ultra-low emission flare
Loma Linda University	Loma Linda	School	2 crematory furnaces

# Other Potential Impacts

As a result of the Hold on Permits, there will be potential Delays in:

- Implementation of SIP Rules
- Implementation of soil or ground water cleanup orders from other agencies
- Implementation of requirements of the AB32 CARB Scoping Plan
- Facility & Equipment Modernizations
- Hundreds of Permits for small sources such as gas stations, print shops, auto body shops and other businesses

**Agenda Item #5**  
**Current and Future AQMD Actions**  
**Related to NSR**

**NSR Stakeholders Working Group**  
**January 21, 2009**

# Current Actions

- Readopting Proposed Rule 1315
  - Environmental Assessment to address court issues
- Power Plants
  - Exclude from Proposed Amended Rule 1309.2
  - Address through state legislation
- Scheduled for October hearing
- Additional Credit Generation Opportunities
  - Paved Road Dust (PM)
  - Locomotive Head End Engines (PM)

# Purpose of Future Actions

- Develop near- and long-term solutions to address:
  - Availability of offsets
  - NSR implementation issues
- Re-evaluate NSR programs focusing on:
  - Workable long-term solution to produce air quality benefit and provide regulatory certainty
  - Investing in clean technologies
  - Ensuring existing business can modernize and grow

# Examples of Future NSR Actions\*

*Existing  
CAA*

*New  
Policies*

*CAA  
Amendments*

Daily to  
Annual ERCs

Leasing  
Option

Offset  
Replacements

Credit Calculation

BACT Discount at Issuance vs.  
BARCT Discount at Use

Mobile  
Source  
Credits

Fee  
Options

2009

2020

\* AQMD rule amendments needed and subject to state and federal approval

# Agenda Item #6

## Future Process of Working Group

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# Working Group

- Define & appoint stakeholder representatives
- Seek representatives from ARB and EPA
- Meet monthly, more frequently if needed
- Stakeholder representatives must be committed to attending meetings

# Working Group Representatives

- Accepting requests for membership
- Submit requests to:
  - Elaine Chang, [echang@aqmd.gov](mailto:echang@aqmd.gov)
  - (909) 396-3186
  - Please provide:
    - Contact information
    - The organization or business(es) you will be representing

# Process



AQMD staff and Stakeholders identify potential near- and long-term solutions



AQMD staff evaluates potential solutions

AQMD discusses potential solutions



AQMD presents recommendations to Stakeholders



Initiate AQMD actions based on recommendations

# Schedule

Kick-off Meeting

January 21, 2009

Next Meetings

Wed., February 18, 2009

1:00 PM - 3:00 PM

Thurs., March 19, 2009

1:00 PM - 3:00 PM

Wed., April 22, 2009

1:00 PM - 3:00 PM

Future Meetings

Tentatively 3<sup>rd</sup> Wed of month

1:00 - 3:00 PM