



California Council for Environmental and Economic Balance

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February 14, 2020

Ms. Susan Nakamura
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765
Submitted electronically to snakamura@aqmd.gov

RE: RECLAIM Transition Plan

Dear Susan,

Thank you for acknowledging the need to revise the Regional Clean Air Incentives Market (RECLAIM) Transition Plan (Transition Plan) at the last RECLAIM Working Group Meeting. We are submitting these comments on behalf of the California Council for Environmental and Economic Balance (CCEEB) on the South Coast Air Quality Management District's (District) ongoing efforts to analyze the impacts of and sunset the RECLAIM program. CCEEB is a nonpartisan, nonprofit coalition of business, labor, and public leaders that advances strategies for a healthy environment and sound economy. CCEEB represents many facilities that operate in the South Coast Air Quality Management District that are subject to the requirements of the RECLAIM, and is an active stakeholder in the RECLAIM Sunset Working Group.

Transition Plan

CCEEB agrees that the March 2018 Transition Plan Version 1.0 no longer reflects the actions the District is taking to transition from RECLAIM and that the current path requires further analysis to fully assess the many program elements and impacts of a transition. Many changes that affect the design of the transition have occurred since the District embarked on the program changes, not the least of which is the U.S. EPA's mandate that the full transition program be developed and SIP approved by U.S. EPA before any RECLAIM participants are allowed to leave the program, its requirement that the District revises its entire new source review (NSR) program, and the District's consideration to include SO_x RECLAIM in the transition. As the District develops a revised Transition Plan, CCEEB offers the following input to consider in the development of the revisions program assessment.

CCEEB appreciates that staff has been working diligently to achieve the requirements of AB 617, but we also note that this is a large undertaking and believe a full and thorough programmatic analysis must be completed in order to ensure that there are no inadvertent adverse impacts from a transition. The Transition Plan revision provides the District the opportunity to undertake such a comprehensive programmatic analysis, as CCEEB and its members have previously requested. The RECLAIM transition will impact NSR, permitting, rule development through new rules and amendments to existing rules, monitoring, reporting, recordkeeping requirements, and other district activities, and the District should analyze these impacts in connection with revisiting the Transition Plan. RECLAIM was developed and adopted as a whole, comprehensive and complex program that fully accounted for all impacts and

consequences of the adoption of the program including, for example, environmental impacts including those from control technology implementation, NSR, socioeconomic impacts, implications of emissions trading, enforcement and monitoring issues. CCEEB recommends that this analysis be completed before additional landing rules are adopted.

While CCEEB fully appreciates staff's current efforts to ensure no backsliding occurs and to analyze the NSR emission reduction credit availability and the impacts the influx of former RECLAIM participants may have on those credits, the impacts of these efforts, as well as the implementation of the landing rules, must be analyzed as a whole. This comprehensive analysis can serve as the basis for the necessary demonstration to EPA that no backsliding will occur and will also ensure a RECLAIM sunset will not result in disproportionate impacts upon RECLAIM facilities as compared to other sources currently under command and control regulations, nor a potential standstill in the district's ability to issue permits.

New Source Review and Emission Reduction Credits

The recent EPA requirement that the District revise its entire NSR program to conform with EPA's 2002 NSR Reform – Federal NSR for Major Sources in conjunction with the RECLAIM transition adds a new level of complexity that was not anticipated at the beginning of the RECLAIM transition. This is further complicated by the state law requirements of SB 288 mandating that NSR changes not be less stringent than provisions in existence at the time of its effective date. The proposed change in the NSR applicability affects not only the number of modifications that will be subject to NSR, but also increases the number of offsets that will be required in the District as a whole.

Staff's preliminary analyses show that addition of the NO_x RECLAIM sources to the existing emission reduction credit (ERC) market would deplete available credits in under a year. CCEEB agrees with staff that the District should continue discussions with EPA to find sources of ERCs including converting RECLAIM Trading Credits (RTCs) to ERCs, especially, as CCEEB has emphasized, those RTCs that were obtained by the conversion of ERCs. It is imperative that before any transition occurs the availability of ERCs is sufficient to sustain long-term demand for new and modified sources. The District must also ensure that the distribution of ERCs generated from RTCs is equitable and accounts for the investments by RECLAIM facilities in the generation/acquisition of RTCs and the ERCs that were converted to RTCs.

CCEEB supports the Guiding Principles expressed in the District's Regulation XIII – New Source Review Presentation of January 14, 2020. The District must develop an NSR program that ensures emission increases do not interfere with attainment of air quality standards and allows for future economic growth.

SO_x RECLAIM/Co-pollutant Issues

During both the last RECLAIM Working Group meeting and the Rule 1109.1 Working Group, you mentioned the possibility of adding SO_x RECLAIM to the transition. This seems to be the result of addressing some of the co-pollutant issues that arise when certain NO_x controls are implemented. CCEEB has not yet taken a formal position on the inclusion of SO_x RECLAIM in the transition, but we do understand that the inclusion of SO_x was not initially contemplated as part of this process. As such, staff needs to take the time to analyze the impacts the addition of SO_x RECLAIM could have on the NO_x transition that is underway before making such a decision and, if this is to occur, staff must include SO_x RECLAIM in the programmatic analysis.

Also, we believe that all co-pollutant issues that are a result of the implementation of any BARCT should be fully addressed and analyzed either in the Transition Plan or in the rule development documents for the landing rules. An example of this is the ammonia slip limitations that may be placed in the rule or during the related permitting for selective catalytic reduction controls for NOx. The increase in PM emissions needs to be analyzed and addressed before the landing rule is adopted.

Thank you for considering these comments. We look forward to continuing to work with you to develop a reasoned approach to compliance with AB 617 while minimizing unnecessary and unintended impacts to RECLAIM facilities. Please feel free to contact me at (415) 512-7890 ext. 113 should you have any questions.

Thank you,



Frances Keeler
CCEEB Vice President

Cc: Mr. Philip Fine, Deputy Executive Officer, SCAQMD (via electronic mail)
Mr. Bill Quinn, CCEEB President (via electronic mail)