NOx RECLAIM WORKING GROUP MEETING

JUNE 8, 2017
SCAQMD
DIAMOND BAR, CA

Recent Actions

- Working Group Meetings
  - March 24, 2017
  - April 19, 2017
  - April 26, 2017 (conference call)
- Governing Board Meeting 60 Day Report
  - May 5, 2017
- Early Action Items
  - In progress
"Living Document"
- Contains action items, rule considerations and concepts, and key policy issues
- Will use as a "check list" identifying:
  - Issues that will be addressed and the general timeframe
  - Status of issues
### Key Issues Identified (Work in Progress)

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<th>Exit from RECLAIM</th>
<th>General Opt-Out Provisions</th>
<th>New Source Review</th>
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<td>☐ ERC Availability Outside the Program</td>
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<td>☐ Common Ownership Considerations</td>
<td>☐ For Major Industry Categories (i.e., EGFs and Refineries)</td>
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<td>☐ For Other Industry Categories</td>
<td>☐ Maintaining Overall Equivalency</td>
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### PROPOSED CONCEPTS FOR PROPOSED AMENDED RULE 2001
Rule 2001

- Specifies criteria for inclusion in RECLAIM for new and existing facilities
- Specifies requirements for sources electing to enter RECLAIM
- Identifies provisions in SCAQMD rules that do not apply to RECLAIM sources

Key Topics for PAR 2001 - Applicability

- Amendments to RECLAIM Facility Listing – Subdivision (c)
  - New facilities ≥ 4 Tons per Year
  - Existing non-RECLAIM facilities ≥ 4 Tons per Year
  - Entry election
- Exit from RECLAIM – Subdivision (g)
- Exemptions – Subdivision (i)
Proposed Concepts to RECLAIM Listing – Subdivision (c)

- Rule 2001 (c)(1)(C) allows the Executive Officer to add a new facility in RECLAIM if the starting allocation is ≥ 4 Tons per Year
- Rule 2001 (c)(1)(D) allows the Executive Officer to add an existing non-RECLAIM facility who reports NOx or SOx emissions through Rule 301 that are ≥ 4 Tons per Year
- Rule 2001 (c)(1)(E) allows the Executive Officer to add a facility that elects to enter RECLAIM
- Proposed revision
  - Remove provisions (c)(1)(B) through (E) – no new facilities would be added to RECLAIM
  - Remove provisions for entry election (f) which establishes requirements when a facility elects to enter RECLAIM
  - With RECLAIM sunsetting, new facilities would not be added to the program
  - ERC availability for non-RECLAIM facilities that would otherwise opt into the program a potential issue

Proposed Concepts for Exit from RECLAIM

- Rule 2001 includes provisions for opting out of RECLAIM for electricity generating facilities (EGFs)
- Reassess existing provisions for exiting RECLAIM and expand provisions to other facilities – mandatory exit and opt-out provisions
- Concepts to expand this section
  - Mandatory exit provisions
    - Immediate implementation - Early action facilities (low emissions and equipment counts)
    - Other implementation timeframes for sources that additional analysis and work is needed to develop the transition strategy
  - Opt-out provisions for other sources
    - Reassess existing provisions for EGFs
    - Establish opt-out provisions for other sources
Proposed Concepts for Exit from RECLAIM for Early Action Facilities

- Would apply to facilities that can easily transition to a command and control regulatory structure
- Staff is evaluating RECLAIM universe
- Initial analysis to examine:
  - Facilities emitting below 4 tons per year
  - Equipment counts per RECLAIM facility

Initial Analysis of NOx RECLAIM Facilities Actual Emissions

*Some facilities underwent change of operators and shutdowns during CY 2015*
Initial Analysis of NOx RECLAIM Facilities Equipment Count

**Equipment Counts at RECLAIM Facilities**

*Counts are as of September 2016. Facilities with no major/large source, or process unit equipment have either shut down or still operate equipment not requiring a permit.*

**Proposed Criteria for Exit from RECLAIM for Early Action Facilities**

- **Proposed criteria:**
  - Facilities operating 2 pieces of equipment or less (major/large source or process units)
  - Facilities with no permits (e.g., cement plants)
  - Facilities emitting less than 4 tons per year
  - Facilities’ equipment at BARCT
  - Equipment not at BARCT can potentially be allowed additional time for installation
  - Exempted facilities would not operate under a facility bubble and would be subject to source specific rules in Regulation XI (e.g., Rule 1146, Rule 1147)

- Reassess opt-out provisions for EGFs
  - Existing Facility limits on emissions based on RTC holdings as of September 22, 2015 after RECLAIM exit
  - New Facility limits on emissions based on holding requirement amount per Rule 2005 after RECLAIM exit

- Potential Issues
  - EGF facility bubbles/common ownership considerations
  - Achieving NSR equivalency outside of RECLAIM
  - Emission reductions would be tracked


- Considering two general opt-out provisions
  - Opt-out provisions for industry categories (EGFs, refineries, others?)
    - Command and control provisions would be imbedded in opt-out provisions – allows a faster transition process for more complex facilities
    - Possibly mass emissions cap (facility bubble)
    - Some equipment may be subject to command and control requirements
  - General opt-out provisions (All other industry categories)
    - Traditional command and control approach
    - Must have command and control provisions in place

- Other concepts???
Proposed Concepts for “Structural Buyer”

- Rule 2000 definition does not entirely apply today
  - An alternate designation would be more appropriate
- Facilities that have no allocation and whose equipment are at BARCT can be evaluated separately
  - 23 facilities are new facilities that entered the program without an allocation
    - 12 EGFs, 11 non-EGFs
  - Buying and selling behavior for these facilities varies widely
    - Purchasing of infinite year blocks or year to year discrete credits
  - Early exemptions would initiate the process
  - Determining other facilities at BARCT will take time and analysis

Next Steps

- Continue to meet with the Working Group and individual stakeholders/facility operators as the rulemaking process develops
  - Specific sub-topic working group meetings will be convened (i.e., NSR, alternative compliance approaches such as facility bubbles, RTC trading)
- Continue with the development of the RECLAIM Transition Plan
- Identify any new issues
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