Proposed Amendments to NOx RECLAIM

Working Group Meeting

Facility Shutdowns

August 9, 2016

December 4, 2015
Governing Board Motion

- Did not include the facility and equipment shutdown rule language, i.e., subdivision (i)
- Return to the NOx RECLAIM Working Group to:
  - Conduct further discussion and analysis;
  - Include the proposal’s potential implications on the entire NOx RECLAIM Program; and
  - Consider possible alternatives that would allow a closer alignment of the treatment of shutdown credits in the RECLAIM and command-and-control programs, short of full forfeiture
- Following this process, bring staff’s original proposal or some other alternative back to the Governing Board for consideration
Primary Objectives of the Proposal

- Avoid use of facility shutdown RTCs to delay installation of BARCT at other RECLAIM facilities
- Achieve a closer alignment of the treatment of shutdown credits under RECLAIM and emission reduction credits (ERCs) under command-and-control rules
- Further ensure that the RECLAIM program will result in equivalent or greater reductions in emissions compared to BARCT regulations as required by State law
- Provide fair treatment of facilities with equipment not operating for an extended time period but not permanently shutdown

Comment Letters Received

- WSPA (March 14, 2016)
- Regulatory Flexibility Group (May 24, 2016)
- AES (June 14, 2016)
- Tesoro (June 29, 2016)
Key Industry Comments

- RECLAIM is working
- Buying and selling RTCs is a fundamental component of a market-based program
- They should be able to sell credits from shutdown equipment without restriction
- Any shutdown provisions should be limited to the entire facility not to individual equipment

Key Industry Comments (cont.)

- Focus on “use” of the shutdown RTCs not “generation”
- Restrict use of shutdown RTCs at an existing facility that is not already at BARCT
- Treat multiple facilities under common control as a single facility
Current Staff Draft Proposed Rule Language (released 7/22/16)

Applicability

- Applicable to facilities in RECLAIM that permanently shutdown as demonstrated by:
  - Surrendering District operating permits for the entire facility; or
  - Being deemed shutdown as determined the Executive Officer (See next slide)
- Requirements shall not apply to facilities without an initial allocation
Executive Officer Determination of a Facility Shutdown

The Executive Officer will deem a facility as shutdown by verifying non-operational status when reported emissions drop more than 90%:
- Based on annual RECLAIM reports (APEPs) from previous 2 compliance years

Other Executive Officer considerations include:
- Cyclical operations in conjunction with facility equipment
- Delay in the availability of parts used to repair equipment – some or all of equipment/processes temporarily shutdown
- Equipment that must be placed in a reserve status until operations are recommissioned requiring reinstatement of this equipment
- Emission reductions due to add-on NOx emission controls

Executive Officer Determination of a Facility Shutdown (Continued)

Facilities can request “planned non-operational” status of no longer than 5 years from the date of shutdown, upon meeting certain specific criteria:
- All RTCs would become non-tradable

Provide fair treatment of facilities with operations out of service, but not permanently shutdown.
Calculating RTC Adjustment From Facility Shutdowns

If a facility shuts down, the allocations for each future compliance year shall be reduced by the difference between:

- The average of the actual NOx emissions from the highest 2 of the past 5 compliance years of operation, and
- The NOx emissions that would have occurred in those same 2 years if BARCT was applied.

Any Rule 1304 offsets provided by SCAQMD that remain as part of the adjusted initial allocation will also be subtracted from this amount.

Calculating RTC Adjustment From Facility Shutdowns (Continued)

The reduction in RTCs shall not exceed the facility’s adjusted initial allocation.

Any allocated RTCs that have been sold prior to the shutdown reduction shall be purchased and retired to fulfill the entire reduction requirement.

Requirements shall not apply to facilities that shutdown and transfer RTCs to another facility under common ownership that conducts the same function based on NAICS.
Sample Calculation #1
(RTC Reduction Less Than Adjusted Initial Allocation)

Facility shuts down in 2016. Actual emissions are below Initial Adjusted Allocation, beginning 2010.

- Average of 2 highest years over past five years = 75 tpy
- Average 2 years, discounted to BARCT = 40 tpy
- Delta: 75 tpy - 40 tpy = 35 tpy
Sample Calculation #1
(RTC Reduction Less Than Adjusted Initial Allocation)

Allocation will be adjusted to remove 35 tpy beginning in 2016.

Sample Calculation #2
(RTC Reduction Greater Than Adjusted Initial Allocation)

Facility shuts down in 2016. Actual emissions are above Initial Adjusted Allocation.
Sample Calculation #2
(RTC Reduction Greater Than Adjusted Initial Allocation)

- Average of 2 highest years over past five years = 255 tpy
- Average 2 years, discounted to BARCT = 100 tpy
- Delta: 255 tpy – 100 tpy = 155 tpy

Allocation will be adjusted to remove 155 tpy beginning in 2016
However, the adjustment will not result in allocations below zero
Stationary Source Committee Comments

- Request to estimate the quantity of RTCs to be left in the market under staff’s proposal, compared to the proposed amendments of December 2015
  - Staff working on scenarios for all Table 7 and 8 facilities
- Consider other criteria for common ownership

Other Concepts Under Consideration

- Definition of Common Ownership/Control
  - By NAICS (# of digits)
  - Freeze the date of common ownership
    (i.e., September 22, 2015 RTC holding freeze date)
  - By other criteria
- If a facility is under common ownership/control and it shuts down
  - RTCs to be transferred to other facility would become non-tradable; or
  - RTCs would be only transferable to facilities at BARCT
CEQA

- An Addendum to the Dec. 2015 Final Program Environmental Assessment (PEA) will be prepared for the current shutdown RTC proposal:
  - Only non-substantial changes to Final PEA are necessary to reflect current proposal
  - No new or more severe project-specific or cumulatively significant effects would occur
- CEQA does not require circulation of Addendum
- Addendum to be included in Set Hearing Board Package available 30-days prior to Public Hearing

Next Steps

- Continue Working Group Meetings as needed
- Public Workshop – August 11, 2016
  - Seek additional input on common ownership/control and shutdown RTC restrictions
- Set Hearing – September 9, 2016
- Stationary Source Committee Meeting – September 16, 2016
- Public Hearing – October 7, 2016