Overview of PARs 2001 & 2002

- **PAR 2001**
  - Introduces an opt-out provision for facilities that meet the criteria to exit RECLAIM
  - Criteria and procedures are established

- **PAR 2002**
  - Revises the criteria for facilities to be eligible to exit RECLAIM (original criteria adopted in January 5, 2018 amendments)
  - Introduces an option for facilities to remain in RECLAIM upon receiving an initial determination notification for potential exit
  - Introduces new temporary provision for exiting RECLAIM facilities regarding NSR offsets
January 5, 2018 Amendments

- Initiated the process to transition facilities out of RECLAIM

**PAR 2001**

- Prohibited any facilities from entering RECLAIM

**PAR 2002**

- Established notification procedures for facilities that were identified as ready to exit RECLAIM
- Established criteria for facilities to be identified as eligible to exit
- Addressed RTC holdings for exited facilities

Background (continued)

- Staff initially identified 37 RECLAIM facilities for potential exit, based on Rule 2002 criteria
- Some facilities did not receive an Initial Determination Notification as part of this initial group
  - Others have shut down equipment and no longer operate RECLAIM sources
PAR 2001 – Opt-Out

- Facilities may request to opt-out of RECLAIM provided that they meet certain criteria.
- A facility is **not eligible** to opt-out if it operates:
  - NOx emitting equipment that is explicitly categorized in a non-RECLAIM command-and-control NOx rule that exempts RECLAIM facilities; and/or
  - Non-combustion NOx emitting equipment that is not explicitly listed in any non-RECLAIM rule.

In other words...

Facilities cannot exit unless all facility equipment is subject to a command-and-control rule that establishes BARCT emissions limits, BARCT implementation schedules, and MRR requirements for the transition to command-and-control.
PAR 2001 Opt-Out Procedures

- If the facility meets the criteria, it may submit a request to the Executive Officer
- Facility is required to submit with the request:
  - A listing of all permitted and unpermitted NOx RECLAIM equipment, including applicable control equipment; and
  - Permitted NOx emission levels, and if not available, manufacturer guaranteed NOx emission levels for the equipment
- If approved, facility would receive an initial determination notification and be subject to provisions in Rule 2002 for exiting

PAR 2002

- Revises eligibility criteria for facilities to be identified as ready to exit
- Establishes an option for facilities to remain in RECLAIM if issued an initial determination notification
- Adds provision for exiting facilities regarding NSR offsets
- Removes provision requiring reporting of infinite year block NOx RTC (IYB) prices
Revised Eligibility Criteria to Exit

<table>
<thead>
<tr>
<th>Old Criteria</th>
<th>Revised Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility has emissions from Rule 219 equipment, unless the equipment would be subject to a command-and-control rule that it cannot reasonably comply with, equipment with various location permits, or unpermitted equipment</td>
<td>Facility does not have NOx emitting equipment that is subject to a non-RECLAIM rule that regulates NOx emissions and exempts such NOx emitting equipment</td>
</tr>
<tr>
<td>Facility's NOx RECLAIM equipment meets current command-and-control BARCT rules</td>
<td>Facility does not have non-combustion NOx equipment that has no applicable non-RECLAIM rule that pertains to such NOx emissions</td>
</tr>
</tbody>
</table>

What Changed?

- Facilities do not need to be at BARCT to exit
- However, all facility equipment must be subject to a non-RECLAIM NOx emissions limiting rule (Facilities will be subject to these rules when rules are amended and no longer exempt RECLAIM facilities)
- If there is no non-RECLAIM rule applicable to a piece of equipment, the facility may not exit

Revised Eligibility Criteria Applicability

- All facilities in RECLAIM, including the 37 facilities that have received initial determination notifications, cannot exit unless they meet the revised criteria
  - Even if facilities have already received an initial determination notification
- As command-and-control rules are adopted/amended, more groups of facilities would meet the criteria to exit
  - Even if equipment is currently not complying with a future BARCT limit, it would be subject to that applicable rule's implementation schedule
Eligible Facilities

Facilities that would be eligible to exit would have:

- No NOx emitting equipment
- NOx emissions from only Rule 219 equipment (excluding equipment subject to Rule 1146.2)
- Equipment subject to a non-RECLAIM rule that does not exempt RECLAIM facilities or is not listed in Table 1 in Rule 2001 (i.e., Facilities with only Rule 1470 equipment)

Examples

Facility has only Rule 219 equipment – facility may exit
Facility has Rule 219 equipment and Rule 1146.2 equipment – facility may NOT exit
Facility has Rule 1146 equipment and equipment that would be subject to Proposed Rule 1118.1 – Non-Refinery Flares. Facility may NOT exit until a Rule 1118.1 is adopted.

Facility has Rule 219 equipment and boilers that would be subject to Rule 1146, if the rule did not exempt RECLAIM facilities: If Rule 1146 has not been amended to include RECLAIM facilities, the facility may NOT exit. Once Rule 1146 is amended to include RECLAIM facilities – the facility may exit.
Examples

Facility has equipment that would be subject to Rule 1146 and 1147 if they did not exempt RECLAIM facilities: Rule 1146 has been amended to include RECLAIM facilities but Rule 1147 has not been amended yet; the facility may NOT exit.

Once Rule 1147 is amended – the facility may exit.

Examples

Facility has equipment that is subject to amended rules that do not exempt RECLAIM facilities and has a piece of equipment in which there is no rule to comply with (e.g., nitric acid tanks); the facility may NOT exit.
Option to Remain in RECLAIM

- Stakeholders expressed concerns about transitioning before Regulation XIII – New Source Review is amended
- PAR 2002 will allow facilities to remain in RECLAIM for a limited time while NSR issues are resolved
- Applies to facilities that receive an initial determination notification
  - Facility submits request to remain in RECLAIM, along with equipment information required in the initial determination notification
  - Executive Officer will notify the facility that it will remain in RECLAIM until a future date, but no later than December 31, 2023
Provisions for Remaining in RECLAIM

- Facilities that remain in RECLAIM:
  - Would be required to comply with all requirements of any applicable non-RECLAIM rule that does not exempt RECLAIM facilities
  - A facility will be subject to BARCT requirements of a non-RECLAIM command-and-control rule while remaining in RECLAIM
  - The facility will remain in RECLAIM until a subsequent notification is issued stating the date that the facility will exit
  - Upon subsequent notification, a facility will submit any updated NOx equipment information to the Executive Officer

Exiting Facilities

- PAR 2002 adds a new provision for exiting facilities to provide a temporary pathway for facilities to exit, despite unresolved NSR issues
- NSR Issues:
  - Permit moratorium - Rule 1315 contains cumulative net emissions increase thresholds
  - Potential impacts from exiting RECLAIM facilities were not analyzed for Rule 1315 CEQA thresholds
    - Will be the subject for future Regulation XIII amendments
Additional Provision for Exiting Facilities

- PAR 2002 would allow facilities that meet specified criteria to exit
- Exited facilities can use ERCs in open market once exited
- Added provision to prohibit use of internal bank
  - Concerns for potentially exceeding CEQA thresholds
  - Could possibly result in a permit moratorium

Reporting Infinite Year Block (IYB) Prices

- Rule 2002 contains a provision that requires the Executive Officer to report to the Governing Board if IYB prices fall below $200,000
  - Adopted as part of the 2015 RECLAIM amendments
  - Prices fell below $200,000 in September 2017
  - RECLAIM transition has resulted in a sharp decrease of IYB trading
- PAR 2002 would remove this reporting requirement
Rulemaking Schedule

- Written Comments Deadline
  - August 23, 2018
- 30-Day Documents
  - September 4, 2018
- Set Hearing
  - September 7, 2018
- Working Group Meeting
  - September 13, 2018
- Stationary Source Committee Meeting
  - September 21, 2018
- Public Hearing
  - October 5, 2018

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