NOx RECLAIM WORKING GROUP MEETING

JULY 14, 2022
JOIN ZOOM WEBINAR MEETING
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MEETING ID: 983 4481 2021
TELECONFERENCE DIAL-IN: 1-669-900-6833
Agenda

- Rulemaking Status on Landing Rules
- Rule 2002 Assessment Update
- Proposed Regulation XX Amendments
- Ongoing Efforts and Next Steps
RULEMAKING STATUS ON LANDING RULES
• Rule 429 – Startup and Shutdown is being amended to address startup and shutdown provisions at U.S. EPA’s request

• Rule 218.2 – Continuous Emission Monitoring System: General Provisions and Rule 218.3 – Continuous Emission Monitoring System: Performance Specifications are being amended to include provisions for monitoring mass emission limits
Working Group Meeting #3 held on July 7, 2022
- Presented on the BARCT assessment process including emission limits for existing units, control technologies, and cost-effectiveness
- Proposed initial NOx limits
- Discussed several comments received on possible rule concepts
Public Hearing: December 2, 2022

PR 1159.1 – Nitric Acid Processing Tanks
PAR 1153.1 – Commercial Food Ovens

- Working Group Meeting #2 held on June 8, 2022
- Currently conducting BARCT assessment and data analysis
- Continuing meetings with technology vendors
- Ongoing meetings with stakeholders and scheduling site visits
- Next Working Group Meeting: Late July 2022
- Public Hearing: December 2, 2022
# Emission Reductions (Tons per Day*)

<table>
<thead>
<tr>
<th>Rule</th>
<th>Description</th>
<th>NOx Reductions (Tons per Day)</th>
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<tr>
<td>1146, 1146.1, 1146.2</td>
<td>Boilers, Process Heaters, and Steam Generators</td>
<td>0.27</td>
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<tr>
<td>1118.1</td>
<td>Non Refinery Flares</td>
<td>0</td>
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<tr>
<td>1109.1</td>
<td>Refinery Equipment</td>
<td>7.7</td>
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<td>1134</td>
<td>Gas Turbines</td>
<td>1.8</td>
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<tr>
<td>1147</td>
<td>Miscellaneous Combustion Sources</td>
<td>0.54</td>
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<tr>
<td>1135</td>
<td>Electricity Generating Facilities</td>
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<tr>
<td>1110.2</td>
<td>Liquid-Fueled and Gaseous Engines</td>
<td>0.29</td>
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<tr>
<td>1117</td>
<td>Container Glass Melting/Sodium Silicate Furnaces</td>
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<tr>
<td>1147.1</td>
<td>Aggregate Facilities</td>
<td>0.04</td>
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<tr>
<td>1147.2</td>
<td>Metal Melting and Heating Furnaces</td>
<td>0.47</td>
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**Total NOx Reductions = 13.38 tons per day***

* Sum of NOx reductions from RECLAIM facilities only. Some NOx reductions may be attributed to the 2015 RECLAIM shave.
RULE 2002 ASSESSMENT UPDATE
Rule 2002 Assessment Update

- Rule 2002 contains procedures in the event that NOx RTC price thresholds are exceeded
- RTC Price Reports show that the 12-month and 3-month rolling average price thresholds¹ were exceeded for Compliance Year 2022
- Staff conducted an assessment of the RECLAIM program including control technology implementation and socioeconomic impacts
- Staff reported the results of the Rule 2002 Assessment to the Board at the June 3, 2022, Board Meeting²
- The Board determined that Non-Usable/Non-Tradable RTCs will not be converted to Usable/Tradable RTCs for RECLAIM Compliance Year 2022

¹Rule 2002 12-month rolling average threshold is $22,500 per ton and 3-month rolling average threshold is $35,000 per ton
²http://www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2022/2022-June3-028.pdf?sfvrsn=8
PROPOSED REGULATION XX AMENDMENTS
Staff identified five Regulation XX rules that will need to be amended to facilitate the transition of NOx RECLAIM facilities to a command-and-control regulatory structure.

- **Rule 2000** – General
- **Rule 2001** – Applicability
- **Rule 2002** – Allocations for Oxides of Nitrogen (NOx) and Oxides of Sulfur (SOx)
- **Rule 2006** – Permits

Staff’s general approach is to change the applicability to exclude regulation of NOx sources from RECLAIM after December 31, 2025:
- Eliminates the need to amend most Regulation XX rules
- Exit date accounts for the time it will take CARB and U.S. EPA to evaluate landing rules and amendments to Regulations XIII and XX

Further amendments may be necessary beyond those indicated today¹

¹Proposed amendments presented today do not include minor changes made for clarification or stylistic purposes.
Proposed Amended Rule 2000

- Staff proposes to amend Paragraph (c)(16) to modify the definition of Compliance Year
  - Cycle 2 NOx RECLAIM facilities will have a shortened compliance period in the final compliance year (half cycle)
  - Compliance Year 2025 will end on December 31, 2025, for all NOx RECLAIM facilities

COMPLIANCE YEAR is the twelve-month period beginning on January 1 and ending on December 31 for Cycle 1 facilities, and beginning on July 1 and ending on June 30 for Cycle 2 facilities, except for the final NOx RECLAIM compliance period, which begins on January 1, 2025, and ends on December 31, 2025, for Cycle 1 NOx RECLAIM facilities, and begins on July 1, 2025, and ends on December 31, 2025, for Cycle 2 NOx RECLAIM facilities.
An owner or operator of a NOx RECLAIM facility shall not be included in Regulation XX – REgional CLean Air Incentives Market (RECLAIM) or be subject to the requirements in Regulation XX for NOx sources after December 31, 2025, except for:

(A) Requirements for Compliance Year 2025, pursuant to Rule 2004 – Requirements; and

(B) Annual audits for Compliance Year 2024 and Compliance Year 2025, pursuant to Rule 2015 – Backstop Provisions.

NOx RECLAIM facilities will continue to be required to reconcile emissions and comply with other Rule 2004 requirements (e.g., prohibition of emissions in excess of annual allocation, tampering, etc.) for Compliance Year 2025.

NOx RECLAIM facilities will continue to be subject to annual audits for Compliance Year 2024 and Compliance Year 2025, which will be completed in 2026 and 2027, respectively.
Proposed Amended Rule 2001: Paragraph (d)(1), Paragraph (g)(1), and Proposed Paragraph (g)(2)

The Executive Officer will assign RECLAIM facilities to one of two compliance cycles by computer-generated random assignment which, to the extent possible, ensures an even distribution of RTCs. The Facility Listing will distinguish between Cycle 1 facilities, which will have a compliance year of January 1 to December 31 of each year, and Cycle 2 facilities, with a compliance year of July 1 to June 30 of each year, except for the final NOx RECLAIM compliance period, which begins on January 1, 2025, and ends on December 31, 2025, for Cycle 1 NOx RECLAIM facilities, and begins on July 1, 2025, and ends on December 31, 2025, for Cycle 2 NOx RECLAIM facilities.

On and after July 12, 2019, No SOx RECLAIM facility may exit the RECLAIM program.

NOx RECLAIM exit date is January 1, 2026 (Annual audits and Rule 2004 requirements including reconciliation are still applicable).
Proposed Amended Rule 2002: Subparagraphs (f)(1)(E) and (f)(1)(Q)

- Staff proposes to delete Rule 2002 subparagraphs (f)(1)(E) and (f)(1)(Q) to discontinue calculating RTC prices, which are reported to Stationary Source Committee.
  - Requirements may be unnecessary due to proposed amendments to delete RTC price threshold exceedance requirements in Rules 2002 and 2015.
  - Requirement to calculate SOx RTC prices ended on February 1, 2020.
  - RTC price information will continue to be available on the South Coast AQMD website.

(E) Commencing on January 1, 2008 with NOx RTC prices averaged from January 1, 2007 through December 31, 2007, the Executive Officer will calculate the 12-month rolling average RTC price for all trades for the current compliance year. Commencing on May 1, 2016 with NOx RTC prices averaged from January 1, 2016 through March 31, 2016, the Executive Officer will calculate the 3-month rolling average NOx RTC price for all trades for the current compliance year NOx RTCs. The Executive Officer will update the 3-month and 12-month rolling average once per month. The computation of the rolling average prices will not include RTC transactions reported at no-price or RTC swap transactions.

(Q) Commencing on January 1, 2017 and ending on February 1, 2020, the Executive Officer will calculate the 12-month rolling average SOx RTC price for all trades during the preceding 12 months for the current compliance year. The Executive Officer will update the 12-month rolling average once per month. The computation of the rolling average prices will not include RTC transactions reported at no-price or RTC swap transactions.
Staff proposes to delete subparagraphs (f)(1)(H) and (f)(1)(I) which contain procedures for NOx RTC price threshold exceedances.

Provisions are no longer necessary because:

- Staff conducted an assessment of the RECLAIM program pursuant to Rule 2002 requirements for Compliance Year 2022 NOx RTC price threshold exceedances.
- The Board decided to not convert Non-Usable/Non-Tradable RTCs to Usable/Tradable RTCs for Compliance Year 2022.
- Compliance Year 2022 is the final implementation year of the 2015 NOx shave.
Proposed Amended Rule 2002: Subparagraph (f)(1)(R)

- Staff proposes to delete subparagraph (f)(1)(R) which contain procedures for SOx RTC price threshold exceedances
- Provisions may not be necessary because:
  - The 12-month rolling average price for Compliance Year 2021 SOx RTCs is <$4,000 per ton¹
  - If SOx RTC prices increase, it incentivizes installing pollution controls rather than purchasing RTCs

¹No Compliance Year 2022 SOx RTCs were traded in the past 12 months
Staff proposes to delete paragraphs (f)(6) and (f)(7) which contain procedures to transition facilities out of the NOx RECLAIM program.

Provisions are no longer necessary now that staff’s approach is to exit all NOx RECLAIM facilities from RECLAIM on January 1, 2026.
**Proposed Amended Rule 2002: Paragraphs (f)(9) and (f)(11)**

- Staff proposes to delete paragraphs (f)(9) and (f)(11) which contain additional procedures to transition facilities out of the NOx RECLAIM program and are no longer necessary.

<table>
<thead>
<tr>
<th>(9)</th>
<th>In the event that the Executive Officer, upon review of the information pursuant to paragraph (f)(7), nonetheless determines that a facility should not yet be transitioned out of the NOx RECLAIM program, the owner or operator will be notified.</th>
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<td>(11)</td>
<td>An owner or operator of a RECLAIM facility that receives an initial determination notification and that elects to remain in RECLAIM shall submit a request to the Executive Officer to remain in RECLAIM and any equipment information required pursuant to paragraph (f)(6) within 45 days of the initial determination notification date or, for facilities that have received an initial determination notification before October 5, 2018, within 45 days from October 5, 2018.</td>
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<tr>
<td>(A)</td>
<td>Upon written approval by the Executive Officer, the facility shall:</td>
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<tr>
<td>(i)</td>
<td>Remain in RECLAIM until a final determination notification is issued to the facility that it must exit by a date no later than December 31, 2023;</td>
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<td>(ii)</td>
<td>Submit any updated information within 30 days of the issuance date of the final determination notification; and</td>
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<td>(iii)</td>
<td>Comply with all requirements of any applicable non-RECLAIM rule adopted or amended after October 5, 2018 and any such rule the facility was required to comply with prior to October 5, 2018.</td>
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</table>

- Staff proposes a new paragraph to reduce NOx RTCs by 50 percent for Cycle 2 facilities for Compliance Year 2025.
- Cycle 2 NOx RECLAIM facilities will have a shortened compliance period in the final compliance year (half cycle).
- NOx RTC reduction for Cycle 2 facilities is proposed to keep RTC allocations proportional for the shortened compliance period in Compliance Year 2025.

The Executive Officer shall reduce NOx RTC allocations by 50 percent for Cycle 2 facilities for Compliance Year 2025.
Proposed new paragraph (f)(6) implements proposed Rule 2001 requirements in permits to exclude NOx RECLAIM facilities from RECLAIM on January 1, 2026, except for annual audits and Rule 2004 requirements.

Proposed new paragraph (f)(7) implements proposed Rule 2002 requirements in permits to keep NOx RTC allocations proportional for the shortened compliance period for Cycle 2 facilities in Compliance Year 2025.

(6) The Executive Officer will specify that requirements for NOx sources under Regulation XX – REgional CLean Air Incentives Market (RECLAIM) will no longer apply on and after January 1, 2026, except for requirements for Compliance Year 2025, pursuant to Rule 2004, and annual audits for Compliance Year 2024 and Compliance Year 2025, pursuant to Rule 2015.

(7) The Executive Officer shall reduce NOx RTC allocations by 50 percent for Cycle 2 facilities for Compliance Year 2025.
Staff proposes to amend paragraph (b)(1) to further clarify that South Coast AQMD staff will cease conducting annual audits of the NOx RECLAIM program after Compliance Year 2025.

As part of the first three annual program audits, the Executive Officer will review the effectiveness of enforcement and protocols and recommend revisions to the protocols to achieve improved measurement and enforcement of RECLAIM emission reductions while minimizing administrative cost to the District South Coast AQMD and RECLAIM participants. The first audit will be presented to the Governing Board in a public hearing on or before January 1996, and by March of each subsequent year. Annual audits will be duly noticed to the public, including a statement that the list specified in subparagraph (b)(1)(I) is available. The audit report will be included henceforth in the District South Coast AQMD annual performance report to the California legislature. The Executive Officer will cease conducting annual audits of the NOx RECLAIM program once the annual audit for Compliance Year 2025 is completed.
Proposed Amended Rule 2015: Paragraph (b)(6)

- Staff proposes to delete paragraph (b)(6) which contain procedures for RTC price threshold exceedances.
- Provisions may not be necessary because:
  - Staff is currently conducting an assessment of the RECLAIM program pursuant to Rule 2015¹.
  - Staff is proposing to sunset NOx RECLAIM.

¹ Staff presented an update at the June Stationary Source Committee Meeting:
Staff identified that Rules 2000, 2001, 2002, 2006, and 2015 will need to be amended to complete the RECLAIM transition.

NOx RTC allocations to Cycle 2 facilities will be reduced by 50% in Compliance Year 2025.

Compliance Year 2025 ends on December 31, 2025, for all NOx RECLAIM facilities.

All NOx RECLAIM facilities will exit NOx RECLAIM on January 1, 2026.

Facilities will still be required to reconcile Compliance Year 2025 emissions and be subject to RECLAIM annual audits for the 2024 and 2025 compliance years.

Based on discussions with U.S. EPA, staff is recommending a one-time, programmatic equivalency demonstration of 14.5 tpd NOx as part of the SIP submittal package for the RECLAIM transition¹.

- Discussed at May 2021 RECLAIM Working Group Meeting

Ongoing Efforts and Next Steps

- Continue rulemaking activities
- Continue working with U.S. EPA, CARB, and stakeholders
- Monthly RECLAIM and Regulation XIII NSR Working Group Meetings
- Quarterly Stationary Source Committee updates
## Contacts – RECLAIM & New Source Review

### General Questions
- **Michael Krause**  
  Assistant Deputy Executive Officer  
  909-396-2706  
  mkrause@aqmd.gov

### RECLAIM
- **Michael Morris**  
  Planning and Rules Manager  
  909-396-3282  
  mmorris@aqmd.gov
- **Isabelle Shine**  
  Program Supervisor  
  909-396-3064  
  ishine@aqmd.gov

### New Source Review
- **Michael Morris**  
  Planning and Rules Manager  
  909-396-3282  
  mmorris@aqmd.gov
- **Isabelle Shine**  
  Program Supervisor  
  909-396-3064  
  ishine@aqmd.gov

To receive e-mail notifications for Regulation XX or Regulation XIII, sign up at: [www.aqmd.gov/sign-up](http://www.aqmd.gov/sign-up)

## Contacts – Proposed Rules

### Proposed Rule 1159.1

<table>
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<tr>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
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<tbody>
<tr>
<td>Neil Fujiwara</td>
<td>Program Supervisor</td>
<td>909-396-3512</td>
<td><a href="mailto:nfujiwara@aqmd.gov">nfujiwara@aqmd.gov</a></td>
</tr>
<tr>
<td>Min Sue</td>
<td>Air Quality Specialist</td>
<td>909-396-3241</td>
<td><a href="mailto:msue@aqmd.gov">msue@aqmd.gov</a></td>
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### Proposed Amended Rule 1153.1

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<tr>
<td>Heather Farr</td>
<td>Planning and Rules Manager</td>
<td>909-396-3672</td>
<td><a href="mailto:hfarr@aqmd.gov">hfarr@aqmd.gov</a></td>
</tr>
<tr>
<td>Sarady Ka</td>
<td>Program Supervisor</td>
<td>909-396-2331</td>
<td><a href="mailto:ska@aqmd.gov">ska@aqmd.gov</a></td>
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<td>Planning and Rules Manager</td>
<td>909-396-3672</td>
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<td>Yanrong Zhu</td>
<td>Program Supervisor</td>
<td>909-396-3289</td>
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<td></td>
<td>Michael Morris</td>
<td>Planning and Rules Manager</td>
<td>909-396-3282</td>
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<td>Program Supervisor</td>
<td>909-396-2726</td>
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<td>Rule 1117</td>
<td>Michael Morris</td>
<td>Planning and Rules Manager</td>
<td>909-396-3282</td>
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<td>Uyen-Uyen Vo</td>
<td>Planning and Rules Manager</td>
<td>909-396-2238</td>
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<td>909-396-3672</td>
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<tr>
<td></td>
<td>Kalam Cheung, Ph.D.</td>
<td>Planning and Rules Manager</td>
<td>909-396-3281</td>
</tr>
<tr>
<td></td>
<td>Lizabeth Gomez</td>
<td>Senior Air Quality Engineer</td>
<td>909-396-3103</td>
</tr>
<tr>
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<td>Shawn Wang</td>
<td>Program Supervisor</td>
<td>909-396-3319</td>
</tr>
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<td>Sarady Ka</td>
<td>Program Supervisor</td>
<td>909-396-2331</td>
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<tr>
<td></td>
<td>Mojtaba Moghani, Ph.D.</td>
<td>Air Quality Specialist</td>
<td>909-396-2527</td>
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<td>Zoya Banan, Ph.D.</td>
<td>Air Quality Specialist</td>
<td>909-396-2332</td>
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<td>909-396-2726</td>
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<td>James McCreary</td>
<td>Air Quality Specialist</td>
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