



PROPOSED AMENDMENTS TO RULE 2001 AND RULE 2002 (REGULATION XX)

PUBLIC CONSULTATION MEETING

NOVEMBER 8, 2017

Background

- Adoption resolution for the Final 2016 Air Quality Management Plan committed staff to transition the RECLAIM program to a command and control regulatory structure requiring Best Available Retrofit Control Technology (BARCT) as soon as practicable (CMB-05)
- On July 26, 2017 California State Assembly Bill 617 (617) was approved which requires:
 - Schedule for implementing BARCT that be developed by January 1, 2019
 - Full implementation no later than December 31, 2023
- Amendments to Rules 2001 and 2002 are needed to initiate the transition of RECLAIM facilities to command and control
 - Rule 2001 specifies inclusion criteria into NO_x and SO_x RECLAIM for new and existing facilities, includes provisions to allow facilities to elect to enter RECLAIM, and specifies a RECLAIM facility listing
 - Rule 2002 establishes the methodology for calculating facility allocations and adjustments to RECLAIM Trading Credit (RTC) holdings for NO_x and SO_x

Overview of PAR 2001

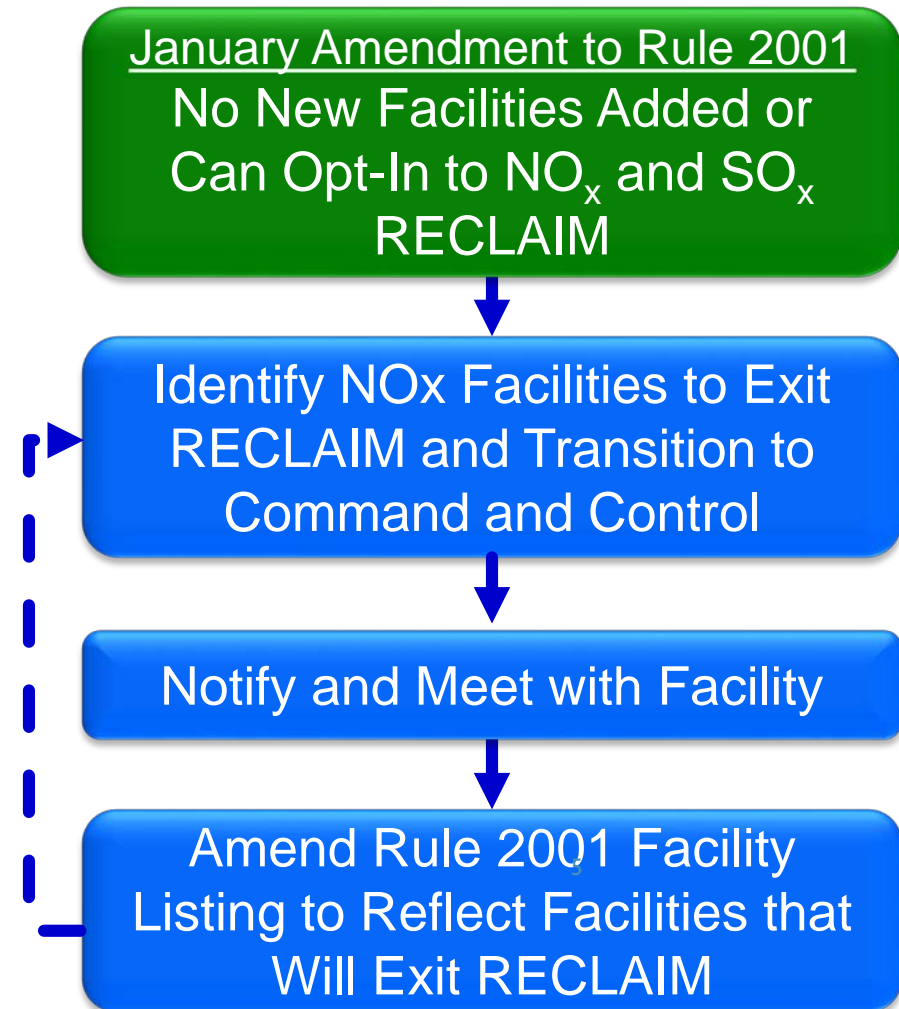
- January amendments to Rule 2001 will affect NO_x and SO_x RECLAIM to address adding facilities into NO_x and SO_x RECLAIM
- Future efforts will focus on transitioning NO_x RECLAIM to command and control as substantial resources will be needed to implement the transition
- Staff will initiate the transition of SO_x RECLAIM at a later date

PAR 2001 (January 2018)

- The proposed amendments would cease any future additions of facilities into NO_x and SO_x RECLAIM
- Remove provisions to require adding a new or existing facility with annual NO_x or SO_x emissions that are ≥ 4 tons/year into RECLAIM (subparagraphs (c)(1)(C) and (c)(1)(D))
- Remove provision to allow any facility to elect to enter NO_x or SO_x RECLAIM (subparagraph (c)(1)(E))
- Revise entry election provision to prohibit entry election into NO_x or SO_x RECLAIM (subdivision (f)):
 - *“On and after (date of amendment), a non-RECLAIM facility may not elect to enter the RECLAIM program.”*

General Description of Amendments to Rule 2001 Through the Transition Process

- As facilities are identified to exit RECLAIM and transition to command and control:
 - SCAQMD will notify and meet with facility
 - After confirmation, Executive Officer will make determination if facility is ready to exit RECLAIM – equipment must either be at BARCT or BARCT requirements are in place for equipment
 - Rule 2001 will be amended to reflect facilities that exit RECLAIM
- Over the next 18-24 months, anticipate multiple amendments to Rule 2001
- Other amendments and rule development efforts (BARCT rules, industry specific rules, RECLAIM transition rule, etc.) will be simultaneous



PAR 2002 (January 2018)

- Proposed Amended Rule 2002 will include the notification procedures for facilities that will be transitioned out of RECLAIM

Executive Officer will notify RECLAIM facility that it is under review for transition

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graph TD; A[Executive Officer will notify RECLAIM facility that it is under review for transition] --> B[Facility will respond with identification of RECLAIM equipment for Executive Officer review]; B --> C[Final determination notification will be sent by the Executive Officer with a final transition date];
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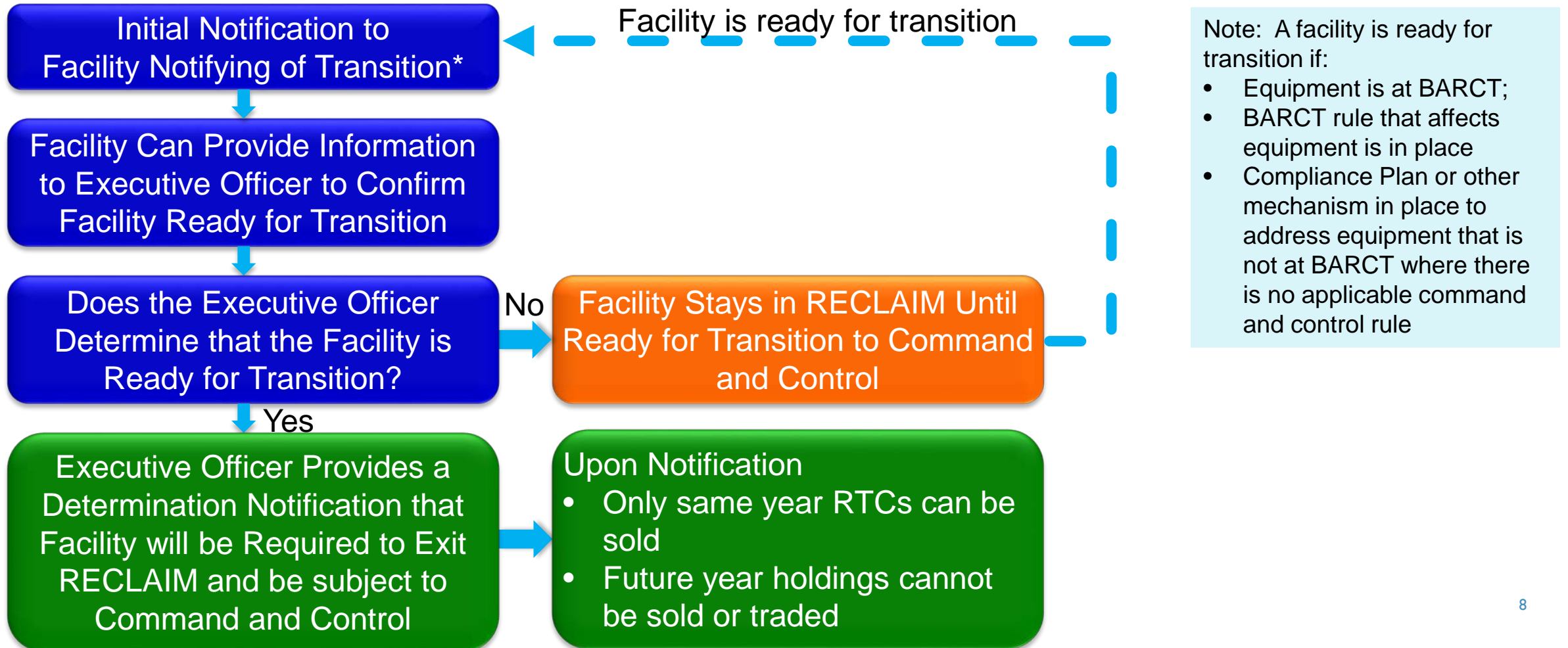
Facility will respond with identification of RECLAIM equipment for Executive Officer review

Final determination notification will be sent by the Executive Officer with a final transition date

PAR 2002 (cont.)

- A facility will receive a final determination notification if it is deemed as ready to transition
 - If upon Executive Officer review a facility is not deemed as subject to transitioning out of RECLAIM, the facility will be notified that the transition will occur at a later date
- A facility that receives a final determination notification letter from the Executive Officer shall not sell any future compliance year RTCs and may only sell current compliance year RTCs until the facility completes the transition to command and control
- Staff is considering provisions that will “freeze” future year RTCs at the initial notification to prevent an over supply of RTCs remaining in the RECLAIM market
 - If this provision is added it will not apply to the first group of facilities as they will receive initial notifications prior to adoption of amendments to Rule 2002

Overview of Transition Approach



Note: A facility is ready for transition if:

- Equipment is at BARCT;
- BARCT rule that affects equipment is in place
- Compliance Plan or other mechanism in place to address equipment that is not at BARCT where there is no applicable command and control rule

* Staff is considering provision that will “freeze” future year holdings at the initial notification

Initial Notifications Letters

- SCAQMD staff is preparing initial notification letters for facilities that will be transitioned out of RECLAIM (39 facilities initially identified at BARCT)
- Initial notification letters to be sent out in next few weeks
- Initial notification letters will include:
 - An equipment list of permitted RECLAIM source equipment
 - Notification that SCAQMD staff will be scheduling meetings with each of these facilities, as well as site visits
 - Additional information and details requested for Rule 219 exempted equipment e.g., small boilers and process heaters less than or equal to 2 MMBTU/hr
- A RECLAIM facility that receives an initial notification will have the opportunity to confirm that it is ready for the transition
- If PAR 2001 incorporates a provision that prevents future year holdings to be sold or transferred at the initial notification; this would not apply for this first group of facilities

Rulemaking Schedule

- Written Comments Deadline
 - November 22, 2017
- Set Hearing
 - December 1, 2017
- 30 Day Documents
 - December 5, 2017
- Public Hearing
 - January 5, 2018
- Subsequent Rule 2002 amendments as facilities are transitioned out
 - Expected Transition of first Group April 2018 (subsequently as BARCT rules are developed)