

BOARD MEETING DATE: October 7, 2016

AGENDA NO. 13

PROPOSAL: Status of Rule 1118 Mitigation Funds

SYNOPSIS: Staff will provide information to the Board on the status and potential uses of Rule 1118 mitigation funds and receive direction from the Board on how to proceed.

COMMITTEE: Administrative, September 9, 2016; Recommended for Approval

**RECOMMENDED ACTION:**

Direct staff to conduct public workshops in communities affected by refinery emissions to solicit ideas on the types of projects to support with Rule 1118 mitigation funds.

Wayne Natri  
Acting Executive Officer

KRW:vmr

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**Background**

Rule 1118 – Control of Emissions from Refinery Flares regulates emissions from flares used at refineries as a safety device. The rule imposes an annual limitation on sulfur dioxide emissions from flaring. The last increment of this limitation took effect in 2012, when refineries were required to limit sulfur dioxide emissions from flares to less than 0.5 tons per million barrels of crude processing capacity, calculated as an average over one calendar year. If a refinery exceeds a flaring limitation in the rule, the refinery is required to pay mitigation fees to the SCAQMD, as specified in the rule. As of August 31, 2016, the total funds available in the Rule 1118 mitigation fund are \$22,433,530. Pursuant to a Board resolution accompanying the adoption of Rule 1118, the funds are to be used to develop air quality improvement projects, in cooperation with representatives of both the community impacted and the source of the release. Further, the rule specifies that the payments by the refineries are “mitigation fees” and consequently must be used to fund mitigation projects.

**Proposal**

Staff is proposing to conduct public workshops in communities affected by refinery emissions to solicit ideas on the types of projects to support with Rule 1118 mitigation funds, similar to the public workshop that was recently conducted in Torrance regarding a settlement with ExxonMobil that included a \$2.7 million payment for public-benefit projects. Following the public workshops, staff will present the Board with RFPs for selected categories of projects. Staff will then return with recommendations to fund specified projects.

Since the rule specifies that the funds are “mitigation fees,” the projects eligible for funding must mitigate the effects of refinery emissions. Eligible projects would include those that have measurable air quality benefits in terms of emissions reduction, reduced risk exposure, or emissions prevention.