

**CALIFORNIA PORTLAND CEMENT COMPANY
POSITION PAPER
ON PROPOSED RECLAIM ALLOCATION REDUCTION
September 22, 2004**

California Portland Cement Company was granted an initial allocation under RECLAIM based on a production rate of 744,228 tons of clinker (calendar year 1987). During the years following the initial implementation of RECLAIM, CPC has made process modifications and installed state of the art burners and process controls to reduce emissions from its cement kilns and other NOx emitting equipment. SCAQMD staff has recently approved CPC's Rule 2009.1 control plan in which it demonstrates that all NOx emitting equipment at the facility is or will be controlled to BARCT levels. District staff has determined that CPC's kilns are currently at BARCT, and has established a BARCT emission limit of 2.73 pounds of NOx per ton of clinker produced. This is the lowest NOx emitting long dry kiln in the country, and its emission rate is almost as low as LAER for new cement kilns. **District staff has determined that no BARCT adjustment was necessary for cement kilns in the current RECLAIM BARCT adjustment proceedings.**

In 2001, CPC submitted a Rule 2009.1 compliance plan in which it was required to determine its future emissions based on calendar year 2000 production data. **That rule prohibited curtailment of production from being used as a compliance option.** Production from the two kilns during 2000 was 711,700 tons of clinker (4.4% less than the 1987 RECLAIM production level). Based on this production level, CPC needs **1,942,941 pounds of NOx** just to cover emissions from the kilns at BARCT levels (**2.73 lb NOx/ton of clinker x 711,700 tons of clinker**).

CPC's current NOx allocation is 1,720,331 pounds per year. THIS IS 220,000 POUNDS LESS THAN CPC REQUIRES TO OPERATE AT THE YEAR 2000 PRODUCTION LEVEL, WHICH ITSELF IS BELOW CPC NORMAL PRODUCTION LEVELS.

It is obvious that CPC **currently** has insufficient NOx allocations to cover its projected emissions without either significant curtailments in production or purchases of additional RTCs. This situation will be exacerbated by the current SCAQMD staff proposal to reduce the amount of RTCs in the RECLAIM universe by an additional 7.8 tons per day through two "across the board shaves" of current allocations. If implemented as currently proposed, this would reduce CPC's allocation to 1,327,973 pounds by 2010. **Since this allocation is over 600,000 pounds less than is required to cover CPC's BARCT level emissions, it would make it impossible for the Colton Plant to operate at an economically feasible level.**

CPC's competitors are located in Districts adjacent to but outside of the SCAQMD, and are not required to meet either the 2.73 pounds per ton emission level nor purchase RTCs to cover plant emissions. Thus, if Colton must purchase 600,000+ pounds of NOx RTCs each year to be able to operate its kilns at economically viable levels, it will not be able to compete in the marketplace with its competitors that do not have those added costs.

CPC, under RECLAIM and especially under the current staff proposal, is being treated especially harshly. Under command and control, CPC would be required to install BARCT controls, but would not have an emissions cap. Even if an emission cap was imposed, it could not be imposed at a lower level than BARCT emissions at a normal production rate. RECLAIM

on the other hand currently imposes an emissions cap on CPC's operations at a level lower than its normal production rate, and the Staff proposal would make it even lower!

DISTRICT STAFF HAS CONCLUDED THAT NO FURTHER EMISSION REDUCTIONS SHOULD BE SOUGHT FROM CPC'S CEMENT KILNS, YET CPC'S CEMENT KILN EMISSION ALLOCATION IS BEING SIGNIFICANTLY REDUCED ANYWAY. THIS IS UNCONSCIONABLE!

Economists retained by the District to analyze the BARCT adjustment have recognized the unfairness to certain companies of an "across the board" shave. Anil Puri recommends that "*if possible, the proposed reductions should be applied selectively, i.e., more reductions should be sought from some industries that have greater potential and lower costs for emission reductions.*" Puri, Analysis of Market Impacts of 2004 RECLAIM Amendments, September 2004, p.5.

Ali Shirvani-Mahdavi and Karen R. Polenske recommend that the District Board consider a plan to allow BACT and BARCT facilities to opt out of RECLAIM as a way of allowing the Board to assure that RTC supply and demand do not result in RTC deficits. Shirvani-Mahdavi and Polenske, 2004 RECLAIM Amendments: Final Report, September 21, 2004, p. 23.

All of these economists expect RTC costs to significantly rise from current levels, making CPC purchases of sufficient credits impossible. Additionally, Shirvani-Mahdavi and Polenske project that under some scenarios, RTC deficits could occur, which would make it impossible for CPC to purchase credits even if it was economically feasible. Shirvani-Mahdavi and Polenske, pp. 7-9.

AS THE ECONOMISTS NOTE, THERE ARE WAYS OF AVOIDING THESE UNFAIR AND CATASTROPHIC IMPACTS ON CPC:

***Exempt CPC's BARCT level equipment from the shave
Allow CPC to opt out of RECLAIM***

CPC requests that you direct staff to seriously consider these and other possible alternatives to an "across the board" shave. District staff commonly describes RECLAIM as a system that allows companies to either reduce emissions or buy credits. In CPC's case, they reduced emissions to BARCT level and still must buy credits.

The attached graph shows clearly the dire consequences of the staff proposal on CPC.

CPC Allocation Shortfalls

