

# RECLAIM

## Summary of Key Issues

Approach	Pros	Cons
BARCT Determinations Command & Control Equivalency: <ul style="list-style-type: none"> <li>– Technology-based, source specific analysis with AQMP growth assumptions and new BARCT levels</li> </ul>	<ul style="list-style-type: none"> <li>• BARCT defined in state law as emission limitation based on maximum degree of reduction achievable taking into account environmental, energy and economic impacts by class of source</li> <li>• Matches AQMP, equivalency demonstrated</li> </ul>	<ul style="list-style-type: none"> <li>• Industry concerned that too much reduction will cause credit prices to rise and have economic impacts</li> </ul>
OR <ul style="list-style-type: none"> <li>– Credit price as a surrogate for BARCT, reduce 4 tons now, future adjustments through additional rulemaking if credit prices remain below \$15,000 per ton</li> </ul>	<ul style="list-style-type: none"> <li>• Less reductions by 2010 will likely have less impact on credit prices</li> </ul>	<ul style="list-style-type: none"> <li>• Does price surrogate for BARCT meet state law requirements for BARCT and reductions at earliest date achievable?</li> <li>• Credit prices not necessarily related to control costs</li> <li>• May reduce too little and delay installation of cost-effective controls compared to command and control</li> </ul>
Basis of cost-effectiveness: <ul style="list-style-type: none"> <li>– LCF method</li> <li>– 10 yr. equipment life</li> <li>– &lt; \$15,000 per ton for entire category</li> </ul>	<ul style="list-style-type: none"> <li>• Industry states that this method is a better reflection of costs and yields higher cost-effectiveness value than DCF</li> <li>• LCF used by most other government agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Changing methods not conducive to comparisons to past actions</li> <li>• Standardizing equipment life limits flexibility</li> <li>• Should have flexibility for different costs, considering the industry involved</li> <li>• Difficult to use with phased-in compliance requirements and non-recurring/periodic costs</li> </ul>
OR <ul style="list-style-type: none"> <li>– DCF method</li> <li>– Vary equipment life</li> <li>– No set threshold</li> </ul>	<ul style="list-style-type: none"> <li>• DCF approved by Board and used since 1989</li> <li>• DCF deals better with non-recurring/periodic costs</li> <li>• Consistency provides a better platform for comparison</li> <li>• Equipment life/cost threshold variation allows better characterization of actual industrial applications and considers industry affordability</li> </ul>	<ul style="list-style-type: none"> <li>• DCF cons = see LCF pros</li> </ul>

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<p>Reduction method:</p> <ul style="list-style-type: none"> <li>– All holdings reduced at the same rate</li> </ul>	<ul style="list-style-type: none"> <li>• Less market interruption and more certainty due to known reduction amount</li> </ul>	<ul style="list-style-type: none"> <li>• Variable rates of reduction preferred by some industry representatives – more representative of facility equipment mix</li> </ul>
<p>OR</p> <ul style="list-style-type: none"> <li>– Industry or facility specific</li> </ul>	<ul style="list-style-type: none"> <li>• Some industry representatives prefer industry or facility-specific reductions to be more representative of contribution to emission reductions</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for manipulation by transferring credits to facility with lower reduction rate</li> <li>• Not all RTCs held by facilities</li> <li>• May not be more equitable than the across-the-board approach; RTCs have been sold or purchased and current holdings may not reflect facility-specific reductions</li> <li>• Delayed implementation of BARCT reductions due to the time needed to develop appropriate baseline activity level</li> <li>• Added market uncertainty while developing the methodology</li> <li>• May not avoid the need for some programmatic shave to demonstrate command &amp; control equivalency based on AQMP projections.</li> </ul>