

Summary of Various Proposals for RECLAIM

Element	Industry 1	Industry 2	Environmental Groups	AQMD Staff
BARCT Determination	<p>Industry supports a two-phased initial reduction of 4 tons per day based on our analysis of appropriate levels of further control.</p> <p>Further reductions, if appropriate, should be implemented incrementally, with careful consideration of cost-effectiveness and projected levels of economic activity.</p> <p>There are different ways to demonstrate equivalency to command & control, including a proposed market-based approach (see attached) but also the staff's approach if key policy issues are addressed and calculation errors corrected.</p>		<p>Technology-Based & Source-Specific (AQMD is legally required to achieve emission reductions equivalent to that which would be achieved through command & control; this is the only method that will achieve such equivalence.</p>	<p>Technology-Based & Source-Specific</p>
Cost Effectiveness Analysis (see Table 1)				
<i>Equipment Life</i>	<p>Per ARB Cost Effectiveness Method, Use 10 years as default.</p>		<p>Variable 10-25 years (The useful life of RECLAIM equipment varies. Recent AQMD rules have reflected the longer useful life of equipment, such as the 25-year life of non-refinery boilers and process heaters, in order to derive a more realistic view of cost-effectiveness. To depart from this would set a bad precedent, make it difficult to compare cost-effectiveness of various AQMD rules, and unnecessarily limit emission reductions achieved from the RECLAIM program.)</p>	<p>Varies 10 - 25 years</p>

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Cost Threshold	The Board should consider the cost estimate set in the 2003 AQMP (\$7k/ton) in determining the threshold for the average of the cost of controls for all source categories. The cost of controls should not exceed \$15,000 per ton for any single source category.		Variable past actions (RECLAIM is designed on a market system of trading. It is anticipated that some retrofit technologies will be more cost-effective than others, and where it is not cost-effective for a participant to install controls, that participant will instead purchase credits. To arbitrarily place a cap on cost-effectiveness would undermine this market system and artificially limit emission reductions achieved from the RECLAIM program.)	Varies past actions
Method	Method used by EPA and all of Cal/EPA, including ARB (Equipment life, interest rate and LCF)		DCF (AQMD has chosen to use the DCF method since the late 80's. Switching to LCF for RECLAIM alone would make it very difficult to compare RECLAIM cost-effectiveness with past AQMD rules.)	DCF
Method to Derive Reductions	Industry supports a two-phased initial reduction of 4 tons per day based on our analysis of appropriate levels of further control. Further reductions, if appropriate, should be implemented incrementally, with careful consideration of cost-effectiveness and projected levels of economic activity. There are different ways to demonstrate equivalency to command & control, including a proposed market-based approach (see attached) but also the staff's approach if key policy issues are addressed and calculation errors corrected.		Neutral on the method employed, as long as the RECLAIM program achieves emissions reductions equivalent to those that would be achieved through command & control.	AQMP growth assumptions and new BARCT control

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RTC Reduction (see Table 2)				
Amount	4 tpd, additional based on future analysis cycles		10.2 tpd (This figure is based on staff's BARCT evaluations, but without the 10% RTC withholding as discussed below. Given the fact that the most recent AQMP projects a shortfall of greater than 100 tpd of NOx by 2010 and that all of the major stationary sources of NOx pollution are participants in RECLAIM, AQMD needs to achieve the greatest emission reductions possible from this program.)	7.8 tpd
Schedule	2007 = 2 tpd 2008 = 2 tpd		Reductions beginning in 2006. 2006, 2007, 2008, and 2009 = 2 tpd each year. 2010 = 2.2 tpd. (After years of improvement, air quality is on the decline. AQMD needs to achieve emission reductions from RECLAIM as soon as possible.)	2007 = 4 tpd 2008 - 2010: 3.8 tpd
Method for Reducing RTCs	across-the-board	see Facilities at BARCT and Other, below	Across-the-board, <i>as long as</i> the RECLAIM program achieves emissions reductions equivalent to those that would be achieved through command & control.	across-the-board
Power Plant Trading Restrictions	All trading restrictions should be lifted.		Power providers should not be allowed back into RECLAIM, as they will have excess credits that will flood the market and result in reduced effectiveness of the program. If they are allowed back into the program, then we agree with staff that they should not be allowed back in until the RTC shave occurs and the holdings of power providers are shaved as well.	until 2007

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Mechanisms for Market Stability				
10% Market Adjustment	Yes - It should be understood that companies need a compliance margin in their allocations to prevent curtailment of operations due to normal variations in emissions.		No 10% withholding (Given the fact that the most recent AQMP projects a shortfall of greater than 100 tpd of NOx by 2010 and that all of the major stationary sources of NOx pollution are participants in RECLAIM, AQMD needs to achieve the greatest emission reductions possible from this program. A 10% withholding of credits will unnecessarily reduce the program's effectiveness. The RECLAIM program already has a mechanism in place to deal with emergency market fluctuations.)	Yes
Price Trigger	The same as the current rule.		No price trigger (The proposed arbitrary cap on the price of RECLAIM credits would create an incentive for participants to purchase credits, rather than install BARCT. This would unnecessarily limit emission reductions achieved from the program.)	\$15,000/ton for 2010 reductions
Other	Extend and expand mobile source credit availability.			
Facilities Already at BARCT	The same as the current rule.	Facilities at BARCT with current allocations <90% of emissions needed to operate without curtailment exempt from shave; two other alternatives under Other below	No exemptions for facilities already at BARCT (RECLAIM is a cap and trade program. Taking facilities out of the program as they achieve BARCT would result in a command & control program, but with emission reductions being achieved over a much longer time frame.)	Exemption from shave for structure buyers since 1994

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Future Evaluation	See attached.		As part of future AQMP based on BARCT evaluation (BARCT changes with time as new technology develops. Since AQMD is legally required to achieve equivalent reductions to command & control through the RECLAIM program, it should continue to evaluate BARCT as part of future AQMPs.)	As part of future AQMP based on BARCT evaluation
Other	Industry is concerned with the SCAG Utility sector growth assumptions. If growth in this sector exceeds current projections, then a shortage of credits could result in power generation curtailment and an adverse effect on facility modernization and economic growth of the region.	Facilities at BARCT can opt out of RECLAIM with cap equal to BARCT emission rate x baseline activity level, or Shave done on per facility basis reflecting BARCT reductions available at facility		