

## **Exemption Request of California Portland Cement Company (CPCC)**

### **CPCC Request**

Where no new BARCT is recommended and the facility is already at BARCT, facilities should not be subject to proposed RECLAIM RTC holding reductions or can opt out of RECLAIM program.

### **Facility Information**

CPCC is located in Colton, CA and employs more than 100 people. The primary function of the company is the manufacture of gray cement and is the only such operation in the Basin. It has two long-dry cement kilns, which are already at BARCT. The facility is one of the largest NO<sub>x</sub> emitters in the Basin with 945 tons of emissions reported for compliance year 2003, that is 9 percent of the total reported emissions by all RECLAIM facilities. CPCC is one of the top 2 facilities in RECLAIM emissions. Along with refineries and power producing facilities, CPCC is a major holder of RTCs in RECLAIM with about 7 percent of the entire NO<sub>x</sub> market.

CPCC has been an active trader in the RECLAIM market. From compliance years 1999 to present, CPCC has purchased almost 2.4 million pounds of RTCs for approximately \$5.9 million. During the same time period, CPCC has sold nearly 2 million pounds of RTCs for approximately \$17.6 million. In addition, another 690,000 pounds have been sold at no known price.

### **Staff Analysis of Potential Impacts**

- Facilities meeting the proposed exemption criteria would face lower compliance costs because they would not have to reduce production or, in the alternative, purchase RTCs.
- Since these facilities do not contribute to the programmatic new BARCT reductions, the burden of emission reductions would be shifted to the remaining facilities in the RECLAIM program. The extent of impact would vary depending on the number of facilities that would be removed from the market and the AQMP growth assumptions. If CPC is removed from the market, the overall percent reduction for the remaining universe would increase from 22.8% to 26%.
- The increased percent of reduction described in the preceding paragraph would apply to facilities that are not entirely at BARCT. Such facilities thus should have feasible opportunities to achieve further emission reductions.
- As more facilities are controlled to BARCT levels, they too would have the ability to opt out of the program. If significant numbers of facilities opt out (e.g. to avoid mass emissions caps), the number of facilities that can trade credits in the RECLAIM program would diminish. Eventually, there may not be a cap and trade program.
- In the interim, the environment may see higher emissions, because facilities that need to purchase would likely opt out of the program, but those which have credits to sell due to lower production rates would stay in the program. Under the command and control approach, although facilities can increase production (therefore emissions) to the permitted levels, they cannot sell emission reductions due to reduced production rates. Overall, the environment benefits from this balance.