



April 9, 2025

VIA EMAIL

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South Coast Air Quality Management District

**Re: Comments on April Revisions to Proposed Amended Rule 1111 & 1121- Zero-NO<sub>x</sub> Standards for Residential Water Heaters and Furnaces**

Dear Mses. Farr and Vinh:

We write to express our significant concerns regarding the continued weakening of proposed Rules 1111 and 1121 (Rules). As the Staff Report acknowledges, “NO<sub>x</sub> emissions need to be reduced by over 67 percent for all sources in order for this region to meet federal air quality standards by the 2037 deadline.”<sup>1</sup> Yet rather than incorporating repeated requests by impacted communities to strengthen the Rules to ensure these reductions are actually achieved, the latest amendments go in the opposite direction and weaken the Rules further. The Rules’ minimal penalty structure is highly unlikely to shift consumer and manufacturer behavior and, therefore, highly unlikely to further the Air District’s legal obligation to achieve life-saving NO<sub>x</sub> reductions. Moreover, by cutting the non-compliance penalty for water heaters in half, the Rules will now generate even less revenue, impeding broader deployment of zero-emission space and water heating in low-income communities. Accordingly, the proposed Rules not only jeopardize their intended health and equity benefits but also pose a significant barrier to achieving a successful transition to zero-emissions equipment—a key tenet of the 2022 Air Quality Management Plan (AQMP).

In order for the Rules to have an impact, at a minimum, the Rules should be revised to incorporate a tiered non-compliance penalty structure that ties penalties to the degree of non-compliance. This feature serves as an essential guardrail, motivating manufacturers to meet, or

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<sup>1</sup> SCAQMD, PAR 1111 & 1121 Draft Staff Report at Appendix A-12 (Apr. 2025), [https://www.aqmd.gov/docs/default-source/rule-book/proposed-rules/1111-and-1121/draft-par-1111-par-1121-appendix-a.pdf?sfvrsn=43439f61\\_2](https://www.aqmd.gov/docs/default-source/rule-book/proposed-rules/1111-and-1121/draft-par-1111-par-1121-appendix-a.pdf?sfvrsn=43439f61_2).

at least come close to meeting, zero-emission sales targets. Importantly, if manufacturers meet, or come close to meeting the Rules' sales targets, there are no additional non-compliance fees. Instead, this tiered structure provides an incentive for manufacturers to meet sales targets, and where they are not met, generate additional funds to deploy zero-emission space and water heating to help meet compliance targets in subsequent years.

Based off the current proposal, the Rules should be modified to adopt the following tiered non-compliance penalty structure:

Space Heating (Rule 1111)		Water Heating (Rule 1121)	
Exceedance over target (%)	Fee Per Unit (\$)	Exceedance over target (%)	Fee Per Unit (\$)
1-10%	\$500	1-10%	\$250
11-20%	\$750	11-20%	\$500
21% or over	\$1000	21% or over	\$750

Accordingly, if the sale of polluting water heaters exceeds 70 percent in the first compliance period, the manufacturer would pay a \$250 non-compliance fee for each polluting water heater unit that exceeds that target by up to ten percent. For each additional non-complaint unit that exceeds the target by between 11 and 20 percent, the fee would increase to \$500 for those units, and to \$750 for each unit that is more than 20 percent of the sales target.<sup>2</sup>

Even at its highest level, the non-compliance penalty is *still* less than the cost of the health harms from NOx pollution from gas space and water heating units over their lifetime.<sup>3</sup>

We continue to support additional improvements to the Rules, including a per-unit mitigation fee set at \$100 for gas water heaters and \$300 for gas furnaces, which represents only 3 percent of their cost, and accelerated sales targets. However, at a minimum, the Rules must be revised to incorporate tiered non-compliance penalties to provide reasonable assurance that their health benefits are realized.

<sup>2</sup> As an example, if the compliance period has a 30 percent zero-NOx sales target for water heaters and a manufacturer sells 100,000 water heating units, of which 95,000 are NOx-emitting, the manufacturer would be assessed a \$250 fee for each of the first 10,000 units, a \$500 fee for each of the next 10,000 units, and a \$750 fee for the remaining 5,000 units.

<sup>3</sup> SCAQMD, PAR 1111 & 1121 Draft Staff Report at Appendix B-65 (Apr. 2025), [https://www.aqmd.gov/docs/default-source/rule-book/proposed-rules/1111-and-1121/draft-par-1111-par-1121-appendix-b-\(1\).pdf?sfvrsn=8a4e9f61\\_2](https://www.aqmd.gov/docs/default-source/rule-book/proposed-rules/1111-and-1121/draft-par-1111-par-1121-appendix-b-(1).pdf?sfvrsn=8a4e9f61_2) ("The per unit cost to fully mitigate the NOx emissions would be around \$3,000 for PAR 1111 and \$900 for PAR 1121, based on the cost effectiveness screening threshold of \$383,000 per ton of NOx reduced.").

Sincerely

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