



Minutes for the GHG CEQA Significance Threshold Stakeholder Working Group Meeting #6

Wednesday, October 22, 2008
SCAQMD, GB, 10:00 am – 12:00 pm

1. Welcome and Introductions

Dr. Elaine Chang, Deputy Executive Officer, Planning, Rule Development and Area Sources (PRDAS), called the meeting to order at 10:15 a.m. and led the introductions of the working group members and SCAQMD staff. After the introductions, Dr. Steve Smith, Program Supervisor of the SCAQMD's CEQA section, began the staff presentation.

2. Discussion of the Draft CEQA GHG Significance Threshold Guidance Document

The presentation began with a slide listing an overview of the contents of the guidance document:

- Chapter 1: Introduction/Executive Summary;
- Chapter 2: Background Information on GHGs;
- Chapter 3: Interim GHG Significance Threshold Staff Proposal;
- Chapter 4: Considerations When Analyzing GHG Emissions;
- Chapter 5: Conclusion and Future Action Items;
- Appendix A: Working Group Members; and
- Appendix B: Summaries of Working Group Meetings.

Dr. Smith pointed out key issues and concepts presented in the guidance document:

- Achieve a 90% emissions capture rate;
 - Facility (SCAQMD) vs. equipment-based (CARB) approaches;
- Cap-and-trade programs;
 - Industrial sector;
 - Transportation sector;
- Implications of SB 375;
 - May be captured by Tiers 1 and 2 of CEQA GHG Significance Threshold Flow Chart;
 - How does it affect vehicle miles traveled (VMT) for new projects?

Comments/Questions Regarding Draft CEQA GHG Significance Threshold Guidance Document

- a. A comment was made that CARB is holding a meeting on October 27, 2008 regarding a CEQA GHG significance threshold. A question was raised as to how CARB's actions will affect SCAQMD's process? Dr. Chang responded that the SCAQMD is presenting an interim CEQA GHG significance threshold and the SCAQMD proposal will be presented again to the SCAQMD Governing Board once CARB's proposal is officially released. Several working group members commented that a statewide significance level would be more appropriate.

- b. Dr. Chang and Dr. Smith both emphasized that the intention of the SCAQMD's proposal is to capture 90 percent of total facility emissions, not a 90 percent facility capture rate. Figure 3-2 in the guidance document demonstrates a 90 percent capture rate with regard to natural gas consumption for stationary sources within the District.
- c. A working group member questioned if SCAQMD research considered only stationary sources? Dr. Chang responded yes, the proposed threshold is based on industrial stationary sources where the SCAQMD would typically be the lead agency. A comment was made that mobile source emissions (and perhaps off-site electricity generation) should be included in the threshold proposal which may result in a slightly higher threshold level. A working group member and Dr. Chang emphasized that VMT and electricity usage still needs to be analyzed in determining a project's impact. However, these two components were not included in SCAQMD evaluation of facilities in generating the proposed significance threshold because that information is generally not available to SCAQMD staff. Several comments were made that it would be helpful to consider all emission sources as a basis to establish a screening level.
- d. A comment was made that the 10,000 metric tons per year carbon dioxide equivalent (MT/year CO₂eq) interim level seems to be justified for industrial projects; however, the rationale behind the 3,000 MT/year CO₂eq level for residential/commercial projects is unclear. Dr. Smith noted that the GHG inventory for residential/commercial sources is approximately 1/3 of the GHG inventory for industrial sources; therefore, staff applied the 1:3 ratio to the industrial source interim GHG significance threshold (multiplied by 1/3) to obtain the proposed interim residential/commercial screening level.
- e. Clarification of Figure 3-2 was requested (especially regarding the numbering of Facility #134 and Facility #42). Staff promised to update the figure to more clearly show the 90 percent emissions capture rate based on 90 percent of natural gas usage. The update would also show the number of affected facilities. (This figure was subsequently updated in the Guidance document to show the number of facilities that account for 90 percent of the natural gas combustion, rather than facility number.) A question was also raised regarding whether or not Figure 3-2 also included refinery fuel gas? Dr. Chang responded no, it only includes natural gas.
- f. A comment was made that refineries should be considered exempt from CEQA regarding projects to produce low carbon fuels, as they would be required by CARB. Dr. Smith responded that refinery modification projects to produce low carbon fuels would be subject to CEQA requirements as there are currently no exemptions in CEQA for low carbon fuel projects.
- g. A question was asked when the interim GHG significance thresholds for use by other public agencies would become applicable. Dr. Smith responded that they would be a gradually phased in. However, Dr. Barry Wallerstein, SCAQMD Executive Officer, commented that this topic is subject to further discussion and direction from the Governing Board.

3. Discussion of the Revised Staff Proposal #3 Tiered Decision Tree Approach

Dr. Smith presented a new version of the Draft SCAQMD Staff CEQA GHG Significance Threshold Flow Chart. Dr. Smith noted the addition of the two new significance threshold levels, 10,000 MT/year CO₂eq for industrial projects and 3,000 MT/year CO₂eq for residential/commercial projects.

Comments/Questions Regarding the Revised Draft SCAQMD Staff CEQA GHG Significance Threshold Flow Chart

- a. A suggestion was made that examples of applicable CEQA exemptions should be provided in Tier 1. Dr. Chang responded that SCAQMD could provide examples to the extent possible, but cannot take a legal position on whether or not individual projects qualify for specific exemptions. Dr. Smith noted that determining whether a project is exemption is up to the lead agency and would likely be made on a case-by-case basis.
- b. A working group member requested that attention be focused on Tier 2 due to the fact that a number of cities and counties have already or are proposing to adopt GHG reduction plans (i.e. City of San Bernardino, City of San Francisco, City of Pasadena, City of Riverside, County of San Diego and County of Madera).
- c. The purpose of footnote 1 in Tier 2 was questioned. Dr. Smith responded that it is meant to identify those components of GHG reductions plans that are necessary to ensure that the GHG reduction target is met through verification, enforcement, etc. It is also necessary that the GHG reduction plan have specific GHG reduction strategies, certified GHG inventory, and backup measures in case GHG reduction targets are not being met. A generic GHG reduction plan that does not include all of these components is not an acceptable plan.
- d. A comment was made that SCAQMD staff should clarify on the flowchart that Tier 2, as well as some items in Tier 4, are not operable at the present time.
- e. A working group member suggested that Tier 3 should not only try to target small new projects, but should also include redevelopment projects.
- f. A working group member expressed concern about lowering the electricity and water usage beyond the requirements of Title 24 and questioned how the SCAQMD is going to define the current “x” and “y” percentages listed in Tier 3.
- g. A question was asked where a project would fit into the flow chart, such as a refinery, if the refinery operators implement a combined heat and power system (e.g., cogeneration), which reduced off-site energy demand, but increases on-site CO₂ emissions? Dr. Smith responded that the project would most likely use Tier 4, compliance option #1 to demonstrate that it has achieved GHG reductions compared to a BAU scenario.
- h. A working group member disagreed with the 30 percent emissions reduction target from BAU in Tier 4- Option 1 because the member believes that greater emissions reductions can and need be achieved. Instead a zero significance threshold should be recommended as projects can reduce to zero through the purchase of GHG offsets. Concern was also expressed that project proponents may artificially inflate BAU levels in order to easily meet the 30 percent reduction target.
- i. A comment was made that in Tier 4- Option 2, a project should get credit if it complies with AB 32, not specifically for early implementation of it. Dr. Chang responded that she disagreed because compliance with AB 32 is not considered mitigation since it is a requirement. Dr. Chang clarified that this meant compliance with the ultimate goals of AB 32 in advance of the timetable set in AB 32 would be applicable in Tier 4- Option 2. A working group member suggested that SCAQMD staff further clarify the intent of this option to reduce possible confusion.
- j. A comment was made that Tier 5 requires further clarification. For example, how are projects treated that implement projects to comply with AB 32 Scoping Plan measures, would they be required to provide additional offsets? Additionally, how would a facility transition into a cap-

and-trade program? Dr. Chang responded that it hasn't been fully addressed yet because the cap-and-trade program is not yet clearly defined. SCAQMD is awaiting direction and guidance from CARB on this matter.

- k. It was questioned how offsets in Tier 5 will be certified? Dr. Chang responded that the lead agency for the project will be responsible for verifying the certification of a project's offsets. It was also questioned if offsets would generated outside areas of the SCAQMD's jurisdiction would be allowed as CEQA mitigation? Dr. Chang responded yes, the offsets only need to be verifiable and do not necessarily need to be in areas within the district.
- l. A working group member asked how the 30-year offset criterion was derived? Dr. Chang responded that the 30-year life of credits is based on a standard 30 year economic life of a project (equipment, etc.) and the SCAQMD is looking at that time period as a default time period. Other shorter options, such as equipment permitted for a shorter time period, would be considered and evaluated on a project-by-project basis. The working group member expressed additional concern because providing offsets for 30 years may be difficult to guarantee.
- m. A comment was made that the significance threshold flow chart should be viewed from purely a CEQA standpoint. The tiers only represent levels at which one can determine CEQA impacts. The tiers are tools to determine when the GHG analysis is sufficient and complete, or whether more GHG analysis is required.
- n. A working group member stated that additional conditions/commitments/reductions may be required beyond approved regional plans. Dr. Chang responded that other conditions will not be imposed if the project is in compliance with an approved regional plan.
- o. A working group member stated that her respective organization is evaluating and supporting GHG emissions in a regional perspective rather that by a project specific approach.
- p. A working group member commented City of Los Angeles is tracking city-wide GHG emissions through goals that it has established; however, the GHG inventories are not yet included in the general plan. The working group member emphasized that there are other ways to track GHGs, such as through an inventory, and not only through a specific or general plans.

4. Further Discussion of Business As Usual (BAU)

Dr. Smith noted that a discussion of BAU is included in Chapter 3 of the guidance document. CAPCOA's White Paper definition is the "projection of GHGs into the future based on current technologies and regulations in the absence of other reductions." CAPCOA was unclear whether or not BAU is used to establish a project's baseline.

Dr. Smith also noted that CARB has no definition of BAU in the Scoping Plan, but does provide a brief definition in the 1990 inventory document released in November 2007. The 1990 inventory document states that BAU is the following:

- BAU is an estimate of GHG emissions in the absence of policies and measures; and
- BAU is based on forecasted demographic and economic growth.

As recognized by CAPCOA and SCAQMD, BAU will evolve over time as the current regulatory framework changes to implement GHG reduction strategies; either statewide strategies (e.g. CARB's Scoping Plan) or any future federal strategies.

To resolve some of these issues of an evolving definition of BAU, SCAQMD staff recommends that a statewide definition be developed by CARB that is updated periodically. Until such time as a statewide definition of BAU is developed, the SCAQMD staff will rely on the definition in the Guidance Document. Because the SCAQMD staff's GHG significance proposal is considered to be an interim proposal, future updates or revisions to staff's proposal may also include updates to BAU or the target objective as BAU levels decline over time. Any updates to BAU would likely occur during the five-year updates to CARB's Scoping Plan. The target objective percent reduction from BAU levels is a short-term GHG threshold proposal. Other thresholds/compliance options may become less important in the future as other concepts are evaluated and more fully developed.

Comments/Questions Regarding BAU

- a. A working group member expressed appreciation for the clearer definition of BAU included in the guidance document.
- b. Numerous working group members agreed that a statewide level for BAU is more appropriate.
- c. A working group member stated that BAU is similar to the no project alternative in the sense that it assumes no changes in existing regulatory framework or advances in technology.
- d. A working group member stated that the concept of an evolving BAU was troubling. CARB's emission reduction projections are based on BAU at 2005 emission levels and projecting from there into the future assuming no changes in GHG regulations or technologies. It was suggested that a list of example scenarios should be provided to assist in understanding how to develop BAU scenarios. Dr. Chang clarified that the 30 percent GHG reduction target would be the variable evolving over time and that the BAU level would not change in the near term. It is likely that BAU would be revised when CARB's Scoping Plan is revised every five years and that the GHG reduction target objective would be revised as necessary based on any new definitions of BAU.

5. Closing Remarks/ Future Action

Dr. Chang and Dr. Smith outlined the following future steps that will be taken:

- Receive feedback from working group;
- Revise the Draft Guidance Document based on feedback from the working group;
- Set public hearing November 7, 2008 (formal set hearing not required);
- Next stakeholder working group meeting is November 20, 2008;
- Staff proposed interim GHG significance threshold to be considered by Governing Board December 5, 2008.

6. Other Business – None

7. Future Meeting

The next meeting is scheduled for Thursday, November 20, 2008, at 10:00 a.m. in conference room GB.

ATTENDANCE

MEMBERS PRESENT (18)

Greg Adams – Los Angeles County Sanitation District (LACSD)
James Arnone – Latham & Watkins – *on conference call*
Doug Feremenga – San Bernardino County Land Use Planning Department
Michael Hendrix – Chambers Group
Shari Libicki – Environ
Daniel McGivney – Eastern Municipal Water District
Clayton Miller – Construction Industry Air Quality Coalition (CIAQC)
Bill Piazza – Los Angeles Unified School District (LAUSD)
William Quinn – California Council for Environmental and Economic Balance (CCEEB) – *on conference call*
Janill L. Richards – California Department of Justice, Attorney General’s Office – *on conference call*
Terry Roberts – Office of Planning and Research (OPR) – *on conference call*
Jamesine Rogers – California Air Resources Board (CARB) – *on conference call*
David Somers – City of Los Angeles, Planning
Cindy Thielman-Braun for Mike Harrod - Riverside County Planning Department
Matthew Vespa – Center for Biological Diversity – *on conference call*
Carla Walecka – Realtors Committee on Air Quality
Lee Wallace – Sempra Energy Utilities, Southern California Gas Company, San Diego Gas & Electric
Michael Wang for Cathy Reheis-Boyd - Western States Petroleum Association (WSPA)

OTHERS PRESENT (26)

Lysa Aposhian – Los Angeles County Sanitation District (LACSD)
Jeff Baldino – PCR
Jeannie Blakeslee – California Air Resources Board (CARB) – *on conference call*
Howard Delay – Southern California Edison (SCE)
Gretchen Hardison – City of Los Angeles
Miles Heller - BP
Andy Henderson – Building Industry Association of Southern California (BIASC) – *on conference call*
Steve Jenkins – Michael Brandman Associates (MBA)
Amy Kidd – PCR
Martin Ledwitz – Southern California Edison
Julia Lester – Environ
Wendy Lockwood – Sirius Environmental
Vlad Kogan – Orange County Sanitation District (OCSD)
Sun Key Ma – Riverside County Waste Management Department
Pang Mueller – Tesoro Corporation
Dan Phu – Orange County Transportation Authority
Haseeb Qureshi – Urban Crossroads
Bryan Schweicket – Los Angeles Department of Water and Power (LADWP)
Sam Silverman – Terry A. Hayes Associates LLC
Andrew Skanchy – Latham & Watkins – *on conference call*
Darren Stroud – Valero – *on conference call*
Greg Tholen – Bay Area Air Quality Management District (BAAQMD) – *on conference call*
A. L. Wilson – Southern California Edison (SCE)

Suzanne Wilson – City of Anaheim Public Utilities Department

Scott Wintz – Chris Joseph & Associates

Terrance Wong – Chris Joseph & Associates

AQMD STAFF (8)

Barbara Baird, District Counsel

Elaine Chang, DrPH, Deputy Executive Officer

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