

# NO<sub>x</sub> RECLAIM WORKING GROUP MEETING

NOVEMBER 8, 2017  
SCAQMD  
DIAMOND BAR, CA

## Agenda

- October 12, 2017 working group meeting highlights
- Discussion of Transition Mechanisms
- RTC Holdings as Facilities Transition to Command and Control
- Other Updates

## October 12, 2017 Working Group Meeting

- Overview of Rules 2001 and 2002 proposed amendments
- Guiding Principles for New Source Review
- Discussed five policy issues for New Source Review
- Update on AB 617

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## DISCUSSION OF TRANSITION MECHANISMS

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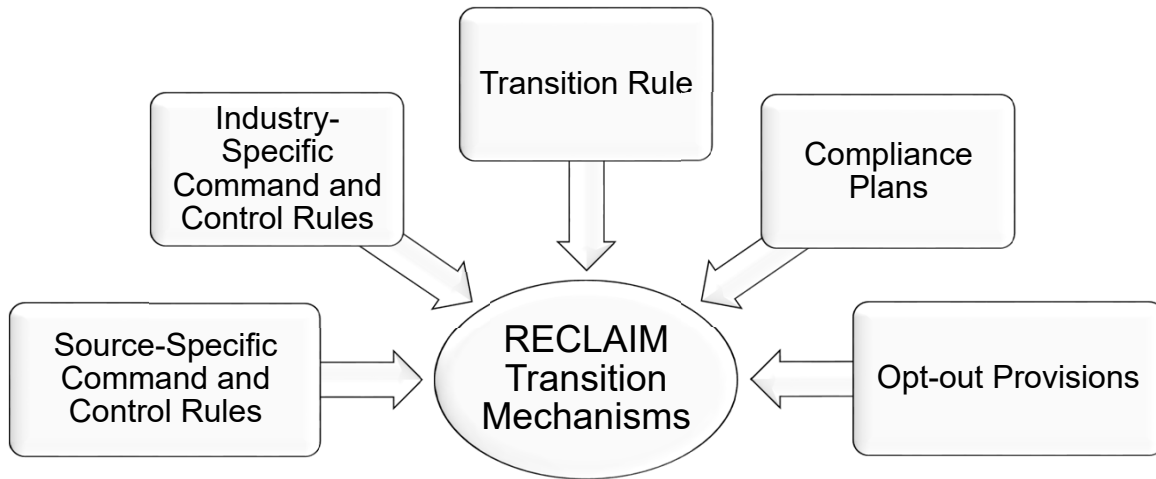
## Concepts for Guiding Principles for Transition

- No backsliding of programmatic emissions or controls
- Implementation timeframe that accounts for:
  - Where feasible, seek to achieve greatest emission reductions first
  - Coordination of multiple BARCT rules that affect individual facilities
  - Coordination of multiple pieces of equipment that are affected by an individual BARCT rule
  - Consideration of industry categories to ensure transition does not create advantages or disadvantages to individual businesses
  - Consideration of other regulatory requirements that may be impacting industry categories

## Concepts for Guiding Principles for Transition (Continued)

- Implementation approach that:
  - Incorporates a public process
  - Accounts for resources
    - SCAQMD resources to implement transition – permitting, rulemaking
    - Facility resources – ability to implement many emission reduction projects simultaneously
    - Other resources – availability of installers, source testers, contractors, etc.
- Other?

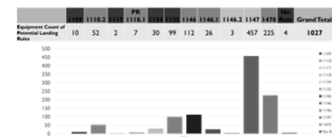
## Potential RECLAIM Transition Mechanisms



## Source-Specific Command and Control Rules

- Source-specific command and control rules
- Amendments to existing and development of new command and control rules
- Facilities with equipment that is under one source-specific rule can directly comply with BARCT rule
  - BARCT rule will establish emission limit and implementation schedule
- Other facilities will likely need to follow an implementation schedule in the RECLAIM transition rule

Source-Specific Command and Control Rules



## Source-Specific Command and Control Rules – Proposed Schedule

### First Quarter 2018

- Rule 1146 (Boilers and Process Heaters)
- Rule 1146.1 (Boilers and Process Heaters)
- Rule 1146.2 (Small Boilers and Process Heaters)

### Second Quarter 2018

- Rule 1118.1 (Non-Refinery Flares)
- Rule 1147 (Miscellaneous NOx Sources)

### Third Quarter 2018

- Rule 1110.2 (Internal Combustion Engines)

### Fourth Quarter 2018

- Rule 1134 (Stationary Gas Turbines)
- Rule 1147.1 (Large Miscellaneous NOx Combustion Sources)

### 2019

- Rule 1117 (Glass Melting Furnaces)
- Rule 1159.1 (Nitric Acid Units)

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## Industry-Specific Command and Control Rules

- Industry-specific command and control rules allows for:
  - Implementation schedule and approach that accounts for issues that are unique to a specific industry
  - Establish BARCT requirements that are more representative of equipment for that industry
- Several industry categories have been identified where industry-specific rules will be developed
  - Refineries (Rule 1109.1)
  - Electrical Generating Facilities (Rule 1135)
- Other industry categories that are being considered – particularly certain industries that have Rule 1147 equipment
  - Metal melting and heat treating facilities (Rule 1147.2)
  - Other?

Industry-Specific  
Command and  
Control Rules

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## Industry-Specific Command and Control Rules – General Schedule

Fourth Quarter 2018

- Rule 1109.1 (Refineries)
- Rule 1135 (Electrical Generating Facilities)

2019

- Rule 1147.2 (Metal Melting and Heat Treating Facilities)

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## Concept for a RECLAIM Transition Rule

- A RECLAIM transition rule may be needed to establish the implementation schedule for facilities with multiple pieces of equipment
- Transition rule will ensure facilities that are affected by multiple rules will achieve the greatest emission reductions early
- Transition rule will coordinate implementation schedules to account for facilities with multiple pieces of equipment that are affected by multiple BARCT rules

Transition Rule

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## Concept for a RECLAIM Transition Rule *(Continued)*

- In general, the RECLAIM Transition Rule would include:
  - Compliance schedule for facilities with common pieces of equipment that accounts for the emissions from each piece of equipment
  - Reference emission limits in applicable BARCT rules

Transition Rule

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## Compliance Plans

- Compliance Plans can be used to address unique operations where there are unique pieces of equipment
- Preference is to use the source-specific, industry-specific, and RECLAIM transition rule before utilizing individual compliance plans
- In general compliance plan would include:
  - A facility-specific compliance schedule for each piece of equipment
  - Reference emission limits in applicable BARCT rules
  - Emission limits in the absence of a BARCT rule

Compliance  
Plans

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## Opt-Out Provisions

- Opt-out provisions will allow facilities to opt-out of RECLAIM
- Opt-out provisions will be incorporated in Rule 2002
- In general, opt-out provisions would include:
  - Specific criteria that a facility must meet to opt-out
  - If equipment is not at BARCT, facility would be required to submit a compliance plan specifying the schedule to achieve BARCT

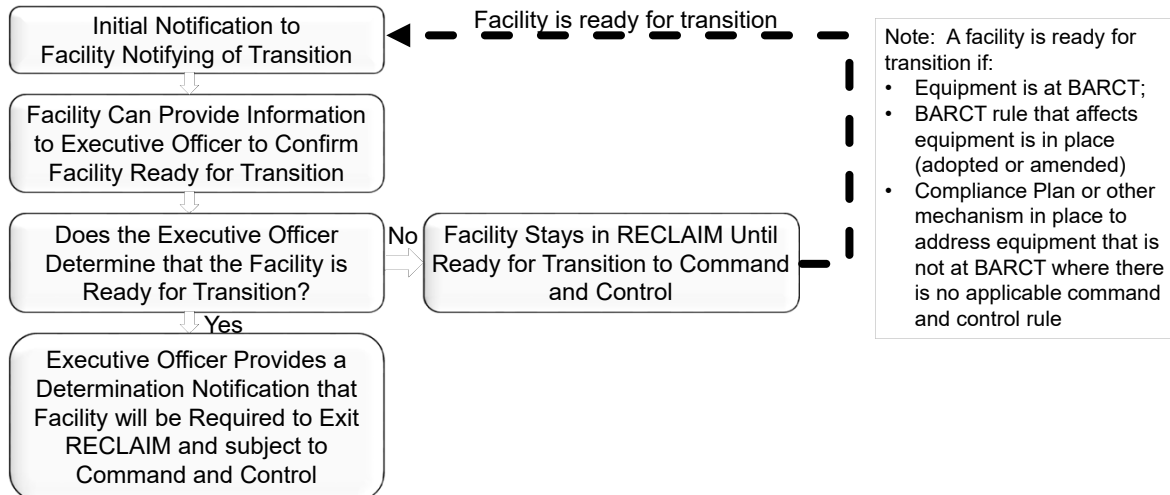
Opt-out Provisions

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## RTC HOLDINGS AS FACILITIES TRANSITION TO COMMAND AND CONTROL

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## Background of Concept for Transition Process



## Adjusting RTCs Holdings as Facilities Transition to Command and Control

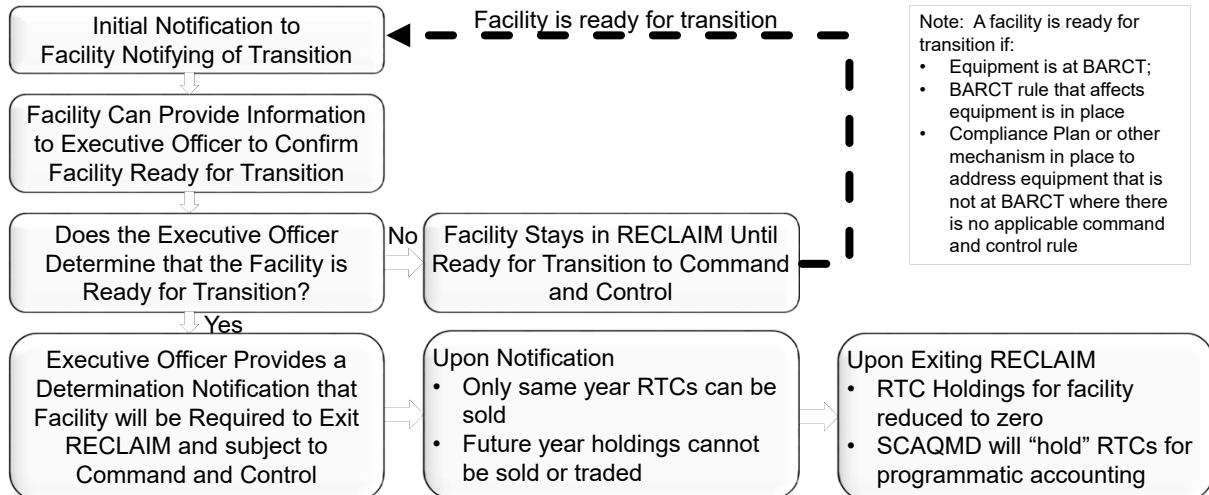
### Background

- As program transitions to command and control, RTCs holdings will be adjusted downward
- It is expected that some facilities may be subject to command and control rules while in RECLAIM, which may reduce the demand for RTCs
- Initial recommendation: Reduce RTC holdings as each facility exits RECLAIM

### General Approach

- As a facility transitions to command and control, the Executive Officer will issue a determination notification to facility
- Upon notification only same year RTCs can be sold; future year holdings are frozen and cannot be sold or traded
- Upon exiting RECLAIM, RTC holdings for the facility will be reduced to zero

## Overview of Transition Approach



## Adjusting RTCs Holdings as Facilities Transition to Command and Control - Discussion

### Discussion

- Facilities that are required to exit RECLAIM early do not have the same opportunity to sell RTCs as that facilities that have not exited RECLAIM, however,
  - Transition is expected to occur over a two-year period
  - Value of the RTCs will diminish as more facilities transition to command and control
- Removing RTCs in RECLAIM as facilities exit can help to reduce excessive surplus of RTCs in the RECLAIM market
- As more facilities exit RECLAIM, the supply will decrease which may be difficult for some facilities to demonstrate compliance before they transition
- SCAQMD staff can monitor supply of RTCs and if needed, RTCs that were surrendered from facilities that have already transitioned to command and control can be used to demonstrate compliance

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## OTHER UPDATES

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## SO<sub>x</sub> RECLAIM

- Initial staff recommendation
  - Focus on transitioning NO<sub>x</sub> RECLAIM to command and control
  - Address SO<sub>x</sub> RECLAIM at a later date
- Staff is considering
  - Prohibiting additional facilities entering SO<sub>x</sub> RECLAIM

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## Update on New Source Review

- SCAQMD initiated a call with EPA to discuss possibility of using internal bank for NOx offsets
- EPA expressed concern regarding the quality of the credits in the internal bank
- Staff emphasized the importance of resolving issues regarding the availability of NOx offsets as facilities transition to command and control
- Staff will continue to dialogue with EPA regarding all NSR issues

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## Next Steps *(Continued)*

- Proposed Amended Rules 2001 and 2002 Public Consultation Meeting – November 8, 2017
- Working Group Meetings (monthly)
  - December 14, 2017 at 10:00 AM

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