



October 4, 2018

VIA EMAIL AND HAND DELIVERY

Dr. William Burke, Chair
Governing Board of the South Coast Air Quality Management District
C/O Clerk of the Board
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

Re: Proposed Amended Rules 2001 and 2002

Dear Dr. Burke and Governing Board Members:

On behalf of Ultramar Inc., owner and operator of the Valero Wilmington Refinery, and Valero Refining Company – California, owner and operator of the Wilmington Asphalt Plant (collectively “Valero”), I appreciate the opportunity to submit comments on the South Coast Air Quality Management District (SCAQMD) Proposed Amended Regulation XX – Regional Clean Air Incentives Market (RECLAIM) Rules 2001 and 2002. Rules 2001 and 2002 commence the initial steps for the transition of RECLAIM to a command-and-control regulatory structure (RECLAIM Sunset). Both the Wilmington Refinery and the Wilmington Asphalt Plant are located in the South Coast Air Basin and will be impacted by the RECLAIM Sunset. Valero appreciates the opportunity to provide comments on this important programmatic change.

As stated in our previous letter dated September 7, 2018, Valero recognizes that SCAQMD staff has been working diligently to meet the requirements and deadlines of AB 617 to implement best available control technology (BARCT); however, we note that there is no statutory deadline to sunset the RECLAIM program and California Health & Safety Code Section 40920.6(e) still allows BARCT to be met on an aggregate basis. We believe the RECLAIM program has been an overwhelming success, meeting all of the objectives that were set when the program was first adopted. The program has achieved greater emission reductions at a lower cost than traditional command-and-control regulations, resulted in the development of new BARCT, and resulted in over-compliance such that there are excess RECLAIM trading Credits (RTCs) on the market. Thus, we do believe that a RECLAIM sunset is unnecessary; that sunseting this program can result in greater costs to those facilities that have been in the RECLAIM program than those facilities that were maintained under command-and-control regulations; and that sunset removes the incentives for facilities to develop new, more cost-effective BARCT.

In staff's effort to implement BARCT and sunset the RECLAIM program simultaneously, staff has failed to take a programmatic approach to analyzing and transitioning facilities out of the program. Staff is approaching the RECLAIM Sunset as though it is merely a series of BARCT determinations, and is attempting to adopt one rule at a time, layered on top of the RECLAIM requirements already in place¹. The approach has created confusion and added complexity that will result in additional hardship to facilities at the end of any transition. Staff's approach creates uncertainty for facilities, in particular those facilities that are subject to multiple BARCT determinations.

¹ See September 5, 2018 Staff Report at page 8, "It should be noted that even if a facility is still in RECLAIM, it would be required to comply with the NOx requirements of each rule that is adopted or amended after the date of amendment of PAR 2001 if it operates equipment covered by these rules."



RECLAIM was developed and adopted as a whole comprehensive and complex program that fully accounted for environmental impacts, new source review (NSR), socioeconomic impacts, implications of emissions trading, enforcement and monitoring issues and a host of other consequences of adopting such a program. This comprehensive approach ensured the overwhelming success of the RECLAIM program as it was designed. We believe that the approach currently being taken is a significant change to the RECLAIM program, essentially resulting in a new market-based trading program, that requires the SCAQMD to conduct a full analysis as required pursuant to Health & Safety Code Section 39616. Most importantly, staff has not addressed NSR, ERCs that were converted to RTCs, the disposition of RTCs or the environmental and socioeconomic impacts of a RECLAIM sunset that may result in disproportionate impacts upon RECLAIM facilities as compared to other sources currently under command and control regulations.

Further, we concur with staff's new assessment on the post RECLAIM calculation of facility potential to emit. The July 2018 Preliminary Draft Staff Report contains the following statement: "Moreover, Rule 1306 – Emission Calculations would calculate emission increases of exiting RECLAIM facilities based on actual to potential emissions, thereby further exacerbating the need for offsets." (Preliminary Draft Staff Report, p. 8). This is a complete change since the January 2018 amendments to these two rules. We believe that this is an indication that the RECLAIM sunset provisions are premature.

Valero requests that the SCAQMD not take any further actions on RECLAIM sunset until a programmatic evaluation can be completed.

Thank you for considering these comments. We look forward to continuing to work with you to develop a reasoned approach to compliance with AB 617 with minimizing unnecessary and unintended impacts to RECLAIM facilities. Please feel free to contact me at (562) 491-6677 should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mark Phair'.

Mark Phair
VP and General Manager

cc: Wayne Nastri, SCAQMD
Philip Fine, SCAQMD
Cathy Reheis-Boyd, WSPA
Patty Senecal, WSPA
Bridget McCann, WSPA