

Air Quality Update

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CARB VOTES ON GHG CAP AND TRADE SYSTEM

On December 16, 2010, the California Air Resources Board (CARB) approved a Cap-and-trade program as part of the AB32 effort to reduce greenhouse gas (GHG) emissions. The program addresses emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). The program design allows linkage with programs established by partner jurisdictions in the Western Climate Initiative (WCI) to create a regional market system. In the cap-and-trade program, CARB will place a limit, or cap, on GHG emissions by issuing a limited number of tradable permits (called allowances) equal to the cap. Over time, the cap will steadily decline.

The cap is enforced by requiring each source that operates under the cap to turn in one allowance or offset credit for every metric ton of carbon dioxide equivalent (MTCO₂e) that it emits. Starting in 2012, the program will cover electricity generation, including imports, and large industrial sources and processes with annual GHG emissions at or above 25,000 MTCO₂e. The initial cap level in 2012 will be set at the level of emissions expected in 2012 from sources covered at the start of the program. The program will expand in 2015 to include fuel distributors to address emissions from combustion of transportation fuels, natural gas and propane at sources not covered in the first phase of the program. The

cap calculated will increase to include emissions from those fuels based on the level of emissions expected in 2015 from the newly covered fuels. The cap declines approximately 2 percent per year in the initial period between 2012 and 2014, and 3 percent per year between 2015 and 2020. CARB will distribute allowances through a mix of direct allocation and auction. Allowances will be distributed through an allowance allocation system.

There are two types of allocations. The first one is allocation to the electricity sector. The allowance allocation system stipulates free allowances to the electricity sector for two primary reasons: to support policies and programs that are reducing GHG emissions from the electricity sector; and to ensure that electricity ratepayers do not experience sudden increases in their electricity bills associated with the pricing of carbon emissions in the cap-and-trade program. The second type of allocation is allocation to industry, which states that the amount of allowances directly allocated to each eligible covered entity or opt-in covered entity is calculated using the product output-based benchmarking allocation calculation methodology.

CARB also will establish an allowance reserve to control the cost of compliance. At the beginning of the program, 4.6 percent of total allowances from 2012-2020 is going to be deposited into the Allowance Reserve account and covered entities may buy reserve allowances at specified prices quarterly. (Cont. on next page.)

Air Quality Tip...

When you are providing information for air permitting, be cautious about the information you provide! That information will be used to develop the emissions and permit conditions. For instance, process throughputs, operational hours, outputs, fuel usage rates, etc. are likely to end up on the permit as limits. Generally, it is best to permit for maximum operational flexibility by providing well thought out operating parameters that still meet the regulatory requirements.

Upcoming Training Offered by UCI or Yorke Engineering:

- South Coast Air Quality Permitting and Compliance Seminar: March 2nd-3rd, 2011
<http://www.yorkeengr.com/classes.htm>
- UCI Air Quality Permitting and Compliance – Spring Qtr.
<http://unex.uci.edu/courses> (see Envr. Mgt.)

Upcoming Due Dates for 2011**

- SCAQMD AER: 3/1
- RECLAIM APEP (Cyc. 1): 3/1
- CARB GHG Reporting; 4/1
(or 6/1/2011 for certain sources)
- USEPA GHG Report; 3/31
- USEPA GHG Electronic Reporting Tool Reg.; 1/30
- RECLAIM Quarterly (Cyc. 2): 1/30
- Title V – 500-SAM: 2/28
- Title V – 500-ACC: 3/1
(Except RECLAIM Cycle 2 8/29)
- Title V – Application for Permit Renewal due 180 days prior to permit expiration.

**Due dates listed may be the statutory dates; sometimes dates are extended when they fall on a day the agency is closed.

(Cont.) Under the cap-and-trade program, covered entities are allowed to use offsets for up to eight percent of its compliance obligation. Offsets must come from verified GHG emissions reductions made in areas or sectors not covered by the cap-and-trade program.

SCAQMD'S RULE 1147 CHANGE ADVISORY NOTICE

On December 17th the SCAQMD put out a compliance advisory stating the intent to modify Rule 1147 to provide some requirement relief. Rule 1147 is for NOx/Combustion Sources not covered by other rules and not in RECALIM (i.e. ovens, dryers, thermal oxidizers, and many others). The items expected to be changed are:

1. Remove the requirements for the installation of time meters;
2. Remove the requirements for the installation of non-resettable totalizing fuel meters if NOx compliance is in (ppm) [i.e., not by mass (lb/mmBTU)]; and to
3. Extend new NOx limits for 2010 and 2011 by one year.

SOUTH COAST AQMD RULE CHANGES ADOPTED

For full details on rule adoptions go to: <http://aqmd.gov/rules/recentrules.html>

- Rule 1415 & 1415.1: *Reduction of Refrigerant Emissions from Stationary Air conditioning and Refrigeration Systems* Rule 1415 is being split into two rules, one for air conditioning and one for refrigeration systems. The impetus for the rules is to align SCAQMD rules with CARB GHG rules. Significant changes to the leak testing, reporting, and

recordkeeping are included especially for larger systems.

- Rule 1714: *Prevention of Significant Deterioration (PSD) for Greenhouse Gases* This rule aligns the SCAQMD with the federal PSD tailoring rule for GHGs, requiring permitting for GHGs for larger sources.
- Rule 2002: *RECLAIM Allocations of NOx and SOx*: New BARCT levels will be implemented by reducing the SOx RTC holdings by 5.7 tons per day or by 51.4 percent beginning in 2012 through 2019. The proposed amendments will affect eleven major facilities: six refineries, a coke calciner, two sulfuric acid plants, a container glass manufacturing plant, and a cement plant.
- Rule 1175: *Control of Emissions from the manufacture of Polymeric Cellular Foam products*: The amended rule will require source testing to demonstrate compliance, require all operational parameters necessary for compliance to be contained in a federally enforceable permit and recordkeeping to verify operational techniques and parameters. The proposed rule will also clarify the prohibition of use for chlorofluorocarbons to be consistent with U.S. EPA Significant New Alternatives Policy Program.
- Rule 1420.1: *Emission Standard for Lead from Large Lead-acid Battery Recycling Facilities*- The rule requires large lead-acid battery operations to: install extensive enclosures which vent to control devices at 99% PM efficiency, control fugitive dust, perform source testing, perform

ambient air monitoring, and meet ambient air quality standards.

SOUTH COAST AQMD RULE CHANGES PROPOSED

For full details on proposed rule changes below go to: <http://www.aqmd.gov/rules/proposed.html>

- Rule 317: *Clean Air Act Non-Attainment Fees (Amended)*- After several years of effort, the SCAQMD, as stated in the staff report, "... has formulated an approach to satisfy [federal] fee requirements through a fee equivalent structure that obviates the need for major stationary sources to pay a fee." The proposed "fee equivalent" program will focus on funding from mobile source and infrastructure air quality improvement projects with air quality benefits that are surplus to the State Implementation Plan.
- Rule 1113: *Architectural Coatings*: The new amendments reduce the VOC content limits of certain architectural coating categories, propose to limit the VOC content of previously unregulated colorants used to tint coatings at the point of sale, prohibit the storage of non-compliant coatings at worksites, and includes other changes.

OTHER SCAQMD PROPOSED RULE ACTIVITY

- Rule 1127 & 1127.1 Swine, Poultry, and Livestock waste new Rule.
- Rule 1150.1: *Control of Gaseous Emissions from Municipal Solid Waste Landfills*.
- Rule 1162 and 1132 amendments: *Resin Operations and High Emitting Spray Booths*.