



South Coast  
Air Quality Management District  
21865 Copley Drive, Diamond Bar, CA 91765  
(909) 396-2000, [www.aqmd.gov](http://www.aqmd.gov)

## STATIONARY SOURCE COMMITTEE MEETING

### Committee Members

Mayor Larry McCallon, Chair  
Senator Vanessa Delgado (Ret.)  
Supervisor Holly J. Mitchell  
Board Member Veronica Padilla-Campos

February 17, 2023 ♦ 10:30 a.m.

Pursuant to Assembly Bill 361, a meeting of the South Coast Air Quality Management District Stationary Source Committee will be held at 10:30 a.m. on Friday, February 17, 2023 through a hybrid format of in-person attendance in the Dr. William A. Burke Auditorium at the South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, and/or virtual attendance via videoconferencing and by telephone. Please follow the instructions below to join the meeting remotely.

Given health and safety concerns, seating may be limited, and the meeting format may be changed to full remote via webcast. Please refer to South Coast AQMD's website for information regarding the format of the meeting, updates if the meeting is changed to a full remote via webcast format, and details on how to participate:

<http://www.aqmd.gov/home/news-events/meeting-agendas-minutes>

Face coverings: In accordance with state and local public health department guidelines, wearing a mask is based on personal preference for people attending the meeting at South Coast AQMD Headquarters.

### ELECTRONIC PARTICIPATION INFORMATION (Instructions provided at bottom of the agenda)

Join Zoom Webinar Meeting - from PC or Laptop

<https://scaqmd.zoom.us/j/94141492308>

Zoom Webinar ID: 941 4149 2308 (applies to all)

Teleconference Dial In

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One tap mobile

+16699006833,94141492308#

**Audience will be allowed to provide public comment in person  
or through Zoom connection or telephone.**

**PUBLIC COMMENT WILL STILL BE TAKEN**

*Cleaning the air that we breathe...*

## AGENDA

*Members of the public may address this body concerning any agenda item before or during consideration of that item (Gov't. Code Section 54954.3(a)). If you wish to speak, raise your hand on Zoom or press Star 9 if participating by telephone. All agendas for regular meetings are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes total for all items on the agenda.*

### CALL TO ORDER

### ROLL CALL

### INFORMATIONAL ITEMS (Items 1 through 4)

- 1. Update on Proposed Amended Rule 219 – Equipment Not Requiring a Written Permit to Operate Pursuant to Regulation II and Proposed Amended Rule 222 - Filing Requirements for Specific Emission Sources Not Requiring a Written Permit to Operate Pursuant to Regulation II** (10 mins) Michael Krause  
Assistant Deputy  
Executive Officer

*(No Motion Required)*  
At the January Stationary Source Committee meeting stakeholders provided comments on the proposals. Staff will provide an update on issues discussed in January and any key remaining issues.  
*(Written Material Attached)*
- 2. Update on Proposed Rule 1110.3 – Emissions from Linear Generators and Proposed Amended Rule 1110.2 – Emissions from Gaseous- and Liquid-Fueled Engines** (10 mins) Michael Morris  
Planning and Rules  
Manager

*(No Motion Required)*  
Staff will provide a summary of Proposed Rule 1110.3, which will establish NOx, CO, and VOC emission limits and other requirements for linear generators and Proposed Amended Rule 1110.2, which will exclude linear generators from applicability. Staff will also summarize key remaining issues.  
*(Written Material Attached)*
- 3. Quarterly Permitting Update for Rule 1109.1 - Emissions of Oxides of Nitrogen from Petroleum Refineries and Related Operations** (10 mins) Bhaskar Chandan  
Senior Engineering  
Manager

*(No Motion Required)*  
Staff will provide a quarterly update of permitting activities associated with the implementation of Rule 1109.1 and describe efforts to streamline permitting activities with estimated timelines for permit issuance.  
*(Written Material Attached)*

4. **Annual RECLAIM Audit Report for 2021 Compliance Year (10 mins)** Jason Aspell  
*(No Motion Required)* Deputy Executive  
The annual report on the NOx and SOx RECLAIM program is prepared Officer  
in accordance with Rule 2015 - Backstop Provisions. The report assesses  
emission reductions, availability of RECLAIM Trading Credits (RTCs)  
and their average annual prices, job impacts, compliance issues, and other  
measures of performance for the twenty-eighth year of this program.  
Recent trends in trading future year RTCs are analyzed and presented in  
this report. A list of facilities that did not reconcile their emissions for  
the 2021 Compliance Year is also included in the report.  
*(Written Material Attached)*

**WRITTEN REPORTS (Item 5 through 6)**

5. **Monthly Update of Staff's Work with U.S. EPA and CARB on New Source Review Issues for the Transition of RECLAIM Facilities to a Command-and-Control Regulatory Program** Michael Krause  
*(No Motion Required)*  
This is a monthly update on staff's work with U.S. EPA and CARB regarding  
New Source Review issues related to the RECLAIM transition.  
*(Written Material Attached)*
6. **Notice of Violation Penalty Summary** Bayron Gilchrist  
*(No Motion Required)* General Counsel  
This report provides the total penalties settled in January 2023 which includes  
Civil, Supplemental Environmental Projects, Mutual Settlement Assessment  
Penalty Program, Hearing Board and Miscellaneous.  
*(Written Material Attached)*

**OTHER MATTERS**

7. **Other Business**  
Any member of the Committee, or its staff, on his or her own initiative or in  
response to questions posed by the public, may ask a question for clarification,  
may make a brief announcement or report on his or her own activities, provide a  
reference to staff regarding factual information, request staff to report back at a  
subsequent meeting concerning any matter, or may take action to direct staff to  
place a matter of business on a future agenda. (Gov't. Code Section 54954.2)
8. **Public Comment Period**  
At the end of the regular meeting agenda, an opportunity is also provided for the  
public to speak on any subject within the Committee's authority that is not on the  
agenda. Speakers may be limited to three (3) minutes each.
9. **Next Meeting Date:** Friday, March 17, 2023 at 10:30 a.m.

**ADJOURNMENT**

### **Americans with Disabilities Act and Language Accessibility**

*Disability and language-related accommodations can be requested to allow participation in the Stationary Source Committee meeting. The agenda will be made available, upon request, in appropriate alternative formats to assist persons with a disability (Gov't Code Section 54954.2(a)). In addition, other documents may be requested in alternative formats and languages. Any disability or language related accommodation must be requested as soon as practicable. Requests will be accommodated unless providing the accommodation would result in a fundamental alteration or undue burden to the South Coast AQMD. Please contact Catherine Rodriguez at (909) 396-2735 from 7:00 a.m. to 5:30 p.m., Tuesday through Friday, or send the request to [crodriguez@aqmd.gov](mailto:crodriguez@aqmd.gov).*

### **Document Availability**

*All documents (i) constituting non-exempt public records, (ii) relating to an item on an agenda for a regular meeting, and (iii) having been distributed to at least a majority of the Committee after the agenda is posted, are available by contacting Catherine Rodriguez at (909) 396-2735, or send the request to [crodriguez@aqmd.gov](mailto:crodriguez@aqmd.gov).*

## **INSTRUCTIONS FOR ELECTRONIC PARTICIPATION**

### **Instructions for Participating in a Virtual Meeting as an Attendee**

As an attendee, you will have the opportunity to virtually raise your hand and provide public comment.

Before joining the call, please silence your other communication devices such as your cell or desk phone. This will prevent any feedback or interruptions during the meeting.

**Please note:** During the meeting, all participants will be placed on Mute by the host. You will not be able to mute or unmute your lines manually.

After each agenda item, the Chairman will announce public comment.

A countdown timer will be displayed on the screen for each public comment.

If interpretation is needed, more time will be allotted.

**Once you raise your hand to provide public comment, your name will be added to the speaker list. Your name will be called when it is your turn to comment. The host will then unmute your line.**

### **Directions for Video ZOOM on a DESKTOP/LAPTOP:**

- If you would like to make a public comment, please click on the “**Raise Hand**” button on the bottom of the screen. This will signal to the host that you would like to provide a public comment and you will be added to the list.

### **Directions for Video Zoom on a SMARTPHONE:**

- If you would like to make a public comment, please click on the “**Raise Hand**” button on the bottom of your screen. This will signal to the host that you would like to provide a public comment and you will be added to the list.

### **Directions for TELEPHONE line only:**

- If you would like to make public comment, please **dial \*9** on your keypad to signal that you would like to comment.



## **Proposed Amended Rule 219 - Equipment Not Requiring a Written Permit Pursuant to Regulation II**

## **Proposed Amended Rule 222 - Filing Requirements for Specific Emission Sources Not Requiring a Written Permit Pursuant to Regulation II**

### **STATIONARY SOURCE COMMITTEE**

February 17, 2023

## **Background – Rule 219 and Rule 222**

Rule 219 identifies equipment, processes, or operations that are exempt from permitting requirements due to low or no emissions

- Many exemptions are based on specified thresholds such as equipment size or emission thresholds
- Facilities maintain records to demonstrate equipment eligible for exemption

Rule 222 establishes a filing (or registration) program, as an alternative for permits, for emission sources that are estimated to have lower emissions

- The emission sources are exempt from permitting per Rule 219
- Registration process requires submittal with basic information, nominal fee, no approvals, and recordkeeping

## January 2023 Stationary Source Committee

- Briefed committee on proposed amendments, highlighting key changes and key remaining issues
- Stakeholders expressed additional requests specific to:
  - Food ovens
  - UV/EB/LED curing equipment



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## Comments – Food Ovens at Grocery Stores

- Stakeholder Comments
  - Grocery stores should be considered eating establishments, and food ovens at grocery stores should not be subject to Rule 222 registration requirements
  - The daily recordkeeping requirement in Rule 222 is overly burdensome
- Staff Response
  - New provision added exempting small food ovens with no process VOC emissions from permitting and registration requirements
  - Alternative recordkeeping options added in PAR 222

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# Food Ovens at Grocery Stores – Current and Proposed Requirements

## Provisions for Food Ovens < 2MMBtu/Hr and < 1 lb/day process VOC Emissions

Provision	Rule 219		Rule 222	
	Current	Proposed	Current	Proposed
<b>Food ovens at eating establishments</b>	<ul style="list-style-type: none"> <li>No permit required</li> <li>No registration required</li> </ul>	<ul style="list-style-type: none"> <li>No proposed change</li> </ul>	<ul style="list-style-type: none"> <li>No registration required</li> </ul>	<ul style="list-style-type: none"> <li>No proposed change</li> </ul>
<b>Food ovens at locations other than eating establishments</b>	<ul style="list-style-type: none"> <li>No permit required</li> </ul>	<ul style="list-style-type: none"> <li>New exemption for small food ovens*</li> </ul>	<ul style="list-style-type: none"> <li>Registration required</li> </ul>	<ul style="list-style-type: none"> <li>No registration for small food ovens*</li> <li>New recordkeeping alternative</li> </ul>

\* Small ovens are < 325,000 Btu/hr, no process VOC emissions

## Comments – Low-Emission Curing Technologies

- Stakeholder Comments
  - Adding UV/EB/LED technologies to an existing process does not increase emissions and should not be subject to permitting
  - Addition of ducting and cooling air into an existing air pollution control device does not need engineering evaluation
- Staff Responses
  - Rule 219 currently includes provisions that relieve UV/EB/LED technologies from permits under specified conditions (low emission or low usage)
  - PAR 219 includes additional permitting *relief* for the addition of a UV/EB/LED system into an existing process provided:
    - Facilities remain in compliance with existing permits
    - Emissions do not increase
    - Existing capture/control devices continue to perform at their permitted efficiencies

# Potential Emission Increases

- Integrating UV/EB/LED equipment into an existing process line using high VOC coatings may affect overall emissions

## Control Devices

- Air pollution control devices may be required for equipment using high VOC coatings
- Equipment enclosures capture VOC emissions and vent them to control device
- Adding outside air into existing enclosure to cool new UV/EB equipment may:
  - Result in emissions escaping enclosure
  - Affect control device efficiency

## Throughput

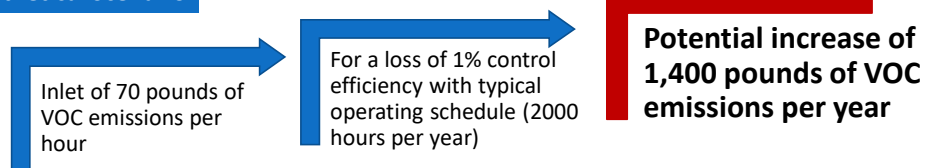
- Faster curing times can increase actual emissions due to increased throughput
- Can result in *additional* emissions when compounded with a decrease in control efficiency

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# Potential Emission Increases (cont'd)

- A small change in capture/control efficiency could result in a substantial emissions increase and potential violations of permit conditions
  - If the coatings contain toxics it may result in a substantial increase in health risk
  - Source test conducted at a facility showed a VOC emission rate of about 70 pounds per hour at the inlet of the control equipment

## Hypothetical Scenario



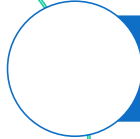
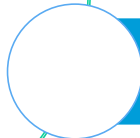
- An engineering evaluation is necessary to ensure capture/control equipment continues to perform as intended after the adjustments including changes in ducting or air flow

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## Next Steps

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-  Release Final Proposed Amended Rule and Staff Report
-  March 3, 2023 – Public Hearing



# Proposed Rule 1110.3 – Emissions from Linear Generators and Proposed Amended Rule 1110.2 – Emissions from Gaseous- and Liquid-Fueled Engines

Stationary Source Committee  
February 17, 2023

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## Background

Rule 1110.2 – Emissions from Gaseous- and Liquid-Fueled Engines (Rule 1110.2) regulates engines rated over 50 brake horsepower (bhp)

The 2019 amendment of Rule 1110.2 established provisions and emission standards for linear generators and incorporated them into Rule 1110.2

Proposed Amended Rule 1110.2 will remove all linear generator requirements, which will be addressed in Proposed Rule 1110.3 due to the unique characteristics of the technology

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# Unique Characteristics of Linear Generators

## Electricity Production via Electromagnetic Induction

- Magnets are driven through copper coils in a linear motion to produce electricity

## Low Emissions Profile

- Lower reaction temperatures results in lower NOx and CO emissions
- Low NOx emissions achieved without add-on pollution control equipment
- No catalyst heating required, which results in low NOx levels at startup
- No ammonia slip, which results in lower PM levels



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## Overview of Proposed Changes

### Proposed Amended Rule 1110.2 (PAR 1110.2)

- Define Linear Generator
- Remove emission limits and provisions for linear generators
- Add exemption for linear generators

### Proposed Rule 1110.3 (PR 1110.3)

- Define Linear Generator
- Establish emission limits
- Include monitoring, reporting, & recordkeeping requirements

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# Proposed Rule 1110.3 Emission Limits

**Table 1: Concentration Limits for Linear Generators**

<i>New Linear Generators</i>			
Fuel Type	NOx (ppmv) <sup>1</sup>	CO (ppmv) <sup>1</sup>	VOC (ppmv) <sup>2</sup>
Natural Gas	2.5	12	10

<sup>1</sup> Parts per million by volume, corrected to 15% oxygen on a dry basis and averaged over 15 minutes.

<sup>2</sup> Parts per million by volume, measured as carbon, corrected to 15% oxygen on a dry basis, and averaged over the sampling time required by the test method.

- Emission limits mirror the requirements in Rule 1110.2 and are already achieved in practice

- Existing linear generators subject to VOC limit of 25 ppmv

- Upon rule adoption, all new linear generators will be subject to concentration limits in Table 1

## Other Proposed Provisions in PR 1110.3

### Maintenance Requirements

- Inspect and maintain sensors, meters, and oxidation catalyst per manufacturer's requirements

### Source Testing

- Conduct source testing every 26,280 hours (3 years operating time)

### Monitoring

- Portable analyzer testing every 8,760 hours (1 year operating time)
- Maintain non-resettable time meter, electric meter, and parametric monitoring system
- Parametric monitoring system responsible for air-to-fuel ratio, which ensures compliance with NOx emissions

### Recordkeeping and Reporting

# Impacts and Key Issues

## Costs

- The provisions in PR 1110.3 and PAR 1110.2 are not expected to impose additional costs

## Environmental Impacts

- No retrofits or add-on controls are needed to meet the proposed emission limits
- PR 1110.3 emission limits mirror current requirements in Rule 1110.2
- A Notice of Exemption from CEQA will be prepared

## Key Issues

- Staff is not aware of any remaining key issues



# Next Steps

Individual Stakeholder Meetings

Ongoing

Set Hearing

March 3, 2023

Public Hearing

April 7, 2023



## Rule 1109.1: NO<sub>x</sub> Emissions from Petroleum Refineries and Related Operations

- ▶ Adopted on November 5, 2021
- ▶ Established NO<sub>x</sub> emission limits (BARCT) for nearly 300 pieces of combustion equipment
- ▶ Alternative compliance pathways for facilities with six or more pieces of equipment



# Rule 1109.1 Applicability

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## 9 Petroleum Refineries

- Chevron (El Segundo)
- Marathon (Carson)
- Marathon (Wilmington)
- Marathon – Calciner
- Marathon – Sulfur Recovery Plant
- Phillips 66 (Carson)
- Phillips 66 (Wilmington)
- Torrance Refining Company
- Ultramar (Valero)



## 3 Small Refineries

### Asphalt Plants

- Lunday-Thagard DBA World Oil Refining (LTR)
- Valero Wilmington Asphalt Plant

### Biodiesel Refinery

- AltAir Paramount



## 4 Related Operations

### Hydrogen Plants

- Air Liquide Large Industries
- Air Products and Chemicals (Carson & Wilmington)

### Sulfuric Acid Plant

- Eco Services Operations

# Key Permitting Activities for Implementation of Rule 1109.1

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## Permit Modifications for Conditional Limits

- Conditional limits are alternative BARCT NOx limits for units operating near BARCT limits
- Rule requires specific conditions to qualify for conditional limits
- Applications due June 1, 2022

## I-Plans, B-Plans, and B-Caps

- Implementation and alternative compliance plan options for facilities with six or more units
- Provides flexibility for NOx reduction projects
- Applications due September 1, 2022

## Permits to Meet Requirements of Approved B-Plans or B-Caps and I-Plans

- Implementation and alternative compliance plans establish:
  - Percent reduction targets
  - Compliance schedule to meet NOx limits
- Application due dates specified in approved plans

# Status of Permit Modifications for Conditional Limits

Conditional Limit Permit Modifications	Number
Permit Applications Anticipated	30
Permit Applications Received	29
Complete Permit Applications Received	19
Final Review	9
In EPA Review	0
Permits Issued	0

- ▶ Applications submitted are currently under supervisory review

## About I-Plans, B-Plans, and B-Caps

- ▶ I-Plan provides a phased implementation schedule and establishes Phase targets
- ▶ Five I-Plan Options
- ▶ B-Plan and B-Cap provides options to achieve BARCT in aggregate
  - ▶ B-Plan is BARCT equivalent concentration plan and allows NOx concentration limits equivalent to BARCT in aggregate
  - ▶ B-Cap is BARCT equivalent Mass Cap and requires a NOx emission limit for each unit
    - ▶ B-Cap requires an additional 10% NOx emission reduction
- ▶ Allows refineries to implement projects within turnaround schedules

I-Plan Options	Refinery	Provision	Phase I	Phase II	Phase III
Option 1 for B-Plan or Table 1 or 2		<b>Targets</b>	<b>80%</b>	<b>100%</b>	
	Torrance Refinery & LTR	Submit Permit Application	Jan 1, 2023	Jan 1, 2031	
Option 2 B-Plan		<b>Targets</b>	<b>65%</b>	<b>100%</b>	
	Chevron	Submit Permit Application	July 1, 2024	Jan 1, 2030	
Option 3 B-Plan or B-Cap		<b>Targets</b>	<b>40%</b>	<b>100%</b>	
	Ultramar/ Valero	Submit Permit Application	July 1, 2025	July 1, 2029	
Option 4 B-Cap Only		<b>Targets</b>	<b>50%</b>	<b>80%</b>	<b>100%</b>
	Marathon	Submit Permit Application	N/A	Jan 1, 2025	Jan 1, 2028
Option 5 for B-Plan or Table 1 or 2			<b>50%</b>	<b>70%</b>	<b>100%</b>
	Phillips 66		Jan 1, 2023	Jan 1, 2025	July 1, 2028



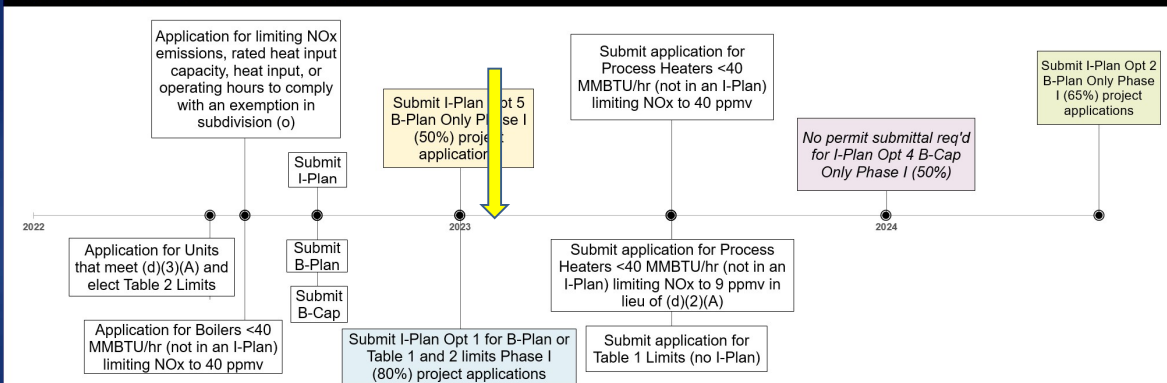
# Status of I-Plans, B-Plans, and B-Caps

Plan Options	Applications Received	Facilities	Status
I-Plan with Table 1 or Table 2 NOx limits	3	Phillips 66 (Wilmington and Carson) and World Oil	45-day EPA Review
I-Plan with B-Plan	6	Torrance Refining Company, Chevron, Valero	45-day EPA Review
I-Plan with B-Cap	8	Marathon Petroleum Corp.	Under Final Review

- ▶ All plans except Marathon B-Cap submitted to U.S. EPA for their 45-day review
  - ▶ Plans are available for public review on South Coast AQMD website
  - ▶ WCWLB and SELA AB 617 steering committees notified of plans

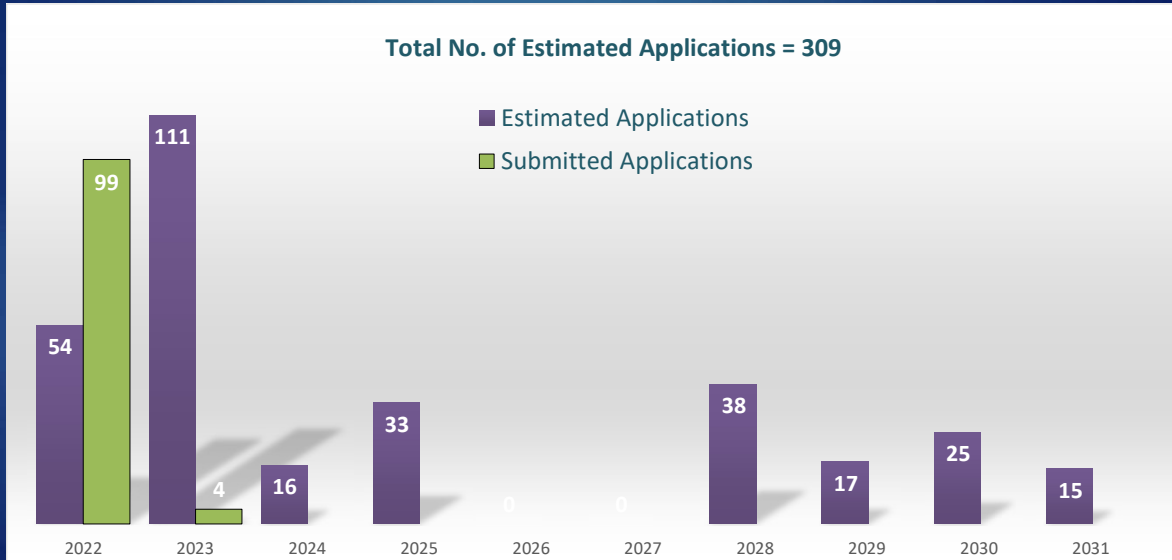
# Rule 1109.1 Applications Timeline – First 3-Years (2022-24)

Rule 1109.1 CRITICAL ACTIVITY DEADLINES



Future applications will implement Plan requirements

# Rule 1109.1 Application Count by Year



# Permit Application Submittal Summary

Breakdown of submitted applications by type:

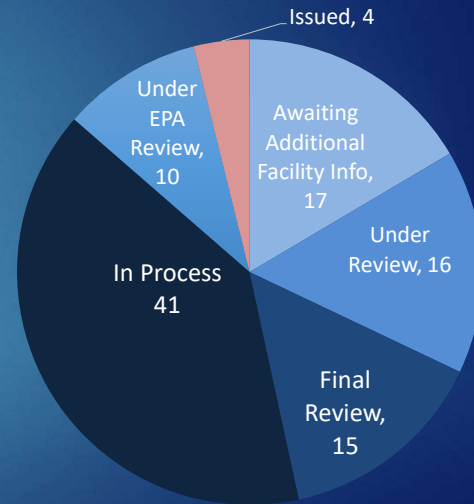
	Q4 2022	Q1 2023
Table 1 Applications	7	13
Table 2 Applications (Conditional Limits)	37	29
Table 4 Applications (Boilers/Heaters < 40 MMBtu/hr)	0	8
Exemption Applications	7	7
Alternate BARCT Limits	0	9
Add Source Test Condition	10	20
Plan Applications	11	17
<i>B-Plan</i>	3	3
<i>B-Cap</i>	1	4
<i>I-Plan</i>	7	10
<b>Total</b>	<b>72</b>	<b>103</b>

# Permit Application Processing Summary

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## ▶ Permit application processing status:

Awaiting Additional Facility Info	17
In Process	41
Under Review	16
Final Review	11
Under U.S. EPA Review	14
Issued	4
<b>Total</b>	<b>103</b>



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# Streamlining Implementation

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- ▶ Continued outreach to all refineries through WSPA
- ▶ Ongoing discussions with U.S. EPA regarding Title V permitting
  - ▶ South Coast AQMD implements federally-required Title V permitting program for large emitting facilities
  - ▶ U.S. EPA provided new feedback regarding classification of federal permit revisions
  - ▶ U.S. EPA will provide additional guidance for Rule 1109.1 applications
- ▶ Timely processing of Rule 1109.1 applications requires:
  - ▶ Complete permit application packages
  - ▶ Operators responding quickly to South Coast AQMD requests for additional information
  - ▶ Minimizing or eliminating additional modifications to permit applications that could delay permit issuance (e.g. increase in throughput or firing rate)
  - ▶ No modifications that may trigger additional regulatory requirements
- ▶ Streamlined permit evaluation and development of templates for applications

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## Next Steps

- ▶ Continue processing Rule 1109.1 applications expeditiously
- ▶ Continue outreach to the refineries to:
  - ▶ Minimize need for additional information requests
  - ▶ Focus processing on Rule 1109.1 projects
- ▶ Continue to strategically process other projects
- ▶ Next SSC update: May 2023

# Annual RECLAIM Audit Report for 2021 Compliance Year

Stationary Source Committee  
February 17, 2023

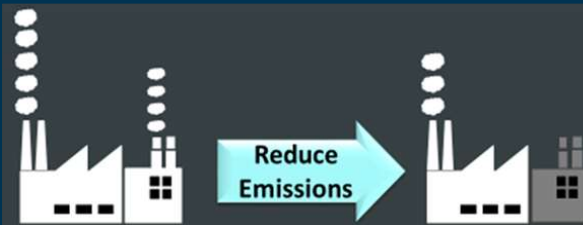
## RECLAIM Background

### REgional Clean Air Incentives Market (RECLAIM) program

- A cap and trade program adopted in October 1993
- Program objective is to meet emission reduction requirements and enhance emission monitoring while providing additional compliance flexibility
- Includes largest NOx and SOx emissions sources
- Specifies facility declining annual emissions caps
- Allows options to reduce emissions or buy RECLAIM Trading Credits (RTCs)
- Defines the requirements for NOx and SOx sources at RECLAIM facilities
- RECLAIM facilities are subject to same requirements as other facilities for other emissions

Compliance Year (CompYr) 2021 is the 28th year of the program  
(started in 1994)

## RECLAIM Compliance Options



Reduce emissions through:

- Installation of pollution controls
- Throughput reductions
- Equipment or process shutdowns



Purchase RTCs from:

- Another facility that has excess RTCs
- Another entity such as a broker

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## RECLAIM Transition

On January 5, 2018, the Board directed staff to initiate the transition of the RECLAIM program to a command-and-control regulatory structure

- Transition includes adoption of command and control source specific rules that will result in additional emission reductions in the future
- Implementation of the RECLAIM program will continue until transition is completed
- Quarterly reports presented at Stationary Source Committee
- Initiated rulemaking for source specific Landing Rules to implement BARCT
- As of January 2023, the Board amended and/or adopted 24 Landing Rules
- As facilities implement command and control emission reduction projects, more RTCs will be generated in the market

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## RECLAIM Annual Audit

- Rule 2015 requires an annual audit of the RECLAIM program
- Annual RECLAIM Audit Report for CompYr 2021
  - Cycle 1: Jan 1, 2021 – Dec 31, 2021
  - Cycle 2: Jul 1, 2021 – Jun 30, 2022
- RECLAIM had 237 facilities at the end of CompYr 2021 (240 at end of CompYr 2020)

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## 2021 Annual RECLAIM Audit Findings

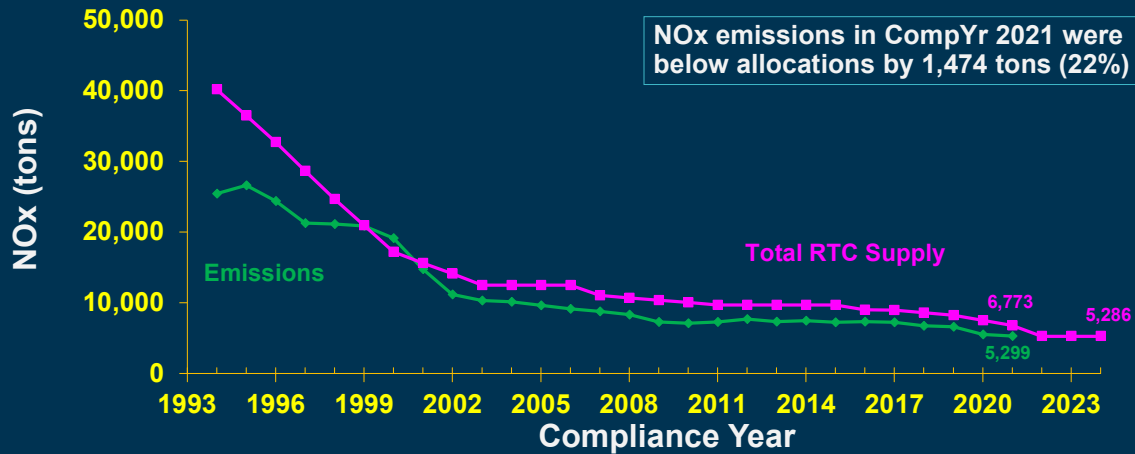
### Compliance

- RECLAIM met overall NO<sub>x</sub> and SO<sub>x</sub> emissions goals
  - NO<sub>x</sub> emissions 22% below allocations
  - SO<sub>x</sub> emissions 17% below allocations
- NO<sub>x</sub> Allocation Shaves
  - NO<sub>x</sub> Shave of 22.5% adopted January 2005 and implemented in 2007 - 2011
  - Additional NO<sub>x</sub> Shave of 45.2% adopted in December 2015 and implemented in 2016 – 2022
  - Reduction of 8 tons/day (30.1%) NO<sub>x</sub> allocations in CompYr 2021
- SO<sub>x</sub> Allocation Shave
  - SO<sub>x</sub> Shave of 48.4% adopted November 2010 and implemented in 2013 - 2019

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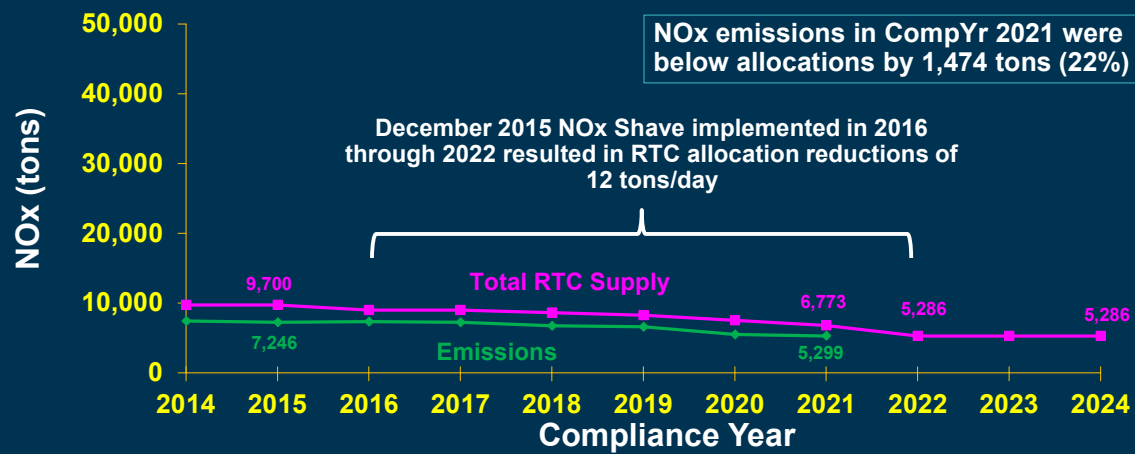
# RECLAIM

## NOx Emissions vs. Allocations Trends



# RECLAIM

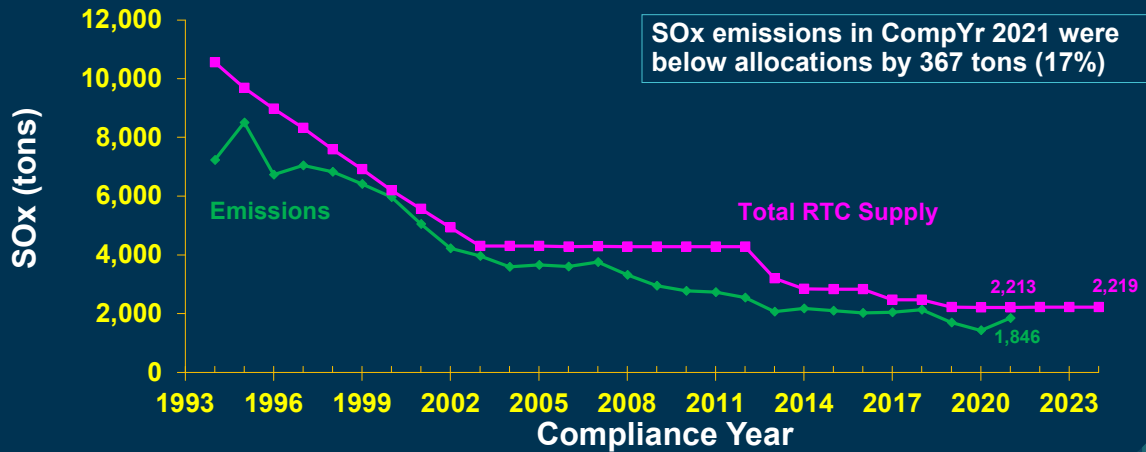
## NOx Emissions vs. Allocations Trends





## RECLAIM

### SOx Emissions vs. Allocations Trends



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## 2021 Annual RECLAIM Audit Findings

### Compliance

- RECLAIM had a high rate of facility compliance
  - NOx Facilities – 95%
  - SOx Facilities – 97%
- Facilities exceeding their allocations
  - NOx – 13 facilities exceeded by 27.7 tons (0.41% of total allocations)
  - SOx – one SOx facility exceeded by 89.9 tons (4.1% of total allocations)

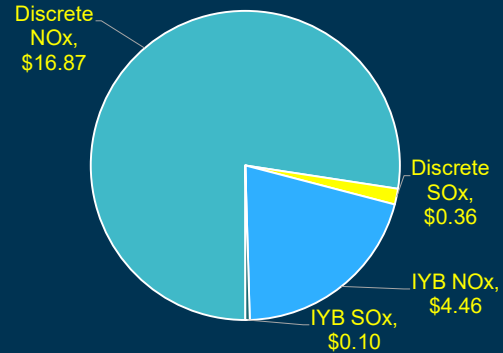
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## 2021 Annual RECLAIM Audit Findings

### Credit Trading and Prices

- \$1.58 billion of RTCs traded since program inception
- RTCs are traded as either Discrete Year or Infinite-Year Block (IYB)
  - Discrete year RTCs are valid for a specified current or future CompYr
  - IYB are valid for all future CompYrs
- \$21.8 million of RTCs traded in Calendar Year (CaYr) 2022 (\$22.0 million in CaYr 2021)

Value Traded in CaYr 2022  
(Million \$)



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## 2021 Annual RECLAIM Audit Findings

### Average Discrete Year NOx RTC Prices



Average prices in CaYr 2022 are below the Health and Safety Code 39616 program review threshold of \$53,669/ton (adjusted by September 2022 CPI)

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## Requirements for RTC Price Exceedances

- There are two rules in RECLAIM that establish price thresholds
  - Rule 2002 - Allocations for NOx and SOx
  - Rule 2015 - Backstop Provisions
- If RTCs exceed price thresholds, Rules 2002 and 2015 require reporting of the exceedance and potential actions

### Rule 2002 NOx Price Thresholds

- 12-month rolling average threshold of \$22,500 per ton
- 3-month rolling average threshold of \$35,000 per ton

### Rule 2002 Exceedance Actions

- Assessment to determine impacts from pricing increases
- Consider converting non-tradable/non-usable RTCs to tradable/usable RTCs

### Rule 2015 NOx Price Threshold

- Annual average threshold of \$15,000 per ton

### Rule 2015 Exceedance Actions

- Review compliance and enforcement aspects of RECLAIM
- Consider amending program structure

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## Requirements for RTC Price Exceedances

### Rule 2002 12-Month & 3-Month Rolling Average

- CompYr 2023 NOx RTCs exceeded Rule 2002 12-month and 3-month rolling average price thresholds
- CompYr 2023 NOx RTCs rolling average prices/thresholds
  - \$47,864 vs. \$22,500 per ton threshold - 12 mo. rolling average
  - \$38,000 vs. \$35,000 per ton threshold - 3 mo. rolling average
- Executive Officer to assess:
  - More rigorous control technology implementation
  - Emission reductions
  - Cost-effectiveness
  - Market analysis
  - Socioeconomic impacts

### Rule 2002 NOx Price Thresholds

- 12-month rolling average threshold of \$22,500 per ton
- 3-month rolling average threshold of \$35,000 per ton

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## Requirements for RTC Price Exceedances

### Rule 2002 12-Month & 3-Month Rolling Average (cont'd)

- At the January 21, 2022, Stationary Source Committee meeting, staff reported that NOx RTC prices exceeded Rule 2002 thresholds
- As required under Rule 2002, for CompYr 2022 RTCs, staff conducted an assessment and reported the results to the Board on June 3, 2022:
  - RECLAIM is working as intended; facilities are being incentivized to install emission controls rather than purchase RTCs
  - Facilities are implementing landing rules and installing pollution controls
    - As NOx emissions decrease availability of RTCs would increase
  - Socioeconomic assessment concluded that impacts of increased NOx RTC prices are relatively minimal
  - Staff recommended no further action to the program was warranted
  - Board agreed with staff's recommendation not to release Non-tradable/Non-usable RTCs into the RECLAIM market for use in CompYr 2022

#### Rule 2002 Exceedance Actions

- Assessment to determine impacts from pricing increases
- Consider converting non-tradable/non-usable RTCs to tradable/usable RTCs

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## Requirements for RTC Price Exceedances

### Summary of program assessments

- Under Rule 2002, when the RTCs exceed the 12-month or 3-month thresholds, the only available remedy is to convert and release Non-Tradable/Non-Usable RTCs into the RECLAIM market
- By design of RECLAIM, there are no Non-Tradable/Non-Usable RTCs after CompYr 2022 to coincide with the 2015 NOx Shave
- Staff is recommending for CompYr 2023 that no further action is needed:
  - No remedy since Rule 2002 does not allow the conversion and use of Non-Tradable/Non-Usable RTCs in CompYr 2023 and any year thereafter
  - Staff's conclusions for a reassessment of RECLAIM would be the same

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## Requirements for RTC Price Exceedances

### Rule 2015 Average Annual RTC Price Threshold

- Rule 2015(b)(6) specifies:
  - If average RTC price exceeds \$15,000/ton
    - Review compliance and enforcement aspects of the RECLAIM program
    - Submit results of an evaluation to CARB and U.S. EPA
  - Initiate within six months of Executive Officer determination
- Evaluation and review would include assessments of:
  - Deterrent effect of Rule 2004(d)(1) through (d)(4), Prohibition of Emissions in Excess of Annual Allocation (*i.e.*, the penalty structure associated with emission exceedances)
  - Rates of compliance with applicable emission caps
  - Rate of compliance with monitoring, recordkeeping, and reporting requirements
  - South Coast AQMD's ability to obtain appropriate penalties in cases of noncompliance
  - Whether the program provides appropriate incentives to comply

**Rule 2015  
NOx Price Threshold**

- Annual average threshold of \$15,000 per ton

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## Requirements for RTC Price Exceedances

### Rule 2015 Average Annual RTC Price Threshold (cont'd)

- The 2020 RECLAIM Audit Report identified a Rule 2015 NOx price exceedance (March 2022)
- Staff conducted the evaluation and review of the compliance and enforcement aspects of the RECLAIM program and found:
  - High level (consistently over 90%) programmatic compliance with emission limits
  - Consistent resolution of non-compliant events without court intervention
  - RTC price increase driven primarily from 2015 NOx emission shave
  - Self-corrective nature of missing data provisions for monitoring system downtime and RTC reconciliation provides effective deterrence for non-compliance
- Board made the following determination at the August 5, 2022, meeting:
  - To continue paragraphs (d)(1) through (d)(4) of Rule 2004 without change and directed Executive Officer to submit results of the program review to CARB and U.S. EPA

**Rule 2015  
Exceedance Actions**

- Review compliance and enforcement aspects of RECLAIM
- Consider amending program structure

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# Requirements for RTC Price Exceedances

## Summary of program assessments

- Rule 2015 threshold (\$15,000 per ton) exceeded for NOx in current Audit Report (Compliance Year 2021)
- Rule 2015 Price Exceedance Evaluation
  - NOx RTC price increase was previously determined to be related to implementation of CalYr 2015 NOx shave and BARCT landing rules
  - Review of prior program assessment confirms circumstances have not changed
  - Board has determined that transitioning the NOx program to the BARCT landing rules is the appropriate course of action
  - Staff recommends that additional analysis is not required and no further action beyond program transition is warranted

**Rule 2015 Exceedance Actions**

- Review compliance and enforcement aspects of RECLAIM
- Consider amending program structure

# 2021 Annual RECLAIM Audit Findings

## Average Discrete Year SOx RTC Prices



Average prices in CalYr 2022 are below the Health and Safety Code 39616 program review threshold of \$38,641/ton (adjusted by September 2022 CPI)

## 2021 Annual RECLAIM Audit Findings

### Average IYB RTC Prices



- CalYr 2022 IYB RTC average prices remain below program review thresholds [Health and Safety Code]
  - NOx = \$805,301/ton\*
  - SOx = \$579,622/ton\*

\* - Adjusted by September 2022 CPI

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## 2021 Annual RECLAIM Audit Findings

### Investor Participation during CalYr 2022

- Investors are RTC holders who are not RECLAIM facility operators
- Investor participation remains active in CalYr 2022 trades

RTC Type	Value		Volume	
	NOx	SOx	NOx	SOx
Discrete	68%	100%	59%	100%
IYB	63%	100%	62%	100%

- Investors' holdings at the end of CalYr 2022
  - 1.8% of IYB NOx RTCs (down from 2.0% in CalYr 2021)
  - 4.2% of IYB SOx RTCs (remained the same as 4.2 % in CalYr 2021)

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## 2021 Annual RECLAIM Audit Findings

- RECLAIM facilities overall employment loss of 1.70% (net loss of 1,381 jobs)
- Met federal NSR offset ratios
- No significant shift in seasonal emissions
- No evidence of increased health risk due to RECLAIM  
RECLAIM facilities are subject to the same rule requirements as other facilities for emissions of toxic air contaminants

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## 2021 Annual RECLAIM Audit Findings

### Summary and Recommendation

- Summary
  - Programmatic compliance achieved (NOx and SOx emissions were 22% and 17% below allocations, respectively)
  - Individual facility compliance rate remained high (95% & 97% for NOx and SOx, respectively (based on 100% of facilities audited)
  - Annual average discrete-year NOx prices for CompYr 2021, 2022 and 2023 RTC's traded in CalYr 2021 and 2022 exceeded the \$15,000 per ton Rule 2015 backstop threshold (SOx prices remained under thresholds)
  - RECLAIM met all other requirements
- Recommendation
  - Approve the Annual RECLAIM Audit Report for 2021 Compliance Year

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## RTC Price Exceedances

### Rules 2002 and 2015 Summary and Recommendation

#### ▪ Summary

- RTC price thresholds were exceeded last year and staff conducted a program assessment and evaluation required by Rules 2002 and 2015
- For the continuing RTC price exceedances, staff's review of the prior program assessments confirms that circumstances have not changed
- Board has determined that transitioning out of the NOx RECLAIM program is the appropriate course of action
- Staff recommends that additional analysis is not required and no further action beyond RECLAIM program transition is warranted

#### ▪ Recommendation

- Continue the RECLAIM program with no changes to Rule 2004 (d)(1) through (d)(4)
- Upon approval, the March 3, 2023, report with final recommendation to the Board will serve as the report due to CARB and U.S. EPA

## **February 2023 Update on Work with U.S. EPA and CARB on New Source Review Issues for the RECLAIM Transition**

At the October 5, 2018 Board meeting, the Board directed staff to provide the Stationary Source Committee with a monthly update of staff's work with U.S. EPA regarding resolving NSR issues for the transition of facilities from RECLAIM to a command-and-control regulatory structure. Key activities with U.S. EPA and CARB since the last report are summarized below.

- RECLAIM/NSR Working Group meeting was not held in February
- Next meeting scheduled for March 9, 2023 to discuss the latest considerations for proposed amendments to Regulation XIII and XX

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
General Counsel's Office**

**Settlement Penalty Report (01/01/2023 - 01/31/2023)**

Total Penalties

Civil Settlement: \$1,447,662.81  
MSPAP Settlement: \$3,813.00

**Total Cash Settlements: \$1,451,475.81**

**Fiscal Year through 01/31/2023 Cash Total: \$3,891,019.44**

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs/Case Nbrs	Total Settlement
<b>Civil</b>						
141126	AM/PM OF DIAMOND BAR	461, HSC 41960.2	01/04/2023	GV	P69615	\$2,789.66
183832	AST TEXTILE GROUP, INC.	1100, 2004, 2005, 2012	01/26/2023	SH	P66126, P68659, P74253, P74256, P74259, P74261, P74268	\$98,500.08
117912	AVIBANK MANUFACTURING INC.	2202	01/20/2023	SH	P66977	\$1,000.00
800030	CHEVRON PRODUCTS CO.	40 CFR 63.670, 218, 401, 1118, 1173, 1176, 3002, HSC 41701	01/24/2023	BT	P65625, P65626, P65627, P65628, P65629, P65630, P67837, P67839, P75051	\$266,000.00
186899	ENERY HOLDINGS LLC	2004, 2012, 2012 Appendix A, 3002(C)(1)	01/06/2023	SH	P66066, P66072, P66076, P66173	\$12,000.00
124838	EXIDE TECHNOLOGIES	203, 221, 430, 1407, 1420, 2004, 3002, 3004, HSC 42401	01/20/2023	BTG	In re: Exide Technologies, Inc., U.S. Bankruptcy Court, District of Delaware, Case No. 13-11482 (KJC) (Bankruptcy Case); Delaware District Court, Case No.: 19-00891 (Appellate Case); United States Court of Appeals, Third Circuit, Case No. 20-1858	\$349,923.07
176901	FARHA ENTERPRISERS, INC.	203, 461	01/05/2023	RM	P67212, P70358, P70364	\$1,250.00
113160	HILTON COSTA MESA	2004	01/19/2023	JL	P70003	\$5,400.00
183591	INDY'S DEMOLITION	1403	01/06/2023	SH	P69433	\$5,500.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs/Case Nbrs	Total Settlement
<b>Civil</b>						
8547	QUEMETCO INC.	40 CFR 63.544, 1420.1, 2004, 3002(C)(1)	01/24/2023	JL	P67058, P76066	\$35,000.00
174591	TESORO REF & MKTG CO LLC, CALCINER	1155, 1158, 2004, 3002	01/26/2023	KCM	P67926, P67950, P74506	\$4,500.00
151798	TESORO REF & MKTG CO LLC CO.	221, 1118, 3002	01/24/2023	KCM	P67805, P67806, P68969, P68970, P68990	\$5,000.00
195521	TRANE TECHNOLOGIES	1111	01/24/2023	MR	SRV2020-00060	\$660,800.00
<b>Total Civil Settlements: \$1,447,662.81</b>						
<b>MSPAP</b>						
172792	EL SEGUNDO OIL, LLC	1173	01/06/2023	MT	P73352	\$2,477.00
156061	SAND CANYON SERVICE STATION, INC.	461	01/06/2023	MT	P69880	\$1,336.00
<b>Total MSPAP Settlements: \$3,813.00</b>						

**SOUTH COAST AQMD'S RULES AND REGULATIONS INDEX  
FOR JANUARY 2023 PENALTY REPORT**

**REGULATION II - PERMITS**

Rule 203 Permit to Operate  
Rule 218 Continuous Emission Monitoring  
Rule 221 Plans

**REGULATION IV - PROHIBITIONS**

Rule 401 Visible Emissions  
Rule 430 Breakdown Provisions  
Rule 461 Gasoline Transfer and Dispensing

**REGULATION XI - SOURCE SPECIFIC STANDARDS**

Rule 1100 Implementation Schedule for NOx Facilities  
Rule 1111 NOx Emissions from Natural-Gas-Fired, Fan-Type Central Furnaces  
Rule 1118 Emissions from Refinery Flares  
Rule 1155 Particulate Matter Control Devices  
Rule 1158 Storage, Handling and Transport of Petroleum Coke  
Rule 1173 Fugitive Emissions of Volatile Organic Compounds  
Rule 1176 Sumps and Wastewater Separators

**REGULATION XIV - TOXICS**

Rule 1403 Asbestos Emissions from Demolition/Renovation Activities  
Rule 1407 Control of Emissions of Arsenic, Cadmium, and Nickel from Non-Ferrous Metal Melting Operations  
Rule 1420 Emissions Standard for Lead  
Rule 1420.1 Emissions Standards for Lead from Large Lead-Acid Battery Recycling Facilities

**REGULATION XX - REGIONAL CLEAN AIR INCENTIVES MARKET (RECLAIM)**

Rule 2004 Requirements  
Rule 2005 New Source Review for RECLAIM  
Rule 2012 Requirements for Monitoring, Reporting, and Recordkeeping for Oxides of Nitrogen (NOx) Emissions  
Appendix A Protocol for Monitoring, Reporting, and Recordkeeping for Oxides of Nitrogen (NOx) Emissions  
Rule 2012

**REGULATION XXII ON - ROAD MOTOR VEHICLE MITIGATION**

Rule 2202 On-Road Motor Vehicle Mitigation Options

**REGULATION XXX- TITLE V PERMITS**

Rule 3002            Requirements  
Rule 3004            Permit Types and Content

**CODE OF FEDERAL REGULATIONS**

40 CFR 60, QQQ    Standards for Total Enclosure for NESHAPs from Secondary Lead Smelting

**CALIFORNIA HEALTH AND SAFETY CODE**

41701                Restricted Discharges  
41960.2             Gasoline Vapor Recovery  
42401                Violation of Order for Abatement