



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

STATIONARY SOURCE COMMITTEE MEETING

Committee Members

Mayor Pro Tem Ben Benoit, Chair
Supervisor Sheila Kuehl, Vice Chair
Senator Vanessa Delgado (Ret.)
Board Member Gideon Kracov
Vice Mayor Rex Richardson
Supervisor Janice Rutherford

February 19, 2021 ♦ 10:30 a.m.

Pursuant to Governor Newsom's Executive Orders N-25-20 (March 12, 2020) and N-29-20 (March 17, 2020), the Stationary Source Committee meeting will only be conducted via video conferencing and by telephone. Please follow the instructions below to join the meeting remotely.

ELECTRONIC PARTICIPATION INSTRUCTIONS

(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

+1 669 900 6833

One tap mobile

+16699006833,94141492308#

Audience will be able to provide public comment through telephone or Zoom connection during public comment periods.

PUBLIC COMMENT WILL STILL BE TAKEN

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, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes each.

CALL TO ORDER

ROLL CALL

INFORMATIONAL ITEMS (Items 1 through 3)

- 1. Update on the Development of Proposed Rule 1109.1 (20 mins.)** Susan Nakamura
(No Motion Required) Assistant Deputy
Staff will present an update on the development of Proposed Rule 1109.1 which Executive Officer
establishes NO_x BARCT limits for combustion equipment at refineries and
associated facilities, highlighting key remaining issues.
(Written Material Attached)
- 2. Summary of Proposed Amended Rule 1426 and Rule 1469 (15 mins.)** Jillian Wong
(No Motion Required) Planning and Rules
Staff will provide a summary of Proposed Amended Rule 1426 that will Manager
establish requirements for building enclosures, housekeeping, and best
management practices. Staff is proposing to incorporate the Proposed Amended
Rule 1426 provisions into Rule 1469 to streamline implementation for these
facilities. Additional amendments to Rule 1469 are proposed to update incorrect
references.
(Written Material Attached)
- 3. Annual RECLAIM Audit Report for 2019 Compliance Year (15 mins.)** Jason Aspell
(No Motion Required) Assistant Deputy
The annual report on the NO_x and SO_x RECLAIM program is prepared in Executive Officer
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-sixth 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 2019 Compliance Year is also
included in the report.
(Written Material Attached)

WRITTEN REPORTS (Items 4 through 5)

- 4. Monthly Update of Staff's Work with U.S. EPA and CARB on New Source Susan Nakamura
Review Issues for the Transition of RECLAIM Facilities to a Command
and Control Regulatory Program**
(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)
- 5. Notice of Violation Penalty Summary Bayron Gilchrist
(No Motion Required) General Counsel**
This report provides the total penalties settled in January of 2021 which
includes Civil, Supplemental Environmental Projects, Mutual Settlement
Assessment Penalty Program, Hearing Board and Miscellaneous.
(Written Material Attached)

OTHER MATTERS

6. 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)

7. 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.

8. Next Meeting Date: Friday, March 19, 2021 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.

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.

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 RULE 1109.1 UPDATE

NO_x EMISSION REDUCTION FOR REFINERY EQUIPMENT



STATIONARY SOURCE COMMITTEE
FEBRUARY 19, 2021

Background

- Proposed Rule 1109.1 (PR 1109.1) applies to nine petroleum refineries and seven small refineries and related operations
- PR 1109.1 establishes NO_x BARCT limits for nearly 300 pieces of combustion equipment
- Staff briefed Stationary Source Committee in September 2020
- Last month, Committee recommended staff provide another briefing this month
- Third briefing planned before the Public Hearing
- Public Hearing scheduled for June 2021



RECLAIM Transition and Requirement for Best Available Retrofit Control Technology (BARCT)

Transition of RECLAIM to Command-and-Control

- 2016 AQMP Control Measure CMB-05 seeks an additional 5 tons per day from NO_x RECLAIM
- Directed staff to transition the NO_x RECLAIM program to a command-and-control regulatory structure requiring BARCT level controls as soon as practicable¹
- 8 rules have been adopted or amended

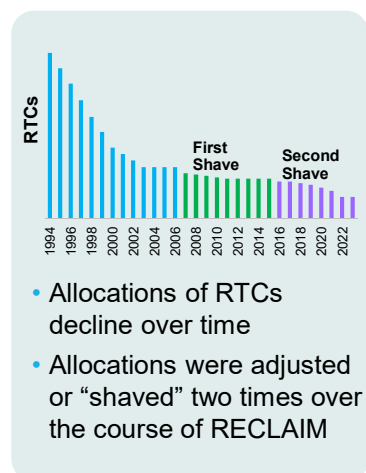
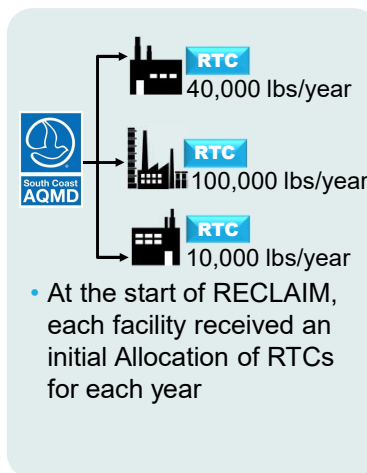
Establishment of BARCT for All Sources

- AB 617 was approved in 2017
- Requires adoption of expedited schedule for the implementation of BARCT by December 2023
- Highest priority to permitted units that have not been modified for greatest period of time
- BARCT must be established for each industrial source
- 8 BARCT rules have been adopted

¹ March 3, 2017 Governing Board Minutes for Agenda Item 35: Adopt 2016 Air Quality Management Plan

Regional Clean Air Incentives Market (RECLAIM) Overview

- RECLAIM is a market incentive program
- Applies to NO_x and SO_x facilities ≥ 4 tons per year
- At the end of the annual compliance cycle, each facility must hold RECLAIM Trading Credits (RTCs) that are the same or more than their actual emissions
- Operators can reduce emissions, or buy or trade RTCs

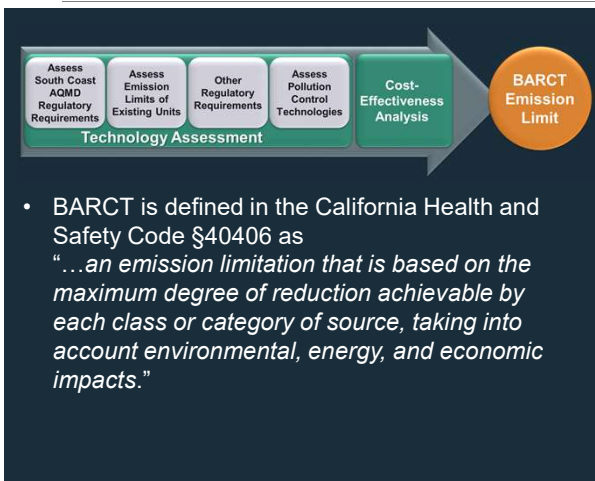


BARCT Implementation Under RECLAIM and Command-and-Control

	RECLAIM	Command-and-Control
BARCT	<ul style="list-style-type: none"> Initial allocations and shaves based on BARCT BARCT demonstrated in aggregate 	<ul style="list-style-type: none"> BARCT specified for equipment categories
Compliance Options	<ul style="list-style-type: none"> Install pollution controls Reduce throughput or activity Purchase RTCs 	<ul style="list-style-type: none"> Specified schedule to meet BARCT Can incorporate alternative implementation approaches

- In general, petroleum refineries have purchased RTCs as the primary compliance option under RECLAIM
- Of the 91 projects anticipated for the 2015 shave projects, only 9 have been initiated

PR 1109.1 BARCT Assessment



- BARCT is defined in the California Health and Safety Code §40406 as
“...an emission limitation that is based on the maximum degree of reduction achievable by each class or category of source, taking into account environmental, energy, and economic impacts.”

- Proposed BARCT emission limit is established using a methodical approach
- Two engineering consultants reviewed PR 1109.1 proposed NOx BARCT limits
- Cost of control technology:
 - Provided by the facilities
 - If not provided, estimated using U.S. EPA SCR Cost Methodology modified to reflect higher Southern California refinery cost
- Cost-effectiveness threshold \$50,000/ton of NOx reduced as approved by the Board during the adoption of the 2016 AQMP

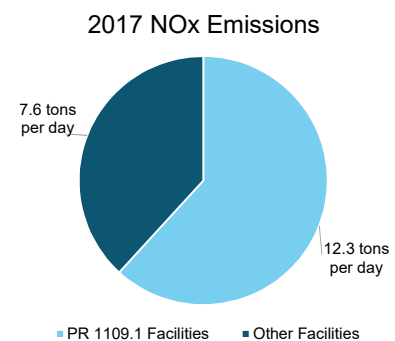
PR 1109.1 Rulemaking Process to Date



7

Significance of PR 1109.1

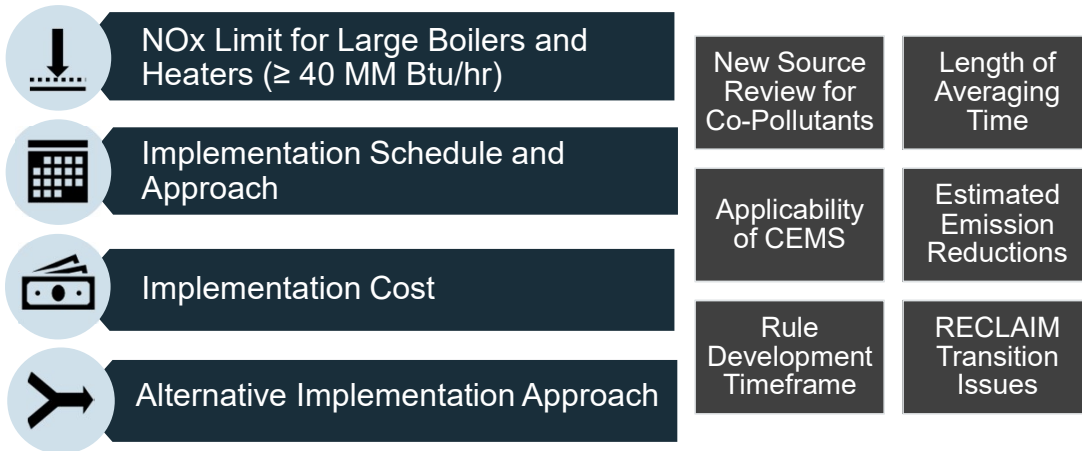
- PR 1109.1 facilities represent over 60 percent of the NO_x emissions in RECLAIM
- Staff estimates that implementation of PR 1109.1 can achieve between 7 to 9 tons per day of NO_x
- Industry stakeholders have commented that emission reductions are overstated due to projects underway for the 2015 RECLAIM shave
 - To date there are 9 applications for shave projects representing approximately 2 tons per day
 - Even with implementation of shave projects, estimated reductions are between 5 to 7 tons per day



¹ Chevron, Phillips 66 Carson, Phillips 66 Wilmington, Tesoro – Carson, Tesoro – Wilmington, Torrance Refining Corporation, Valero Refinery

8

Key Remaining Issues



9

NOx Limit for Large Boilers and Heaters

- PR 1109.1 proposes a 2 ppm NOx limit for large boilers and heaters
- To achieve the proposed 2 ppm NOx limit, many units will require Ultra Low NOx Burners and Selective Catalytic Reduction (SCR)
- Recently, stakeholders raised safety concerns regarding replacing burners with Ultra Low NOx Burners in older units
- Staff's third-party consultant recommended an alternative pathway to meet a 2 ppm NOx limit with multiple reactors and ammonia SCR injection grids without Ultra Low NOx Burners
- Stakeholders commented that multiple reactors creates new concerns particularly with space constraints and additional costs

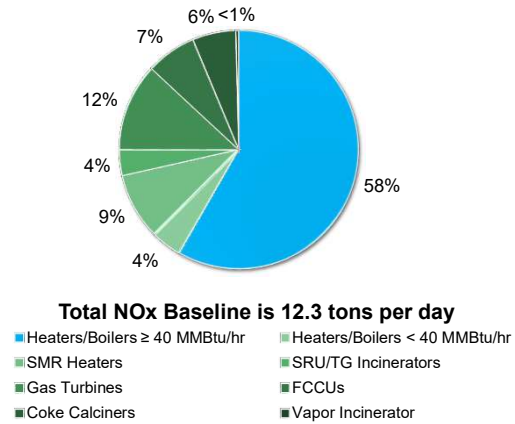


10

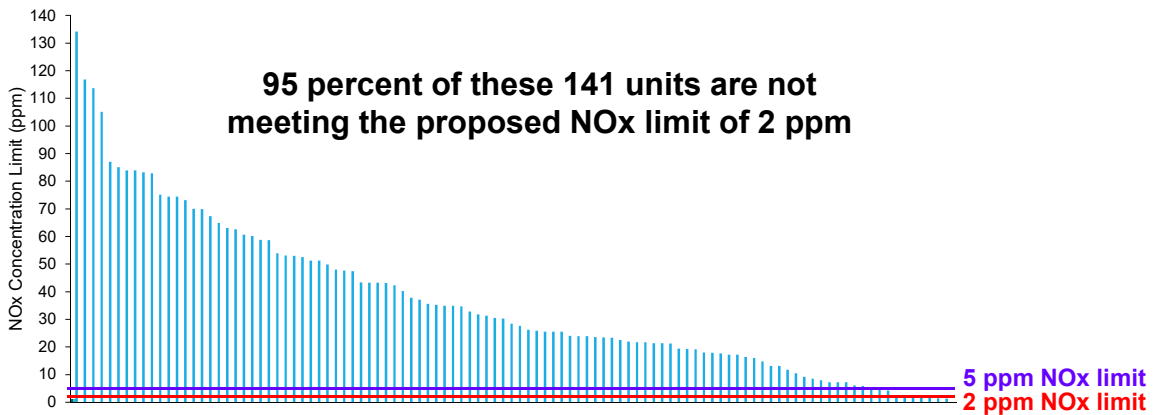
Emission Reduction Potential of Large Boilers and Heaters

- 141 large boilers and heaters (≥ 40 MM Btu/hr)
- Represents nearly 60 percent of the NOx emissions from refineries
- Category has greatest emission reduction potential because of the size of the units and current NOx emission levels
 - About 75 percent of PR 1109.1 NOx reductions expected from this category

2017 NOx Baseline for PR 1109.1 by Category



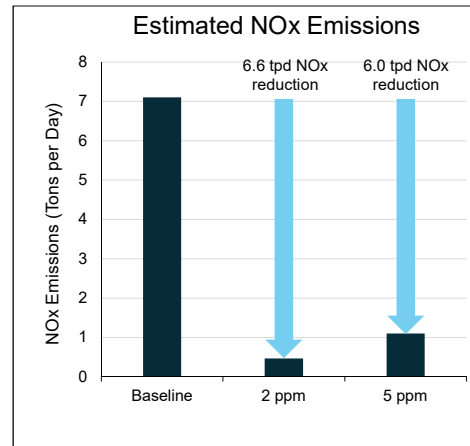
NOx Concentration Levels* of Boilers and Heaters > 40 MM Btu/hr



* NOx concentration levels based on actual emissions in 2017 or representative year. Emissions data provided by refineries.

Status of Proposed BARCT Limit for Boilers and Heaters ≥ 40 MM Btu/hr

- Staff is reassessing the proposed 2 ppm NOx limit based on input from stakeholders
- A NOx limit of 5 ppm would not require burner replacement for most units – eliminating safety concerns
- A 5 ppm NOx limit can achieve more than 90 percent of the reductions of a 2 ppm NOx limit
- Staff is continuing to discuss the NOx limit for this category and is also exploring alternative implementation approaches



13

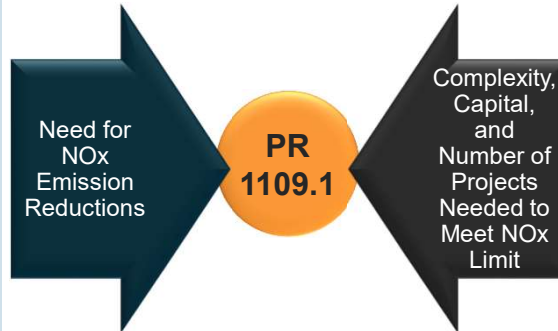
Implementation Schedule and Approach

- Environmental and Community Group Comments
 - Emission reductions are long overdue
 - Emission reductions are needed as soon as practicable
 - Concerned about regional and localized community impacts from lack of emission reductions
- Comments from some industry stakeholders
 - A longer lead time is needed to submit permit applications
 - Concerned that a turnaround window may not align with the three phase approach
 - Concerned that a turnaround window will be missed if the permit is not issued in a timely manner
 - Some facilities are asking for an implementation schedule out to 2035 for some units

14

Implementation Considerations

- Estimating 7 to 9 tons per day of NOx emission reductions
- NOx reductions needed to meet ozone state and federal air quality standards
- Implementation schedule needed to reduce localized and regional impacts
- Implementation must be as quick as feasible, accounting for considerations



- ~ 220 pieces of equipment are not meeting proposed NOx emission limits
- ~110 SCR or SCR upgrade projects for the boiler/heater category
- Accounting for refinery turnarounds schedules will minimize disruptions
- High cost for projects

PR 1109.1 Implementation Approach Using the BARCT Compliance Alternative Plan (B-CAP)

- Facilities with 6 or more units would submit a BARCT Compliance Alternative Plan (B-CAP)
- B-CAP allows operators to tailor select units to implement in each phase
- Each unit must meet the proposed NOx and CO emission limits
- Full implementation by 2030

<p>PHASE I</p> <p>PHASE II</p> <p>PHASE III</p>	<p>Three-phased implementation approach with greatest reductions in Phase I</p>
	<p>Selection of the equipment in each phase must meet target NOx emission reductions</p>
	<p>Operator can select units that will be in each of the three phases</p>
	<p>Each phase has compliance dates that operators must meet NOx emission limits for specific groups of equipment</p>
	<p>Each piece of equipment must meet the Proposed Rule 1109.1 NOx and CO emission limits</p>

Status of Implementation Approach

- Phased implementation approach accounts for implementation considerations such as number and magnitude of projects
- Important that PR 1109.1 has a realistic implementation schedule to ensure NOx limits are achieved
- Staff is considering a two-phased, in lieu of the proposed three-phased, implementation approach to help align with turnaround schedules
- Staff is exploring provisions to address lead times for permit submittal and timing of permit issuance and turnaround windows
- Staff is continuing to work with stakeholders to better understand the specific challenges with individual units

Comment

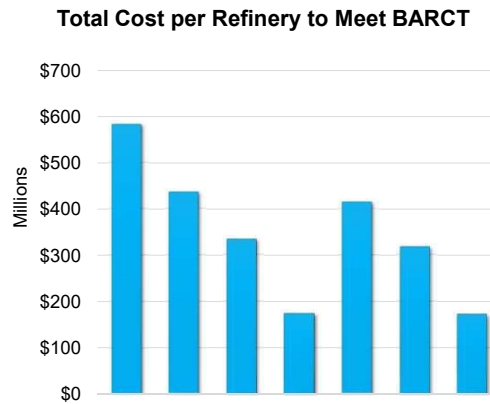
- Some industry stakeholders have commented that the costs are underestimated
- Incorporate the incremental cost-effectiveness assessment into the BARCT analysis
- Although the average cost-effectiveness may be under \$50,000 per ton, the total installed cost is very high

Staff Response

- Staff conducted a survey of all PR 1109.1 facilities seeking cost information for NOx projects
 - Cost-effectiveness assessment relied on facility provided cost
 - If not provided, estimated using U.S. EPA SCR Cost Methodology modified to reflect higher Southern California refinery cost
 - Approach reviewed by third party engineering consultants
- Estimated NOx project costs for PR 1109.1 significantly higher than other landing rules,
 - Space constraints at refineries result in high installation costs
- Cost for SCR installation estimated ~ \$10 to \$80 million (present worth value)
- Staff has discussed the methodology of evaluating the incremental cost-effectiveness and its consistency with the Health and Safety Code

Overall Cost and Cost-Effectiveness

- Average cost-effectiveness for proposed NOx limits for all categories is less than \$50,000 per ton of NOx reduced
- Total installed cost per major petroleum refinery¹ to meet the proposed NOx limits ranges from \$170 million to \$580 million
- Staff is continuing to explore alternative approaches that will lower overall costs and ensure regional and community emission reductions
- A full socioeconomic analysis is being conducted



¹ Chevron, Phillips 66 Carson, Phillips 66 Wilmington, Tesoro – Carson, Tesoro – Wilmington, Torrance Refining Corporation, Valero Refinery



Comment

- PR 1109.1 should include an alternative approach to the prescriptive NOx emission limit for each equipment category
- State law¹ allows “alternative means of producing equivalent emission reductions at an equal or lesser dollar amount per ton reduced”

Staff Response

- Staff is exploring alternative approaches that will ensure BARCT, while recognizing challenges that may be unique to each facility and the need for regional and localized emission reductions
- Staff is exploring alternative approaches for equipment categories and the entire rule
- Any alternative approach must:
 - Ensure localized emission reductions for neighboring communities are achieved
 - Be enforceable with specific NOx concentration limits for every source
 - Ensure equivalent reductions to BARCT on each source
 - Meet state and federal requirements

¹ California Health and Safety Code §40920.6(f)

New Source Review for Co-Pollutant	Comment	Staff Response
	<ul style="list-style-type: none"> • Installation of SCR on some units using refinery gas will increase emissions of PM above the New Source Review threshold, triggering Best Available Control Technology (BACT) • Staff presented an initial solution, but additional details are needed 	<ul style="list-style-type: none"> • Developed provisions with input from U.S. EPA and CARB that allows a narrow exemption when complying with a BARCT requirement <ul style="list-style-type: none"> • Exemption limited to non-ozone precursor emission increases associated with air pollution control equipment installations to comply with NOx BARCT standards • Any increase must be below the federal thresholds • Staff working on details of provision • Refinery fuel sulfur content will be addressed when SOx RECLAIM is assessed <div style="text-align: right;">   </div>

Estimated Emission Reductions	Comment	Staff Response
	<ul style="list-style-type: none"> • Refineries have already initiated projects to achieve the “2015 shave” • Estimated emission reductions under PR 1109.1 are overstated since some reductions will occur from the 2015 RECLAIM Shave 	<ul style="list-style-type: none"> • Implementation of PR 1109.1 is expected to achieve 7 to 9 tons per day of NOx • Staff estimates that nearly 100 projects will be needed to achieve NOx BARCT emission limits • Nine permits have been submitted to implement emission reduction projects <ul style="list-style-type: none"> ◦ Estimated NOx reductions from these 9 projects is 2.12 tons per day

Continuous Emissions Monitoring Systems	Comment	Staff Response
	<ul style="list-style-type: none"> PR 1109.1 should require Continuous Emissions Monitoring Systems (CEMS) on all units to ensure emission limits are being achieved 	<ul style="list-style-type: none"> CEMS are generally required for the largest combustion units (over 40 MMBtu/hr) CEMS provide continuous emissions data, however, they are expensive (~\$500,000 for refinery CEMS) to install, operate, and maintain Annual calibration, testing and QA/QC can be demanding Smaller sources rely on source tests and periodic diagnostic checks to ensure compliance <ul style="list-style-type: none"> Source tests must follow an approved testing protocol Source tests are submitted and approved by the South Coast AQMD Diagnostic test requirements provide interim compliance checks

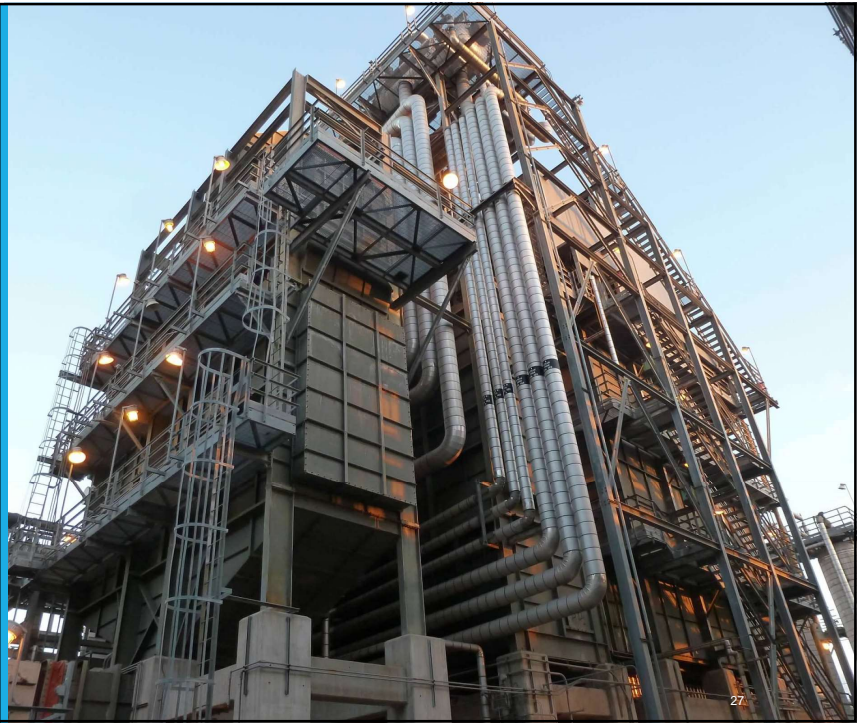
Averaging Times Too Long	Comment	Staff Response
	<ul style="list-style-type: none"> The long averaging times in PR 1109.1 allow facilities to hide emission spikes 	<ul style="list-style-type: none"> Proposed averaging times are based on the third party engineering consultant recommendations <ul style="list-style-type: none"> Consultant hired to review staff's BARCT assessment Concluded longer averaging times necessary to achieve proposed low NOx limits Higher NOx concentrations must be averaged with lower NOx concentrations, which is increasingly challenging with low NOx emission limits

RECLAIM Transition Issues	Comment	Staff Response
	<ul style="list-style-type: none"> • RECLAIM is successful and there is no need for PR 1109.1 • RECLAIM transition issues such as New Source Review must be resolved before PR 1109.1 is adopted 	<ul style="list-style-type: none"> • PR 1109.1 is needed to reduce NOx emissions from refineries and associated operations to achieve state and federal ambient air quality standards • There are significant emission reductions that can be achieved through a command-and-control regulatory program • Staff is continuing to work on issues related to the RECLAIM transition • Facilities will not transition out of RECLAIM until landing rules, Regulation XIII – New Source Review, and Regulation XX – RECLAIM are amended and approved by CARB and U.S. EPA

Rule Development Timeframe	Comment	Staff Response
	<ul style="list-style-type: none"> • Additional time is needed to address key issues 	<ul style="list-style-type: none"> • Rulemaking for PR 1109.1 was initiated in February 2018 • Staff is working on revisions to PR 1109.1 • Staff is continuing to meet with stakeholders and the Working Group • Staff is committed to exploring with all stakeholders alternative approaches that can reduce the financial burden, while achieving the needed emission reductions regionally and to surrounding communities

Next Steps

- Continue to work with stakeholders on key issues and other remaining issues
- Return to Stationary Source Committee with a third briefing
- Public Workshop March 2021
- Public Hearing June 2021





Proposed Amended Rule 1426

Emissions from Metal Finishing Operations

Proposed Amended Rule 1469

Hexavalent Chromium Emissions from Chromium Electroplating and Chromic Acid Anodizing Operations

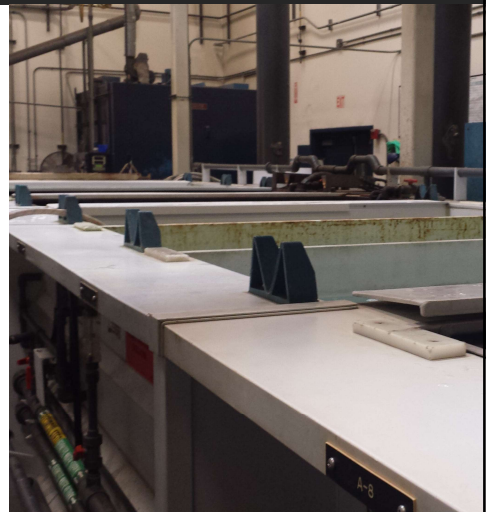


Stationary Source Committee

February 19, 2021

Background

- Metal finishing is the surface treatment of a metal piece to give it desired characteristics such as for decorative use and/or anti-corrosion and durability
- Metal finishing operations are used in industries such as aerospace, automotive, and faucets and fixtures
- Currently two rules cover metal finishing facilities
 - Rule 1469 – Chromium electroplating and anodizing
 - Rule 1426 – Other metal finishing operations not covered under Rule 1469



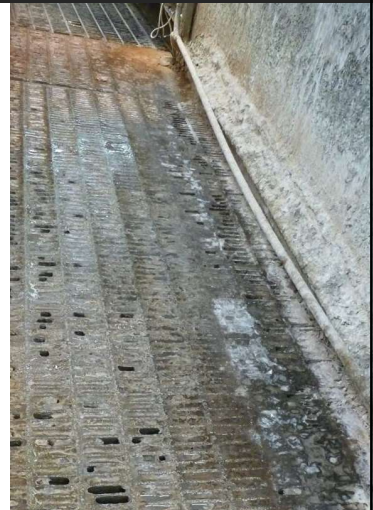
Rule Development Process

- PAR 1426 and PAR 1469 were developed through a robust public process:
 - Working Group comprised of stakeholders including industry, environmental groups, community members, and public agencies
 - Held six working group meetings from June 2020 to February 2021
 - Multiple meetings with stakeholders
 - Public Workshop held on January 21, 2021

3

Need for Amendments to Rule 1426

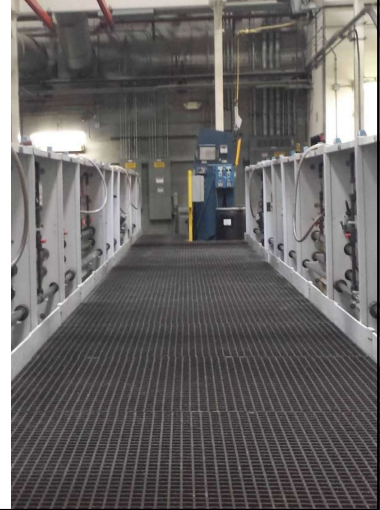
- Rule 1426 is primarily a data collection rule with minimal requirements to address point and fugitive emissions
- Metal finishing tanks can have solutions with metals that are toxic air contaminants such as hexavalent chromium, nickel, cadmium, or lead
- Tank solutions can spill and accumulate outside the tank and can dry-out and become sources of fugitive emissions
- Proposed Amended Rule 1426 will address fugitive emissions from metal finishing tanks
- Point source emissions from these tanks will be addressed in separate rulemakings



4

Proposed Amended Rule 1426 (PAR 1426)

- PAR 1426 will address fugitive emissions of hexavalent chromium, nickel, cadmium, or lead from metal finishing operations through requirements for:
 - Building enclosures
 - Housekeeping
 - Best management practices
- PAR 1426 balances the need for fugitive emission reductions with economic challenges faced by facilities due to COVID-19 by allowing longer implementation lead times



5

Key Requirements for PAR 1426



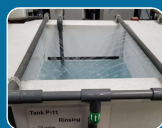
Building Enclosures

- Address cross draft where metal finishing operations occur at a facility
- Provide additional protection for sensitive receptors and schools



Enhanced Housekeeping

- Use approved cleaning methods
- Clean up spills within an hour
- Conduct routine cleaning of specific areas outside the tank where tank solutions can accumulate



Best Management Practices

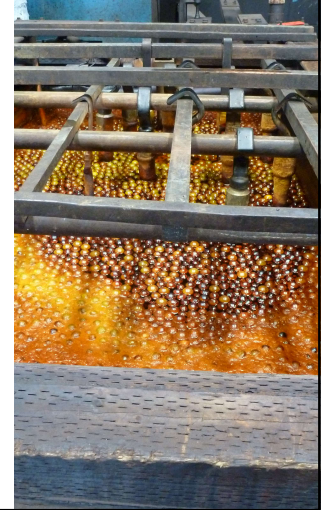
- Minimize drag out using drip trays or other collection devices
- Requirements to minimize overspray while spray rinsing parts
- Prohibit air sparging of tanks when metal finishing is not occurring

Effective
January 1, 2023

6

Proposed Amended Rule 1469 (PAR 1469)

- To avoid duplicate requirements and streamline implementation, PAR 1426 requirements for applicable hexavalent chromium tanks will be incorporated into Rule 1469
- PAR 1469 will revise the definition of HEPA to remove reference to chemical that is no longer used to test HEPA filters
- PAR 1469 will correct a table reference in recordkeeping



7

Implementation Costs for PAR 1426 and PAR 1469

- Approximately 340 facilities would be covered by PAR 1426 and PAR 1469
- On average, costs to facilities would range from \$1,000 to \$6,000 per year
- Key requirements with costs of implementing PAR 1426 and PAR 1469 include:

Building Enclosures

- Closing of building openings (e.g. installation of plastic strip curtains)
 - Prevent crossdraft
 - Facing the nearest sensitive receptor and school within 1,000 feet

Housekeeping Requirements

- Use approved cleaning methods (e.g. HEPA vacuum or wet mop)
- Conduct housekeeping activities (e.g. cleaning areas within 15 feet of tanks) on a regular schedule

Best Management Practices

- Install drip trays
- Use splashguards or spray rinse containment
- Use barriers to separate grinding, polishing, grinding areas from tanks
- Add Tank Labels

8

Next Steps

- Staff is not aware of any remaining key issues
- **Set Hearing**
March 5, 2021
- **Public Hearing**
April 2, 2021






Annual RECLAIM Audit Report for 2019 Compliance Year

South Coast Air Quality Management District
Stationary Source Committee
February 19, 2021

1



RECLAIM

REgional Clean Air Incentives Market (RECLAIM) program:

- A cap and trade program adopted in October 1993
- Objective is to meet emission reduction requirements and enhance emission monitoring while providing additional flexibility to lower compliance costs
- Includes largest NO_x and SO_x sources
- Specifies facility declining annual emissions caps
- Allows options to reduce emissions or buy RECLAIM Trading Credits (RTCs)

Compliance Year (CompYr) 2019 is the 26th year of the program (started in 1994)

2



RECLAIM Annual Audit

- RECLAIM (Rule 2015) requires an annual audit of the program
- Annual RECLAIM Audit Report for Compliance Year 2019
 - Cycle 1: Jan 1, 2019 – Dec 31, 2019
 - Cycle 2: Jul 1, 2019 – Jun 30, 2020
- RECLAIM had 246 facilities at the end of CompYr 2019 (253 at end of CompYr 2018)

3

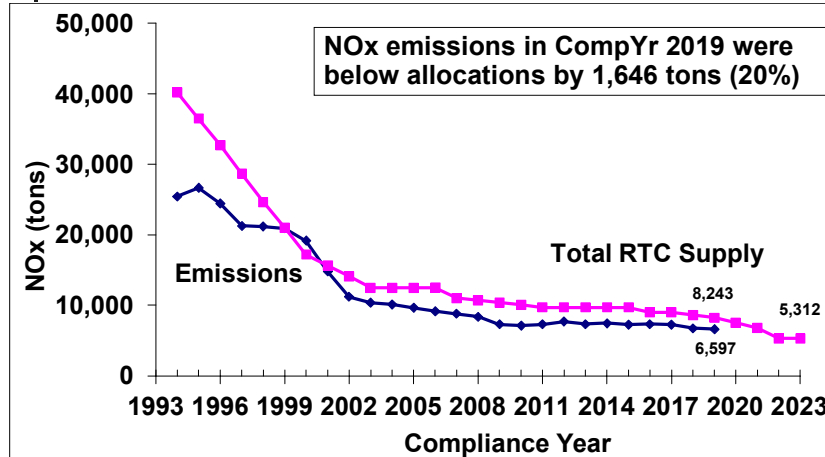


2019 Annual RECLAIM Audit Findings Compliance

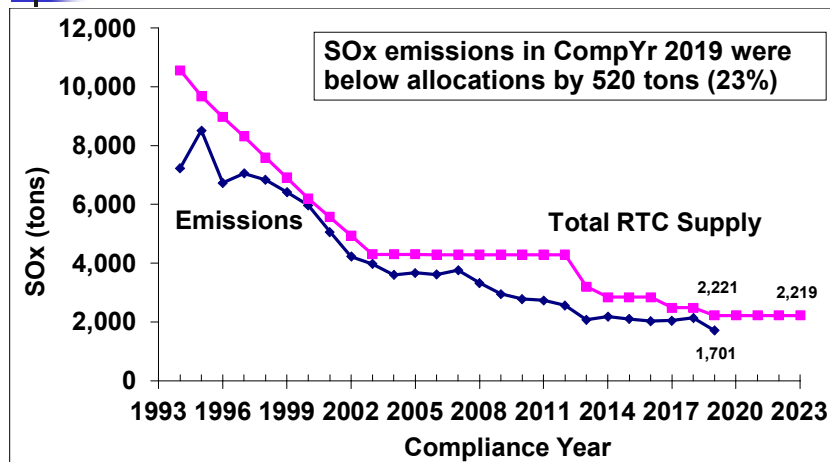
- RECLAIM met overall NO_x and SO_x emissions goals:
 - NO_x emissions **20%** below allocations
 - SO_x emissions **23%** below allocations
- Allocation Shave
 - NO_x Shave of 22.5% adopted January 2005 and implemented in 2007 - 2011
 - SO_x Shave of 48.4% adopted November 2010 and implemented in 2013 – 2019
 - Additional NO_x Shave of 45.2% adopted in December 2015 and implemented in 2016 – 2022
 - Reduction of 4 tons/day (15.1%) NO_x and 5.7 tons/day (48.4%) SO_x allocations in Compliance Year 2019

4

RECLAIM NOx Emissions vs. Allocations Trends



RECLAIM SOx Emissions vs. Allocations Trends





2019 Annual RECLAIM Audit Findings Compliance

- RECLAIM had a high rate of facility compliance:
 - NOx Facilities – **95%**
 - SOx Facilities – **97%**
- Facilities exceeding their allocations
 - NOx – 12 facilities exceeded by 339.9 tons (2.60% of total allocations)
 - SOx – one facility exceeded by 1.22 tons (0.01% of total allocations)

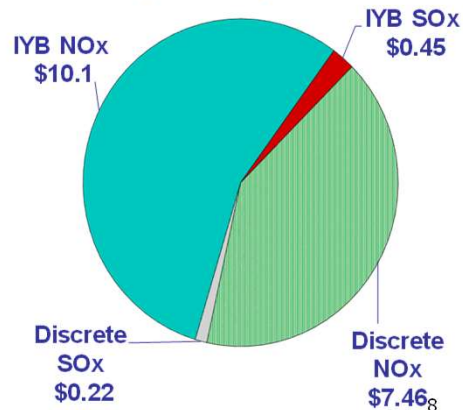
7



2019 Annual RECLAIM Audit Findings Credit Trading and Prices

- \$1.54 billion of RTCs traded since program inception
- RTCs are traded as either Discrete Year or Infinite-Year Block (IYB)
- \$18.19 million of RTCs traded in Calendar Year (CalYr) 2020 (\$ 34.24 million in CalYr 2019)

Value Traded in CalYr 2020
(Million \$)





2019 Annual RECLAIM Audit Findings Average Discrete-Year NOx RTC Prices



- Average prices in CalYr 2020 below program review thresholds:

- \$15,000/ton [Rule 2015]
- \$47,585/ton* [Health and Safety Code] * - Adjusted by October 2020 CPI 9



2019 Annual RECLAIM Audit Findings Average Discrete-Year SOx RTC Prices



- Average prices in CalYr 2020 below program review thresholds:

- \$15,000/ton [Rule 2015]
- \$34,261*/ton [Health and Safety Code] * - Adjusted by October 2020 CPI 10



2019 Annual RECLAIM Audit Findings Average IYB RTC Prices



- 2020 IYB RTC average prices remain below program review thresholds [Health and Safety Code]
 - NOx = \$713,777/ton*
 - SOx = \$513,919/ton*

* - Adjusted by October 2020 CPI 11



2019 Annual RECLAIM Audit Findings Investor Participation during CalYr 2020

- Investors are RTC holders who are not RECLAIM facility operators
- Investor participation remains active in CalYr 2020 trades.

RTC Type	Value		Volume	
	NOx	SOx	NOx	SOx
Discrete	72%	62%	66%	71%
IYB	61%	100%	63%	100%

- Investors' holdings at the end of CalYr 2020
 - 1.3% of IYB NOx RTCs (remained the same as 1.3% in CalYr 2019)
 - 4.2% of IYB SOx RTCs (down from 4.7 % in CalYr 2019)

12



2019 Annual RECLAIM Audit Findings 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:
 - Monthly working group meetings
 - Rule-specific working groups
 - As of January 2021, the Board amended and/or adopted 11 "Landing Rules" to implement BARCT

13



2019 Annual RECLAIM Audit Findings



- RECLAIM facilities overall employment loss of 4.0% (net loss of 4,167 jobs)
- Met federal NSR offset ratios
- No significant shift in seasonal emissions
- No evidence of increased health risk due to RECLAIM

14



2019 Annual RECLAIM Audit Findings Summary/Recommendations



Summary:

- Programmatic compliance achieved (NO_x and SO_x emissions were 20% and 23% below allocations, respectively)
- Individual facility compliance rate remained high (95% & 97% for NO_x and SO_x, respectively, based on 100% of RECLAIM facilities audited in Compliance Year 2019)
- RTC prices stayed below program review thresholds
- RECLAIM met all other requirements

Recommendation:

- Approve the Annual RECLAIM Audit Report for 2019 Compliance Year

February 2021 Update on Work with U.S. EPA and California Air Resources Board 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. The table below summarizes key activities with U.S. EPA and California Air Resources Board (CARB) since the last report.

Item	Discussion
Video Conference with U.S. EPA – January 14, 2021	<ul style="list-style-type: none"> Reviewed presentations for the January RECLAIM and Regulation XIII Working Group Meetings
Video Conference with CARB – January 15, 2021	<ul style="list-style-type: none"> Reviewed presentations for the January RECLAIM and Regulation XIII Working Group Meetings
RECLAIM and Regulation XIII (New Source Review) Working Group Meeting – January 21, 2021	<ul style="list-style-type: none"> Provided updates on rulemakings for the RECLAIM transition Discussed Capacity Utilization for quantification of offsets without records Proposed a BACT exemption to address co-pollutant emissions for installation of air pollution controls to comply with NOx BARCT standards Staff responded to stakeholder comment letters
Video Conference with U.S. EPA – January 25, 2021	<ul style="list-style-type: none"> Discussed Startup, Shutdown, and Malfunction (SSM) guidance published by U.S. EPA on October 9, 2020
Video Conference with CARB – February 9, 2021	<ul style="list-style-type: none"> Follow-up discussion on proposed BACT exemption for co-pollutant emission increases associated with air pollution control equipment installations to comply with NOx BARCT standards
Video Conference with U.S. EPA and CARB – February 10, 2021	<ul style="list-style-type: none"> Reviewed presentations for the February RECLAIM and Regulation XIII Working Group Meetings
RECLAIM and Regulation XIII (New Source Review) Working Group Meeting – February 18, 2021	<ul style="list-style-type: none"> Provided updates on rulemakings for the RECLAIM transition Discussed proposed Rule 1304 amendments for co-pollutant BACT exemption Proposed concepts to establish a Minor Source Bank and Major Source Bank instead of the previously proposed Large Source Bank

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

Settlement Penalty Report (01/01/2021 - 01/31/2021)

Penalties

Civil Settlement: \$17,550.00
Hearing Board Settlement: \$25,000.00
MSPAP Settlement: \$4,575.00

Total Cash Settlements: \$47,125.00

Fiscal Year through 01/31/2021 Cash Total : \$3,661,877.59

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
Civil						
109939	ARROW CONCRETE CUTTING CO, INC	203(a), 1403	01/06/2021	KER	P63776, P65927, P66416	\$2,500.00
191119	E&B NATURAL RESOURCES MANAGEMENT CORP	203(b), 1148.1, 1173	01/06/2021	JL	P66850	\$7,000.00
113873	MM WEST COVINA LLC	218, 3002	01/28/2021	SH	P66460	\$3,750.00
15793	RIV CO, WASTE RESOURCES MGMT DIST, LAMB	203(b), 3002	01/26/2021	TB	P67425, P72906	\$3,800.00
64093	S & C OIL CO INC	1148.1	01/26/2021	MR	P66542	\$500.00
Total Civil Settlements : \$17,550.00						
Hearing Board						
104234	SCAQMD v. Mission Foods	202, 203(b), 1153.1, 1303	01/14/2021	KCM	5400-4	\$25,000.00
Total Hearing Board Settlements : \$25,000.00						
MSPAP						
141435	CAL COAST INC	203(b), 461, H&S 41960.2	01/06/2021	GC	P68123	\$1,500.00
173981	HOLLYWOOD RIVIERA CARWASH, INC., STEVE S	461	01/06/2021	GC	P68425	\$300.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
172198	JACOS & CO INC/7-ELEVEN STORE 39682A	461	01/07/2021	TCF	P69858	\$375.00
190671	KOUROSH YASHAR	1403, 40 CFR 61.145	01/07/2021	TCF	P67480, P67481	\$1,600.00
176848	SOUTH CITY CIRCLE K AND 76	461	01/07/2021	TCF	P69031	\$800.00
Total MSPAP Settlements : \$4,575.00						

**SOUTH COAST AQMD'S RULES AND REGULATIONS INDEX
FOR JANUARY 2021 PENALTY REPORT**

REGULATION II - PERMITS

Rule 202 Temporary Permit to Operate
Rule 203 Permit to Operate
Rule 218 Continuous Emission Monitoring

REGULATION IV - PROHIBITIONS

Rule 461 Gasoline Transfer and Dispensing

REGULATION XI - SOURCE SPECIFIC STANDARDS

Rule 1148.1 Oil and Gas Production Wells
Rule 1153.1 Emissions of Oxides of Nitrogen from Commercial Food Ovens
Rule 1173 Fugitive Emissions of Volatile Organic Compounds

REGULATION XIII - NEW SOURCE REVIEW

Rule 1303 Requirements

REGULATION XIV - TOXICS

Rule 1403 Asbestos Emissions from Demolition/Renovation Activities

REGULATION XXX - TITLE V PERMITS

Rule 3002 Requirements for Title V Permits

CALIFORNIA HEALTH AND SAFETY CODE

41960.2 Gasoline Vapor Recovery

CODE OF FEDERAL REGULATIONS

40 CFR 61.145 Standard for demolition and renovation