



NO_x RECLAIM WORKING GROUP MEETING

JULY 14, 2022

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[HTTPS://SCAQMD.ZOOM.US/J/98344812021](https://scaqmd.zoom.us/j/98344812021)

MEETING ID: 983 4481 2021

TELECONFERENCE DIAL-IN: 1-669-900-6833

Agenda

- Rulemaking Status on Landing Rules
- Rule 2002 Assessment Update
- Proposed Regulation XX Amendments
- Ongoing Efforts and Next Steps



RULEMAKING STATUS ON LANDING RULES



Rules Under Development



PAR 1153.1 – Commercial Food Ovens

Public Hearing: December 2, 2022



PR 1159.1 – Nitric Acid Processing Tanks

Public Hearing: December 2, 2022

- Rule 429 – Startup and Shutdown is being amended to address startup and shutdown provisions at U.S. EPA's request
- Rule 218.2 – Continuous Emission Monitoring System: General Provisions and Rule 218.3 – Continuous Emission Monitoring System: Performance Specifications are being amended to include provisions for monitoring mass emission limits

PR 1159.1 – Nitric Acid Processing Tanks

- Working Group Meeting #3 held on July 7, 2022
 - Presented on the BARCT assessment process including emission limits for existing units, control technologies, and cost-effectiveness
 - Proposed initial NOx limits
 - Discussed several comments received on possible rule concepts
- Public Hearing: December 2, 2022



<https://tri-mer.com/tanks/polypro-tanks-case-study.html>

PAR 1153.1 – Commercial Food Ovens

- Working Group Meeting #2 held on June 8, 2022
- Currently conducting BARCT assessment and data analysis
- Continuing meetings with technology vendors
- Ongoing meetings with stakeholders and scheduling site visits
- Next Working Group Meeting: Late July 2022
- Public Hearing: December 2, 2022



Emission Reductions (Tons per Day*)



Rules 1146, 1146.1, 1146.2
– Boilers, Process Heaters,
and Steam Generators

0.27



Rule 1135 – Electricity
Generating Facilities

1.7



Rule 1118.1 – Non
Refinery Flares

0



Rule 1110.2 –
Liquid-Fueled and
Gaseous Engines

0.29



Rule 1109.1– Refinery
Equipment

7.7



Rule 1117 – Container
Glass Melting/Sodium
Silicate Furnaces

0.57



Rule 1134 – Gas
Turbines

1.8



Rule 1147.1 –
Aggregate Facilities

0.04



Rule 1147 –
Miscellaneous
Combustion Sources

0.54



Rule 1147.2 – Metal
Melting and Heating
Furnaces

0.47

Total NOx Reductions = 13.38 tons per day*

* Sum of NOx reductions from RECLAIM facilities only. Some NOx reductions may be attributed to the 2015 RECLAIM shave.



RULE 2002 ASSESSMENT UPDATE



Rule 2002 Assessment Update

- Rule 2002 contains procedures in the event that NOx RTC price thresholds are exceeded
- RTC Price Reports show that the 12-month and 3-month rolling average price thresholds¹ were exceeded for Compliance Year 2022
- Staff conducted an assessment of the RECLAIM program including control technology implementation and socioeconomic impacts
- Staff reported the results of the Rule 2002 Assessment to the Board at the June 3, 2022, Board Meeting²
- The Board determined that Non-Usable/Non-Tradable RTCs will not be converted to Usable/Tradable RTCs for RECLAIM Compliance Year 2022

¹Rule 2002 12-month rolling average threshold is \$22,500 per ton and 3-month rolling average threshold is \$35,000 per ton

² <http://www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2022/2022-June3-028.pdf?sfvrsn=8>



PROPOSED REGULATION XX AMENDMENTS



Regulation XX Amendments Overview

- Staff identified five Regulation XX rules that will need to be amended to facilitate the transition of NOx RECLAIM facilities to a command-and-control regulatory structure

Rule 2000 –
General

Rule 2001 –
Applicability

Rule 2002 –
Allocations for
Oxides of Nitrogen
(NOx) and Oxides
of Sulfur (SOx)

Rule 2006 –
Permits

Rule 2015 –
Backstop
Provisions

- Staff's general approach is to change the applicability to exclude regulation of NOx sources from RECLAIM after December 31, 2025
 - Eliminates the need to amend most Regulation XX rules
 - Exit date accounts for the time it will take CARB and U.S. EPA to evaluate landing rules and amendments to Regulations XIII and XX
- Further amendments may be necessary beyond those indicated today¹

¹Proposed amendments presented today do not include minor changes made for clarification or stylistic purposes

Proposed Amended Rule 2000

- Staff proposes to amend Paragraph (c)(16) to modify the definition of Compliance Year
 - Cycle 2 NOx RECLAIM facilities will have a shortened compliance period in the final compliance year (half cycle)
 - Compliance Year 2025 will end on December 31, 2025, for all NOx RECLAIM facilities

COMPLIANCE YEAR is the twelve-month period beginning on January 1 and ending on December 31 for Cycle 1 facilities, and beginning on July 1 and ending on June 30 for Cycle 2 facilities, except for the final NOx RECLAIM compliance period, which begins on January 1, 2025, and ends on December 31, 2025, for Cycle 1 NOx RECLAIM facilities, and begins on July 1, 2025, and ends on December 31, 2025, for Cycle 2 NOx RECLAIM facilities.

Proposed Amended Rule 2001: Proposed Paragraph (c)(3)

An owner or operator of a NOx RECLAIM facility shall not be included in Regulation XX – REgional CLean Air Incentives Market (RECLAIM) or be subject to the requirements in Regulation XX for NOx sources after December 31, 2025, except for:

- (A) Requirements for Compliance Year 2025, pursuant to Rule 2004 – Requirements; and
- (B) Annual audits for Compliance Year 2024 and Compliance Year 2025, pursuant to Rule 2015 – Backstop Provisions.

NOx RECLAIM facilities will continue to be required to reconcile emissions and comply with other Rule 2004 requirements (e.g., prohibition of emissions in excess of annual allocation, tampering, etc.) for Compliance Year 2025

NOx RECLAIM facilities will continue to be subject to annual audits for Compliance Year 2024 and Compliance Year 2025, which will be completed in 2026 and 2027, respectively

Proposed Amended Rule 2001: Paragraph (d)(1), Paragraph (g)(1), and Proposed Paragraph (g)(2)

The Executive Officer will assign RECLAIM facilities to one of two compliance cycles by computer-generated random assignment which, to the extent possible, ensures an even distribution of RTCs. The Facility Listing will distinguish between Cycle 1 facilities, which will have a compliance year of January 1 to December 31 of each year, and Cycle 2 facilities, with a compliance year of July 1 to June 30 of each year, except for the final NOx RECLAIM compliance period, which begins on January 1, 2025, and ends on December 31, 2025, for Cycle 1 NOx RECLAIM facilities, and begins on July 1, 2025, and ends on December 31, 2025, for Cycle 2 NOx RECLAIM facilities.

Paragraph (d)(1) updated to reflect modified definition of Compliance Year in Rule 2000 for the final NOx RECLAIM compliance period

~~On and after July 12, 2019, no~~ No SOx RECLAIM facility may exit the RECLAIM program.

No NOx RECLAIM facility may exit the RECLAIM program until January 1, 2026.

NOx RECLAIM exit date is January 1, 2026 (Annual audits and Rule 2004 requirements including reconciliation are still applicable)

Proposed Amended Rule 2002: Subparagraphs (f)(1)(E) and (f)(1)(Q)

- Staff proposes to delete Rule 2002 subparagraphs (f)(1)(E) and (f)(1)(Q) to discontinue calculating RTC prices, which are reported to Stationary Source Committee
 - Requirements may be unnecessary due to proposed amendments to delete RTC price threshold exceedance requirements in Rules 2002 and 2015
 - Requirement to calculate SO_x RTC prices ended on February 1, 2020
- RTC price information will continue to be available on the South Coast AQMD website¹

~~(E) Commencing on January 1, 2008 with NO_x RTC prices averaged from January 1, 2007 through December 31, 2007, the Executive Officer will calculate the 12-month rolling average RTC price for all trades for the current compliance year. Commencing on May 1, 2016 with NO_x RTC prices averaged from January 1, 2016 through March 31, 2016, the Executive Officer will calculate the 3-month rolling average NO_x RTC price for all trades for the current compliance year NO_x RTCs. The Executive Officer will update the 3-month and 12-month rolling average once per month. The computation of the rolling average prices will not include RTC transactions reported at no price or RTC swap transactions.~~

~~(Q) Commencing on January 1, 2017 and ending on February 1, 2020, the Executive Officer will calculate the 12-month rolling average SO_x RTC price for all trades during the preceding 12 months for the current compliance year. The Executive Officer will update the 12-month rolling average once per month. The computation of the rolling average prices will not include RTC transactions reported at no price or RTC swap transactions.~~

¹ <http://www.aqmd.gov/home/programs/business/about-reclaim/reclaim-trading-credits>

Proposed Amended Rule 2002: Subparagraphs (f)(1)(H) and (f)(1)(I)

- Staff proposes to delete subparagraphs (f)(1)(H) and (f)(1)(I) which contain procedures for NOx RTC price threshold exceedances
- Provisions are no longer necessary because:
 - Staff conducted an assessment of the RECLAIM program pursuant to Rule 2002 requirements for Compliance Year 2022 NOx RTC price threshold exceedances
 - The Board decided to not convert Non-Usable/Non-Tradable RTCs to Usable/Tradable RTCs for Compliance Year 2022
 - Compliance Year 2022 is the final implementation year of the 2015 NOx shave

- ~~(H) In the event that the NOx RTC prices exceed \$22,500 per ton (current compliance year credits) based on the 12-month rolling average, or exceed \$35,000 per ton (current compliance year credits) based on the 3-month rolling average calculated pursuant to subparagraph (f)(1)(E), the Executive Officer will report the determination to the Governing Board and include a commitment and schedule to conduct a more rigorous control technology implementation, emission reduction, cost-effectiveness, market analysis, and socioeconomic impact assessment of the RECLAIM program. If the Governing Board finds that the 12-month rolling average RTC price exceeds \$22,500 per ton or the 3-month rolling average RTC price exceeds \$35,000 per ton, then the Non-tradable/Non-usable NOx RTCs, as specified in subparagraphs (f)(1)(B) and (f)(1)(C) valid for the period in which the RTC price is found to have exceeded the applicable threshold, shall be converted to Tradable/Usable NOx RTCs upon Governing Board concurrence.~~
- ~~(I) Pursuant to subparagraph (f)(1)(H), the Executive Officer shall also make a report to the Board at a public hearing at the earliest possible regularly scheduled Board Meeting, but no later than 90 days from the Executive Officer determination regarding the results of the commitment.~~

Proposed Amended Rule 2002: Subparagraph (f)(1)(R)

- Staff proposes to delete subparagraph (f)(1)(R) which contain procedures for SOx RTC price threshold exceedances
- Provisions may not be necessary because:
 - The 12-month rolling average price for Compliance Year 2021 SOx RTCs is <\$4,000 per ton¹
 - If SOx RTC prices increase, it incentivizes installing pollution controls rather than purchasing RTCs

~~(R) In the event that the SOx RTC prices exceed \$50,000 per ton based on the 12-month rolling average calculated pursuant to subparagraph (f)(1)(Q), the Executive Officer will report to the Governing Board at a duly noticed public hearing to be held no more than 60 days from Executive Officer determination. The Executive Officer will announce that determination on the SCAQMD website. At the public hearing, the Governing Board will decide whether or not to convert any portion of the Non-tradable/Non-usable RTCs, as determined pursuant to subparagraphs (f)(1)(N) and (f)(1)(O), and how much to convert if any, to Tradable/Usable RTCs. The portion of Non-tradable/Non-usable RTCs available for conversion to Tradable/Usable RTCs shall not include any portion of Non-tradable/Non-usable RTCs that are designated for previous compliance years and has not already been converted by the Governing Board, or that has been otherwise included in the State Implementation Plan pursuant to subparagraph (f)(1)(S).~~

¹No Compliance Year 2022 SOx RTCs were traded in the past 12 months

Proposed Amended Rule 2002 Paragraphs (f)(6) and (f)(7)

- Staff proposes to delete paragraphs (f)(6) and (f)(7) which contain procedures to transition facilities out of the NOx RECLAIM program
- Provisions are no longer necessary now that staff's approach is to exit all NOx RECLAIM facilities from RECLAIM on January 1, 2026

- ~~(6) If the Executive Officer issues the owner or operator of a NOx RECLAIM facility an initial determination notification that the facility is under review for being transitioned out of NOx RECLAIM, the owner or operator shall submit to the Executive Officer within 45 days of the initial determination notification date the identification of:
 - ~~(A) All permitted and unpermitted NOx RECLAIM emission equipment, including applicable control equipment; and~~
 - ~~(B) Permitted NOx emission levels, and if not available, manufacturer guaranteed NOx emission levels.~~~~
- ~~(7) The Executive Officer will review the information submitted and, if complete, determine if the facility will be transitioned out of the NOx RECLAIM program.
 - ~~(A) The Executive Officer shall indicate in writing if a facility's submission is not complete and provide a timeline for submission.~~
 - ~~(B) Failure to submit the requested information within 45 days of the initial determination notification date, pursuant to paragraph (f)(6), or failure to timely revise an incomplete submission as indicated by the Executive Officer, pursuant to subparagraph (f)(7)(A), will result in the prohibition on all RTC uses, sales, or transfers by the facility until all requested information is submitted.~~~~

Proposed Amended Rule 2002: Paragraphs (f)(9) and (f)(11)

- Staff proposes to delete paragraphs (f)(9) and (f)(11) which contain additional procedures to transition facilities out of the NOx RECLAIM program and are no longer necessary

~~(9) In the event that the Executive Officer, upon review of the information pursuant to paragraph (f)(7), nonetheless determines that a facility should not yet be transitioned out of the NOx RECLAIM program, the owner or operator will be notified.~~

~~(11) An owner or operator of a RECLAIM facility that receives an initial determination notification and that elects to remain in RECLAIM shall submit a request to the Executive Officer to remain in RECLAIM and any equipment information required pursuant to paragraph (f)(6) within 45 days of the initial determination notification date or, for facilities that have received an initial determination notification before October 5, 2018, within 45 days from October 5, 2018.~~

~~(A) Upon written approval by the Executive Officer, the facility shall:~~

~~(i) Remain in RECLAIM until a final determination notification is issued to the facility that it must exit by a date no later than December 31, 2023;~~

~~(ii) Submit any updated information within 30 days of the issuance date of the final determination notification; and~~

~~(iii) Comply with all requirements of any applicable non-RECLAIM rule adopted or amended after October 5, 2018 and any such rule the facility was required to comply with prior to October 5, 2018.~~

Proposed Amended Rule 2002: Proposed New Paragraph (f)(8)

- Staff proposes a new paragraph to reduce NOx RTCs by 50 percent for Cycle 2 facilities for Compliance Year 2025
- Cycle 2 NOx RECLAIM facilities will have a shortened compliance period in the final compliance year (half cycle)
- NOx RTC reduction for Cycle 2 facilities is proposed to keep RTC allocations proportional for the shortened compliance period in Compliance Year 2025

The Executive Officer shall reduce NOx RTC allocations by 50 percent for Cycle 2 facilities for Compliance Year 2025.

Proposed Amended Rule 2006

- Proposed new paragraph (f)(6) implements proposed Rule 2001 requirements in permits to exclude NOx RECLAIM facilities from RECLAIM on January 1, 2026, except for annual audits and Rule 2004 requirements
- Proposed new paragraph (f)(7) implements proposed Rule 2002 requirements in permits to keep NOx RTC allocations proportional for the shortened compliance period for Cycle 2 facilities in Compliance Year 2025

(6) The Executive Officer will specify that requirements for NOx sources under Regulation XX – REgional CLean Air Incentives Market (RECLAIM) will no longer apply on and after January 1, 2026, except for requirements for Compliance Year 2025, pursuant to Rule 2004, and annual audits for Compliance Year 2024 and Compliance Year 2025, pursuant to Rule 2015.

(7) The Executive Officer shall reduce NOx RTC allocations by 50 percent for Cycle 2 facilities for Compliance Year 2025.

Proposed Amended Rule 2015: Paragraph (b)(1)

- Staff proposes to amend paragraph (b)(1) to further clarify that South Coast AQMD staff will cease conducting annual audits of the NOx RECLAIM program after Compliance Year 2025

As part of the first three annual program audits, the Executive Officer will review the effectiveness of enforcement and protocols and recommend revisions to the protocols to achieve improved measurement and enforcement of RECLAIM emission reductions while minimizing administrative cost to the DistrictSouth Coast AQMD and RECLAIM participants. The first audit will be presented to the Governing Board in a public hearing on or before January 1996, and by March of each subsequent year. Annual audits will be duly noticed to the public, including a statement that the list specified in subparagraph (b)(1)(I) is available. The audit report will be included henceforth in the DistrictSouth Coast AQMD annual performance report to the California legislature. The Executive Officer will cease conducting annual audits of the NOx RECLAIM program once the annual audit for Compliance Year 2025 is completed.

Proposed Amended Rule 2015: Paragraph (b)(6)

- Staff proposes to delete paragraph (b)(6) which contain procedures for RTC price threshold exceedances
- Provisions may not be necessary because:
 - Staff is currently conducting an assessment of the RECLAIM program pursuant to Rule 2015¹
 - Staff is proposing to sunset NOx RECLAIM

~~(6) Should the average RTC price be determined, pursuant to Rule 2015 (b)(1)(E), to have exceeded \$15,000 per ton, within six months of the determination thereof, the Executive Officer shall submit to the Air Resources Board and the Environmental Protection Agency the results of an evaluation and review of the compliance and enforcement aspects of the RECLAIM program, including the deterrent effect of Rule 2004 paragraphs (d)(1) through (d)(4). This review shall be in addition to the audits to be performed pursuant to Rule 2015. The evaluation shall include, but not be limited to, an assessment of the rates of compliance with applicable emission caps, an assessment of the rate of compliance with monitoring, recordkeeping and reporting requirements, an assessment of the ability of the South Coast Air Quality Management District to obtain appropriate penalties in cases of noncompliance, and an assessment of whether the program provides appropriate incentives to comply. The Executive Officer shall submit, with the results of the evaluation, either a recommendation that paragraphs (d)(1) through (d)(4) be continued without change, or amendments to the RECLAIM rules setting forth revisions to paragraphs (d)(1) through (d)(4) of Rule 2004, if the District's Governing Board determines that revisions are appropriate in light of the results of the evaluation.~~

¹ Staff presented an update at the June Stationary Source Committee Meeting: <http://www.aqmd.gov/docs/default-source/Agendas/ssc/ssc-agenda-6-17-2022.pdf?sfvrsn=14>

Summary of Proposed Regulation XX Amendments

- Staff identified that Rules 2000, 2001, 2002, 2006, and 2015 will need to be amended to complete the RECLAIM transition
- NOx RTC allocations to Cycle 2 facilities will be reduced by 50% in Compliance Year 2025
- Compliance Year 2025 ends on December 31, 2025, for all NOx RECLAIM facilities
- All NOx RECLAIM facilities will exit NOx RECLAIM on January 1, 2026
- Facilities will still be required to reconcile Compliance Year 2025 emissions and be subject to RECLAIM annual audits for the 2024 and 2025 compliance years
- Based on discussions with U.S. EPA, staff is recommending a one-time, programmatic equivalency demonstration of 14.5 tpd NOx as part of the SIP submittal package for the RECLAIM transition¹
 - Discussed at May 2021 RECLAIM Working Group Meeting

¹ <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/regxx/reclaim---wgm-may-group-draft-final.pdf?sfvrsn=6>

Ongoing Efforts and Next Steps



Continue rulemaking activities



Continue working with U.S. EPA, CARB, and stakeholders



Monthly RECLAIM and Regulation XIII NSR Working Group Meetings



Quarterly Stationary Source Committee updates

Contacts – RECLAIM & New Source Review

General Questions	Michael Krause	Assistant Deputy Executive Officer	909-396-2706	mkrause@aqmd.gov
RECLAIM	Michael Morris	Planning and Rules Manager	909-396-3282	mmorris@aqmd.gov
	Isabelle Shine	Program Supervisor	909-396-3064	ishine@aqmd.gov
New Source Review	Michael Morris	Planning and Rules Manager	909-396-3282	mmorris@aqmd.gov
	Isabelle Shine	Program Supervisor	909-396-3064	ishine@aqmd.gov

To receive e-mail notifications for Regulation XX or Regulation XIII, sign up at: www.aqmd.gov/sign-up
To view proposed rules and supporting documentation, visit the South Coast AQMD Proposed Rules webpage at:
<http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules>

Contacts – Proposed Rules

Proposed Rule 1159.1

Neil Fujiwara	Program Supervisor	909-396-3512	nfujiwara@aqmd.gov
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Min Sue	Air Quality Specialist	909-396-3241	msue@aqmd.gov
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Proposed Amended Rule 1153.1

Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
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Sarady Ka	Program Supervisor	909-396-2331	ska@aqmd.gov
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Contacts – Amended/Adopted Rules

Rules 218, 218.2 & 218.3	Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
	Yanrong Zhu	Program Supervisor	909-396-3289	yzhu1@aqmd.gov
Rule 1117	Michael Morris	Planning and Rules Manager	909-396-3282	mmorris@aqmd.gov
	Rodolfo Chacon	Program Supervisor	909-396-2726	rchacon@aqmd.gov
Rule 1110.2	Michael Morris	Planning and Rules Manager	909-396-3282	mmorris@aqmd.gov
	Rodolfo Chacon	Program Supervisor	909-396-2726	rchacon@aqmd.gov
Rules 1134 & 1135	Michael Morris	Planning and Rules Manager	909-396-3282	mmorris@aqmd.gov
	Uyen-Uyen Vo	Planning and Rules Manager	909-396-2238	uvo@aqmd.gov
Rules 1146, 1146.1, & 1146.2	Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
	Kalam Cheung, Ph.D.	Planning and Rules Manager	909-396-3281	kcheung@aqmd.gov
	Lizabeth Gomez	Senior Air Quality Engineer	909-396-3103	lgomez@aqmd.gov
	Shawn Wang	Program Supervisor	909-396-3319	swang@aqmd.gov
Rule 1118.1	Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
Rule 1147.1	Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
	Yanrong Zhu	Program Supervisor	909-396-3289	yzhu1@aqmd.gov
	Shawn Wang	Program Supervisor	909-396-3319	swang@aqmd.gov
Rule 1109.1	Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
	Sarady Ka	Program Supervisor	909-396-2331	ska@aqmd.gov
	Mojtaba Moghani, Ph.D.	Air Quality Specialist	909-396-2527	mmoghani@aqmd.gov
	Zoya Banan, Ph.D.	Air Quality Specialist	909-396-2332	zbanan@aqmd.gov
Rule 1147.2	Rodolfo Chacon	Program Supervisor	909-396-2726	rchacon@aqmd.gov
	James McCreary	Air Quality Specialist	909-396-2451	jmccreary@aqmd.gov
Rule 1147	Heather Farr	Planning and Rules Manager	909-396-3672	hfarr@aqmd.gov
	Shawn Wang	Program Supervisor	909-396-3319	swang@aqmd.gov