

Update on District Efforts to Enhance New Source Review and Emission Reduction Credit Banking Rules

San Joaquin Valley Air Pollution Control District
Governing Board Meeting
September 15, 2022

District Air Quality Efforts

- Long history of developing and implementing air quality strategies, with numerous plans achieving significant emissions reductions
 - Most stringent rules in the nation for stationary sources under District jurisdiction
 - Innovative clean air incentive programs accelerating deployment of cleanest technologies (\$4.5 billion public/private investment)
- Air quality improvement efforts have reduced ozone and PM_{2.5} forming NO_x emissions by over 75%
 - Greater than 90% reduction from stationary sources under District jurisdiction
 - Significant progress in meeting health-based federal air quality standards
- District also implements a permitting program designed under state law to ensure on a regional basis there is no net increase in emissions for new or modified sources

District's New Source Review Rule

- District Rule 2201 (New and Modified Stationary Source Review)
 - Designed to meet both federal and state NSR requirements
 - Subject to most rigorous NSR requirements due to attainment status
- Key elements of Rule 2201 include:
 - Best Available Control Technology (BACT) – mandates emission controls to minimize emission increases
 - Emission Offsets – requires emissions above specified offset threshold levels to be mitigated with either concurrent reductions or banked ERCs. ERCs cannot be used in lieu of meeting other control requirements (e.g., BACT or prohibitory rules)
 - Federal Offset Equivalency – system to ensure local NSR offset requirements are at least as stringent as federal requirements
 - Public notification – a notice period prior to issuance of Authority to Construct (ATC) to garner comments on projects that result in emissions above specified levels

CARB Review of ERC Program

- At January 2019 board meeting, CARB Board directed their staff to review the District's ERC program
 - Response to request from environmental advocacy organizations
 - CARB review focused on District's ERC program, including equivalency demonstration, relative to overarching federal, state, and local regulations
- District worked with CARB staff to:
 - Communicate concerns and expectations, including that the review be conducted objectively and in context of state, federal, and District regulations
 - Aid in the understanding of the District's ERC system and permitting program
 - Provide all requested information
- CARB final report released June 5, 2020
- CARB Board hearing held June 26, 2020
 - Approved their staff's recommendations including commitment to support the District in enhancing the ERC program moving forward

District Response to CARB Review

- District appreciates CARB's general recognition of the stringency of the District's air quality programs and the success in reducing emissions from stationary sources in the Valley
- CARB's review pointed to the need to revisit and potentially enhance aspects of the ERC and offset equivalency program moving forward
- District made a series of specific commitments in response to the review aimed at enhancing transparency, rigor and public engagement surrounding the ERC and federal offset equivalency program
- District has been diligent in implementing the commitments
 - District has substantially met commitments in coordination with CARB and EPA
 - District has now transitioned into rulemaking efforts to formalize changes that have been implemented and satisfy other elements to ensure federal requirements can continue to be met

Moving Forward: Amendments to Rule 2201

- District is currently pursuing a multipath approach for federal offsetting requirements
- In accordance with the offset equivalency remedies contained within Rule 2201, the District must now amend Rule 2201 requirements associated with federal offsetting of VOC and NOx
- Maintain equivalency system for PM10, PM2.5, SOx, & CO
- Proposed amendments to District Rule 2201 will include:
 - Adopting full federal offsetting program for NOx and VOC
 - Amendments to offset methodologies, exemptions and requirements
 - Amendments to existing offset equivalency remedies (PM10, PM2.5, SOx, & CO)
- Proposed amendments will also be necessary to satisfy recent EPA action on 2019 version of District NSR rule

2019 Revisions to Rule 2201

- Aug 2019: Board adopted revisions to Rule 2201 to address minor approvability issues related to 2016 revisions
 - Enhanced PM2.5 precursor demonstration for ammonia using new EPA guidance published after rule adopted in 2016
 - Definitions related to Routine Replacement Emissions Unit and Temporary Replacement Emissions Unit
- Nov 2019: Amended Rule 2201 was submitted to EPA
- Jul 2022: EPA proposed a limited approval / limited disapproval of the 2019 version of Rule 2201
- Currently awaiting final EPA action on the 2019 version of Rule 2201

Additional Amendments Related to EPA Action

- EPA's action identified additional approvability areas which must be addressed during the Rule 2201 amendment process
 - Inclusion of certain federal NSR definitions
 - Inclusion of federal visibility requirements
 - Analysis of minor source NO_x and VOC public notice thresholds
 - Removal of interpollutant offset trading for ozone precursors
 - Revision to definitions of Routine Replacement Emissions Unit and Temporary Replacement Emissions Unit
 - Other minor administrative issues

Moving Forward: Amendments to Rule 2301

- District also working on amendments to Rule 2301
- Proposed amendments to District Rule 2301 will include:
 - Administrative mechanisms, definitions, and procedures for the filing of applications and banking of ERCs including the requirement for a timely application submittal (clarify interpretation of rule language flagged by CARB)
 - Administrative mechanisms, definitions, and procedures for the banking of other creditable emission reductions (future orphan shutdowns, mobile source credits, etc.)
 - Removal of banking for new greenhouse gas emission reduction credits

Next Steps: Public Engagement Process for Rule 2201 and Rule 2301 Amendments



Ongoing Public Participation and Stakeholder Engagement throughout Process