

News Release

SCAQMD Public Workshop – Proposed Regulation XX – RECLAIM Amendments



January 20, 2007 - SCAQMD held a public workshop on January 19, 2007 to present and discuss several proposed RECLAIM amendments regarding, NO_x emission factors for cement kilns, reporting, exemptions and RTC trading requirements.

1. Amendments to Rule 2002 – Table 1 NO_x Emission Factors for Cement Kilns.

- a. Table 1 of Rule 2002 needs to clarify that 2.72 lbs of NO_x per Ton Clinker applies to Gray Cement only.
- b. Technical Clarification that 2.85 lbs of NO_x per 1000 gals Fuel Oil applies to White Cement only.

Comments: A representative for TXI Riverside Cement commented on the White Cement technical clarification. He said they have 2 white cement kilns which are considered the lowest NO_x kilns in the world. The technical clarification of 2.85 lbs of NO_x per 1000 gals is a 90% reduction from their 2 lowest NO_x kilns which is technologically infeasible and can't be met.

Status: Staff will take TXI Riverside Cement's comment into consideration and look further into it.

2. Amendments to Rule 2004(b)(6) – Exemption from Submitting QCERs & APEPs.

- a. Exempt from Submitting Quarterly Certification of Emissions Reports & Annual Permit Emissions Programs if you have zero NO_x and SO_x located at the Facility.
- b. Must Submit Application for Permit Amendments Exemption.

Staff clarified that a facility would have to accept an operating permit of emitting zero NO_x and SO_x at all times. If there is a violation of this exemption, and NO_x and SO_x is emitted, then the facility will no longer be exempt and the violation will be on a worst case scenario assuming uncontrolled emissions of 24 hours/day for each day the source was on the premise. If NO_x and SO_x sources were located in the facility after an exemption is granted, the facility has to be amended to allow operation of that source of equipment, and the facility will no longer be exempt.

No comments were made.

3. Amendments to Rule 2007(e)(2)(H) – Reporting Requirements

- a. Establishes the reporting requirements for acquisition of RTCs through contingent right or forward contract agreements.
- b. Clarification that within 5 business days of trade or Payment the "Registration of RTC Transfer" must be submitted. For contingent right contracts, this "Registration of RTC Transfer" must be submitted within 5 business days of executing the contract.

To avoid confusion, staff specified that the current language in Rule 2007(e)(2)(C) related to "Registration of RTC Transfer" specified in Rule 2007(e)(2)(H) is deleted to avoid duplication.

Comments: Samantha Underwood commented on how Rule 2004 market pricing isn't updated on the website right away and that info isn't readily accessible. Staff responded saying they will look into the matter.

A representative from Gray Tech commented on index prices and how trade is incorrectly priced along with monthly pricing and average pricing. Staff responded by saying the pricing and indexing are different and the goal is to see what is actually transferred. The Report of Contract Agreement allows the District to see what is truly transferred or not.

Status: Staff will look further into what was commented.

4. Amendments to Rule 2007(e)(2)(I) – Trading Requirements

- a. If a Seller or Buyer does not live in, and does not have a License to Conduct Business in California, an Agent for Service of Process is required.
- b. Disputes would be conducted and resolved through a California Judicial Court

Staff explained that it has been difficult to handle transactions that have occurred between sellers/buyers that did not reside in or have a business license in California. Staff proposes to require these sellers/buyers to appoint a licensed Agent for Service of Process and the appointments need to remain in effect for a minimum of four years after the most recent RTC trade activity. This will prevent problems with those trading from foreign countries.

Comments: Mr. Rothman commented and said he was a non-compliance market participant and said that there is a skew in the market trying to preclude market participation. There is no way to find out what the status of trades are from the district and there is no understanding or acknowledgement of trades. Mr. Rothman says it has been 3 months since a trade agreement with a Seller, yet he hasn't heard from the District. Staff responded by saying that the reporting of pricing never occurred, and that Mr. Rothman indeed was contacted because there was a problem on the foreign contract. Staff said that they will look further into the transaction.

Status: Staff will look further into what was commented.

5. Amendments to Rule 2010(b)(1) – Administrative Remedies & Sanctions.

- a. Change of Operator prior to violation of facility's allocation.
- b. Original Prior Operator and Current Operators are both liable.
- c. First, reduce Original Facility's Allocation, and proportion remaining balance to current operators based on facility's potential to emit, and then add permit conditions, if necessary.

Comments: Samantha Underwood commented on how a change of ownership would impact sales to owners. She gave an example of a sale from company A to company B. Suppose company B goes into the market prior to auditing (Auditing takes 1-2 yrs). Then, company B sells credits and the District inquires about the sale. If the District says that there was an issue with the credits and that the sale was not valid, then what happens? Staff responded by giving another example to clarify. If company A operates equipment, and company A sells to company B, then company B comes to operate the same equipment. Since company B operates the same equipment, there is a change in operator. Company B becomes the new operator and assumes full liability. In Audit, if company A is shown to have exceeded emissions, then company A is the one responsible. And the original facility's allocation will be reduced to cover total exceedances to the maximum extent possible.

Bill Pierce with Boeing commented on Boeing's change of ownership and that their change of operator application is currently pending. Mr. Pierce asked if this rule change would affect their current pending application. Staff responded that they will wait until the rule is implemented. Staff added that the time it takes for the rule to be implemented and for the pending application to be completed will be parallel.

Status: Staff thanked everyone for comments and said that they will make further evaluations.

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Contact Person

Mary Ngo
E5, Inc.
11358 Knott Street
Garden Grove, CA 92841-1400

Tel (714) 373-3800
Fax (714) 373-3828
Email mngo@e5.com
Web <http://www.E5.com>