Implementation Options for OTC Multi-Pollutant Position: Report of the SAS Workgroup

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WHY Multi-Pollutant

- Pollution transport from power plants and large industrial sources remains a challenge – up to 70% -- to attainment of the NAAQS
- Regional or national programs can address transport
- Cap-and-trade programs, set low and early enough, can address sector's contribution to nonattainment
- A multi-pollutant approach provides greater certainty for air quality benefits and affected sources

Chronology of Multi-Pollutant Activity

- **September 24, 2003** – OTC approves NO_x Position
- **Fall 2003** – EPA Clear Skies Initiative falls short in the Congress
- **January 27, 2004** – OTC approves Multi-Pollutant Position
- **January 30, 2004** – EPA simultaneously issues CAIR and mercury rules
- **October 5, 2004** – ECOS tables proposed multi-pollutant resolution
- **December 31, 2004** – EPA intends to finalize CAIR and mercury rules

Elements of OTC Multi-Pollutant Position

- 3(+) pollutants – NO_x, SO_2, Hg, (CO_2)
- National cap-and-trade phased in from 2008 through 2012
- Hg reductions initially co-benefits plus state actions, then plant-by-plant in 2015
- Banked SO_2 allowances expire in 2010; flow control discount for NO_x/SO_2 banks
- Applies to EGUs; large industrial boilers and other sources as appropriate
- Preserves states' rights, e.g., §126 petitions

Implementation of Multi-Pollutant Position

- *Ad hoc* group of states' staff directed to:
  - Develop implementation, e.g., model rule, barriers, litigation
  - Evaluate upwind states' contribution to downwind states' nonattainment
- General findings
  - New tools and mechanisms for tracking, trading
  - Budget development/allocation

Options – Cap and Trade

- Pattern after existing OTC NOx Budget Program and the NO_x SIP Call
- Allow banking
- Address excess Title IV allowances preventing near-term reduction - though some form of discounting mechanism
- Consider efficiency in developing budget and allocation methodology
- Consider seasonal NOx controls and plant-by-plant performance standards

Options – Area Coverage

- Inside the OTR
- Other upwind areas
  - Generally consistent with the NOx SIP Call and Clean Air Interstate Rule
- Nationally
- Contribution work ongoing

Options – Source Coverage

- Electric Generating Units (greater than 25 Mw) and other sources currently participating in state and regional trading programs
  - e.g., NOx SIP Call
- additional sources may be included (15 Mw and other 250 MMBtu) by specific pollutant
- consider minimum plant-by-plant performance standards for NOx, SOx, Hg, PM by 2013

Options – Implementation Mechanism

- Model Rule for OTC States
- Other areas by federal rule, Section 126 or other potential options under the Clean Air Act by demonstration of contribution
  - Analysis ongoing

Steps to Development

- Develop program elements including:
  - Regional cap
  - Budget
  - Allocation options
- Assess alternate implementation mechanisms
- Further analyze emission reductions and air quality benefits from multi-pollutant controls

Commitment of OTC Member Resources

- State workgroup will be needed for budget deliberation and model rule development
- Staff and financial resources for further technical analysis
- Regional consensus to move forward