DRAFT

Summary of Regulatory Options to Implement Additional EGU Reductions Beyond CAIR Budgets

Prepared by: OTC Multi-Pollutant Workgroup
July 31, 2006

July 31, 2006

DRAFT

Summary of Regulatory Options to Implement Additional EGU Reductions Beyond CAIR Budgets

I. Introduction

The Ozone Transport Commission (OTC) has endorsed a multipollutant approach for the electrical generating (EGU) sector and other sectors as an efficient means of reducing ozone and its precursors. As the OTC made clear in January 2004 in the "Multi-Pollutant Strategy Position of the Ozone Transport Commission," the control of other pollutants is "directly relevant to OTC's mission to address the transport of ozone and its precursors, and to plan for, achieve and maintain attainment."

In June 2005, the member states of the OTC adopted a "Final OTC Multipollutant Program Development Strategy." As part of that strategy, the OTC Multi-Pollutant Workgroup has reviewed specific options for a model rule to implement emission reductions for EGUs that would achieve greater reductions than the emission budgets set forth in the Clean Air Implementation Rule (CAIR) for NO_x and SO_2. Since April 2006, the group has held numerous conference calls and one face-to-face meeting to discuss options and issues. This initial work was presented to the OTC Commissioners at the OTC Annual Meeting held on June 6-7, 2006. At that meeting, the member states issued the following statement and direction to the Workgroup:

"Accordingly, the member states of the Commission direct staff and its workgroups to continue to formulate a program beyond CAIR to address the emissions from this [EGU] sector. . . In doing so, the OTC supports and remains committed to the concept of cap and trade programs as a primary means of achieving economical emission reductions from the electrical generation sector on both an annual and seasonal basis . . . Staff should complete its evaluation and recommendations for a program beyond CAIR that includes strategies to address the base, intermediate and peak load emissions from this sector in the most comprehensive and cost-effective manner possible, so as to maximize public health, environmental and economic benefits while ensuring an adequate electrical capacity and reliability for the region. This program should be developed soliciting active involvement and participation of Public Utility Commissions, Regional Transmission Organization staff, EPA, the utility industry and other stakeholders."

Consistent with this direction, the Workgroup has assembled this draft document, and is interested in obtaining comments and input from stakeholders on model rule options. At this time, the model rule ideas remain in draft form. This document does not reflect official positions of the OTC or its member states, and does not represent final recommendations of the Workgroup. Significantly, the draft rules do not address the ultimate issue of the specific reduction targets or budgets that would establish reductions that go beyond CAIR. The Workgroup and the OTC have initiated further modeling and analysis that will help to establish

those targets. That work is also proceeding as the OTC states and other states in the CAIR region have engaged in a state collaborative process to discuss opportunities for broad regional initiatives, one of which may include reductions for EGUs that go beyond the CAIR reductions. Both the modeling and the collaborative process may affect the final form of the model rule and the degree of reduction proposed.

In scheduling stakeholder input and formulating options for implementing reductions that go beyond CAIR, the Workgroup also has had to take into account the procedural aspects of finalizing CAIR SIPs within EPA's required timeframes and of working with the state collaborative process. The timeline on the next page outlines some of the key steps and timeframes that influence this process.

The following summary provides a brief overview of the options the Workgroup has developed to date, along with a series of attachments that contain the actual draft text for each of the options (Attachments A through C). Because CAIR addresses NO_x and SO_2 in a different manner, with the latter based on the use of Title IV Acid Rain Program allowances, the range of options is slightly different for each pollutant. However, the Workgroup has developed one option that states could implement in the same basic manner for both pollutants.

In designing approaches to achieve emission reductions beyond those anticipated under CAIR, the Workgroup has endeavored not to disturb the basic mechanism of CAIR but rather to develop complementary mechanisms it believes will provide additional EGU reductions with a minimum of administrative costs for both sources and regulators. Attachment D provides a list of the various CAIR sections and the influence of the draft regulatory approaches laid out in Attachments A-C on each of those sections. As that list shows, the direct impacts on the CAIR provisions are minimal.

Outline of CAIR and Beyond CAIR Regulatory Timeline				
2006	**EPA CAIR**	**OTC Model Rule**	**State Rule (e.g.)**	**State SIPs**
MAR	CAIR FIP Issued 03-15-06		Start rulemaking	
APR				
MAY		Results of Modeling; May 10 OTC Air Directors Meeting		
JUN		Presentation and Materials for June OTC Mtg.	Propose rule	
JUL		Model Rule Draft for Stakeholder Comment	Rulemaking process	
AUG		Stakeholder Mtg.		
SEP	**Full CAIR SIP Due 09-11-06**	Stakeholder Mtg.; Model Rule Final		
OCT	Full CAIR States submit NO_x allocation 10-31-06			
NOV		Commissioners Mtg.		
DEC			Finalize Rule	
2007				
JAN				
FEB			Adopt Rule	
MAR	**Abbr CAIR SIP Due 03-31-07**			Abbreviated CAIR SIP to EPA
APR	Abbr States must submit NO_x allocations by 04-30-07			
MAY				
JUN				
JUL				
AUG				
SEP	EPA records CY2009 NO_x Allocation by 09-30-2007			Full CAIR Plus SIP Amendment to EPA

II. SO_2 Approaches Considered

A. State Retirement Account Option (see Attachment A)

- The basic structure for this option is a requirement that sources transfer Title IV SO_2 allowances to a state retirement account in addition to their obligations under ARP and CAIR to retire allowances.

- This option is based generally on the EPA concept in the CAIR SO_2 program of retiring Title IV allowances at a ratio stricter than the one-for-one ratio under Title IV. Retiring additional Title IV allowances to achieve further SO_2 reductions is more efficient than establishing new, separate SO_2 allowances that would have to be traded and managed separately from the Title IV program.

- The specific process used in this model option is slightly different than the retirement ratio EPA will administer under CAIR. Under this model, the state would establish a general account under 40 CFR Part 73, and sources within the state would be required to transfer allowances to that account based on their reported emissions for the year in furtherance of state air quality objectives. This approach is similar to an existing Connecticut State SO_2 retirement program.

- This rule provision can stand alone from the CAIR model rule. A state could adopt the language as a state-only rule or submit it as part of a SIP revision separate from its CAIR SIP submittal.

- Because the approach works on retirement of allowances as opposed to restricting the allocation of allowances up front, it is feasible even if there are initial delays in agreeing upon budgets to implement EGU reductions that go beyond CAIR.

- In addition, the approach suggested would allow a non-CAIR SO_2 state to adopt the provisions because the approach does not require direct participation by the state in the CAIR SO_2 program and does not require active administration by EPA in the CAIR model rule structure.

- Note that the retirement ratios included in the attached draft rule text represent only initial placeholder amounts. The actual ratios would have to be determined based on further modeling and establishment of budget targets that are tighter than the CAIR budgets.

- This approach is put forth by the Multi-Pollutant Workgroup as a workable option because it has a number of benefits:

  -- Does not require that EPA administer or adjust its process for CAIR retirement ratios

-- Does not require submission as part of CAIR SIP

-- Works within timing constraints of determining tighter than CAIR budgets versus CAIR SIP deadlines

- The current draft assumes the retirement ratio percentage would be the same for all states, but the workgroup has not formed a recommendation on this issue at this time. This issue will be part of the ongoing larger discussions in the state collaborative process, and may require analyses of the distributional impacts of various approaches.

B. Backstop Separate SO_2 Program (under development)

- This would establish a separate, non-CAIR SIP interstate trading program that would be an overlay on CAIR.

- The participating states would have to establish separate allowances and a tracking system, most likely not supported by EPA but by a third party. States may be able to build off the ongoing work involving a tracking system for the Eastern Climate Registry initiative.

- For emissions monitoring and reporting, states could rely on Part 75 data as reported to EPA, and not require any separate reporting of emissions data under this stand-alone program. As a result, the applicability provisions would have to match the CAIR applicability.

- An existing NY intrastate trading program provides a basic proof of concept for implementing this type of overlay approach.

- The Workgroup puts forth this option as a "backstop" program in the event that: EPA does not prevail in legal challenges of CAIR SO_2 approach; states do not prevail with additional retirement approach; or states prefer this approach after review of the State Retirement Account Option. Note that if EPA does not prevail with CAIR SO_2 program, applicability may need to be further limited to only Title IV sources that report SO_2 mass emissions to EPA under Part 75 if states want to retain concept of no separate emissions reporting under this backstop program.

- This approach also has the benefit of allowing participating states to distribute allowances on a basis deemed most equitable by the states versus the existing underlying Title IV allocations.

- Some of the issues with this approach include the inability to address leakage of the surplus Title IV allowances that would be made available as sources reduce below CAIR targets but do not have to retire Title IV allowances to reflect those deeper reductions, as well as the general burdens of operating a separate trading program.

Because of these issues, the Workgroup considers this option less advantageous than the Retirement Account Option.

III. NO_x Approaches Considered

A. State Retirement Account Option (see Attachment B)

- The basic structure for this option is a requirement that sources transfer CAIR NO_x allowances to a state retirement account in addition to their obligations under CAIR to retire allowances.

- This is the same basic approach as the SO_2 retirement concept, and is put forth for consideration by the Multi-Pollutant Workgroup for the same reasons.

- The benefits and issues generally are the same as those for the SO_2 retirement approach.

B. Reserve Allocations Through State Attainment Reserve (see Attachment C)

- Under this option, states would establish a reserve in their CAIR rules and allocate some portion of their allowances to that reserve prior to allocating allowances to sources or other set-aside accounts.

- States can decide how to allocate allowances, and reserving some amount of the budget for state air quality objectives appears to be within states' powers under CAIR.

- This approach also eliminates any source accounting/tracking/other responsibilities, and implements the reductions beyond CAIR up front in the process.

- One of the issues that would have to be addressed is the timing of establishing these reserve accounts while the reduction targets that go beyond CAIR continue to be resolved and states need to move forward with CAIR SIPs, including initial allocations for the early years of the CAIR program.

- One concept to address this timing issue that is under discussion is the possibility of establishing an initial target in a CAIR SIP rule that may over-reserve allowances at first, and then reallocating allowances to sources when the final reserve value is known and established. The current draft model rule does not include any text on this concept.

- The draft model rule provides two options for creating the reserve accounts. One option is for each state to reserve a specific number of tons, allowing states to vary the degree of reductions beyond CAIR that would be required between the states as part of a broader review of what each state's budget should be. The second option would be to reduce CAIR NO_x budgets across the board by a set percentage for all states. This approach would work well if the decision were for each participating state to receive a final trading budget that reflects the same region-wide percent reduction from its existing CAIR budget.

C. CAIR Annual NO_x Program and Compliance Supplement Pool

- As an initial step toward moving forward with reductions that are tighter than the CAIR budgets, the Multi-Pollutant Workgroup draft approach would be that states do not allocate any of the Compliance Supplement Pool allowances provided by EPA. The basic language to implement this approach could be as follows (based on 40 CFR 96.143):

  "(a) The [applicable state agency/official] shall not allocate any of the allowances available for allocation pursuant to 40 CFR 51.123(e)(4)(ii), and all such allowances shall be placed in the retirement deduction account established by the U.S. EPA to retire allowances from use."

July 31, 2006

Attachment A

Draft Implementation of Reductions Beyond CAIR through a Retirement Approach (SO_2 Program)

I. Introduction

The following regulatory language provides a model states can use to implement additional SO_2 emissions reductions beyond the CAIR budgets. The basic structure is a rule provision that can stand alone from the CAIR model rule. A state could adopt the language as a state-only rule or submit it as part of a SIP revision separate from its CAIR SIP submittal. Because the approach works on retirement of allowances as opposed to restricting the allocation of allowances up front, it is feasible even if there are initial delays in agreeing upon the final SO_2 emissions budgets. In addition, the approach could allow a non-CAIR SO_2 state to adopt the provisions because the approach does not require direct participation by the state in the CAIR SO_2 program and does not require active administration by EPA in the CAIR model rule structure. Note that the retirement ratios included below represent only initial placeholder amounts. The actual ratio would have to be determined based on further modeling and establishment of the final SO_2 emissions budget targets.

II. Model State Regulatory Text

Regulatory Title: Additional SO_2 Emission Reduction Requirements for EGUs

1. Purpose. [Insert state name] has determined that further SO_2 emission reductions beyond those obtained under both Title IV of the federal Clean Air Act and 40 CFR 51.124(e) are necessary to achieve state air quality objectives and federal requirements. To achieve these state air quality objectives, this section requires the designated representative of a CAIR SO_2 source to surrender allowances issued under 40 CFR Part 73 to a State SO_2 Retirement Account. These allowance transfers are in addition to any allowances used to demonstrate compliance with Title IV of the federal Clean Air Act or [insert cite to CAIR FIP or state CAIR regulations].

2. Definitions.

   (a) The terms *"CAIR SO_2 source," "control period," "designated representative," and "vintage year"* shall have the same meaning as defined in [insert cite to CAIR FIP or state CAIR regulations].

   (b) *"State SO_2 Retirement Account"* means a general allowance tracking system account established by the [insert applicable state agency/official] under 40 CFR 73.31 for the purpose of permanently holding and retiring SO_2 allowances transferred by the owners or operators of affected units in accordance with the provisions of 40 CFR Part 73. Allowances held in this account shall not be transferred for subsequent use.

3. Phase I surrender requirements. For each control period commencing with 2010 though 2014, the designated representative of a CAIR SO_2 source shall transfer to the State SO_2 Retirement Account one allowance, issued under 40 CFR Part 73, for every two tons of SO_2 emitted, rounded to the nearest whole allowance. ***[Placeholder ratio - assumes additional 25% retirement ratio for CAIR Phase I, using CAIR Phase I vintage allowances; will change based on further modeling/budget setting for reductions beyond CAIR.]***

4. Phase II surrender requirements. For each control period commencing with 2015 and thereafter, the designated representative of a CAIR SO_2 source shall transfer to the State SO_2 Retirement Account one allowance, issued under 40 CFR Part 73, for every ton of SO_2 emitted, rounded to the nearest whole allowance. ***[Placeholder ratio – assumes an approximate, additional 40% retirement ratio for CAIR Phase II, using CAIR Phase II vintage allowances; will change based on further modeling/budget setting for reductions beyond CAIR.]***

5. Timing.

   (a) The designated representative shall make such transfer in accordance with 40 CFR Part 73 prior to each March 1st in the year after the control period in which the emissions occurred.

   (b) The allowances transferred under this section shall have a vintage year equal to or earlier than the control period for which they are transferred.

   (c) If, after the date of such transfer, the U.S. EPA determines that the source must increase the reported total emissions for purposes of determining compliance with [insert cite to CAIR FIP or state CAIR regulations] during a control period, the CAIR SO_2 source shall have ***[60]*** days to transfer the appropriate number of additional allowances to the State SO_2 Retirement Account to account for such increase in reported emissions.

6. Effect on other requirements. The requirements of this section are in addition to any other requirements imposed on the source by the U.S. EPA under 40 CFR Parts 72 and 73 [or 72, 73, and 97 if CAIR FIP in place] or by [insert applicable state agency/official] under [insert cite to state CAIR regulations].

July 31, 2006

Attachment B

Draft Implementation of Reductions Beyond CAIR through Retirement Approach (Annual and Ozone Season NO_x Programs)

I. Introduction

The following regulatory language provides a model states can use to implement NO_x emission reductions beyond CAIR on an annual and/or ozone season basis. The basic structure is a rule provision that can stand alone from the CAIR model rule. A state could adopt the language as a state-only rule or submit it as part of a SIP revision separate from its CAIR SIP submittal. Because the approach works on retirement of allowances as opposed to restricting the allocation of allowances up front, it is feasible even if there are initial delays in agreeing upon the final NO_x annual and/or ozone season budgets that go beyond CAIR. Note that the retirement ratios included below represent only initial placeholder amounts. The actual ratio would have to be determined based on further modeling and establishment of final budget targets.

II. Model State Regulatory Text (Annual Program)

Regulatory Title: Additional NO_x Emission Reduction Requirements for EGUs

1. Purpose. [Insert state name] has determined that further annual NO_x emission reductions beyond those obtained under 40 CFR 51.123(e) are necessary to achieve state air quality objectives and federal requirements. To achieve these state air quality objectives, this section requires the designated representative of a CAIR NO_x source to surrender allowances issued under [insert cite to CAIR FIP or state CAIR regulations] to a State NO_x Retirement Account. These allowance transfers are in addition to any allowances retired in order to demonstrate compliance with [insert cite to CAIR FIP or state CAIR regulations].

2. Definitions.

   (a) The terms "*CAIR NO_x source,*" "*control period,*" "*designated representative,*" *and "vintage year"* shall have the same meaning as defined in [insert cite to CAIR FIP or state CAIR regulations].

   (b) "*State NO_x Retirement Account"* means a general account established by the [insert applicable state agency/official] under [insert cite to state CAIR regulations] for the purpose of retiring NO_x allowances transferred by the owners or operators of affected units in accordance with the provisions of [insert cite to 40 CFR 97.160 or state equivalent of 40 CFR 96.160]. Allowances held in this account shall not be transferred for subsequent use.

3. Phase I surrender requirements. For each control period commencing with 2009 though 2014, the designated representative of a CAIR NO_x source shall transfer to the State NO_x Retirement Account one allowance, issued under [insert cite to 40 CFR 97.142 or state equivalent of 40 CFR 96.142], for every four tons of NO_x emitted, rounded to the nearest whole allowance. ***[Placeholder ratio - assumes additional 25% retirement ratio for CAIR Phase I; will change based on further modeling/budget setting for reductions beyond CAIR.]***

4. Phase II surrender requirements. For each control period commencing with 2015 and thereafter, the designated representative of a CAIR NO_x source shall transfer to the State NO_x Retirement Account two allowances, issued under [insert cite to 40 CFR 97.142 or state equivalent of 40 CFR part 96.142], for every five tons of NO_x emitted, rounded to the nearest whole allowance. ***[Placeholder ratio - assumes additional 40% retirement ratio for CAIR Phase II; will change based on further modeling/budget setting for reductions beyond CAIR.]***

5. Timing.

   (a) The designated representative shall make such transfer in accordance with [insert cite to 40 CFR 97.160 or state equivalent of 40 CFR 96.160] prior to each March 1st in the year after the control period in which the emissions occurred.

   (b) The allowances transferred under this section shall have a vintage year equal to or earlier than the control period for which they are transferred.

   (c) If, after the date of such transfer, the U.S. EPA determines that the source must increase the reported total emissions for purposes of determining compliance with [insert cite to CAIR FIP or state CAIR regulations] during a control period, the CAIR NO_x source shall have ***[60]*** days to transfer the appropriate number of additional allowances to the State NO_x Retirement Account to account for such increase in reported emissions.

6. Effect on other requirements. The requirements of this section are in addition to any other requirements imposed on the source by the [U.S. EPA under 40 CFR Part 97 and] ***[add preceding text only if CAIR FIP is in place]*** [insert applicable state agency/official] under [insert cite to state CAIR regulations].

III. Model State Regulatory Text (Ozone Season Program)

Regulatory Title: Additional NO_x Emission Reduction Requirements for CAIR NO_x Ozone Season Sources

1. Purpose. [Insert state name] has determined that further ozone season NO_x emission reductions beyond those obtained under 40 CFR 51.123(q) are necessary to achieve state air quality objectives and federal requirements. To achieve these state air

quality objectives, this section requires the designated representative of a CAIR NO_x Ozone Season source to surrender allowances issued under [insert cite to CAIR FIP or state CAIR regulations] to a State NO_x Ozone Season Retirement Account. These allowance transfers are in addition to any allowances retired in order to demonstrate compliance with [insert cite to CAIR FIP or state CAIR regulations].

2. Definitions.

   (a) The terms *"CAIR NO_x Ozone Season source"*, *"control period"*, *"designated representative", and "vintage year"* shall have the same meaning as defined in [insert cite to CAIR FIP or state CAIR regulations].

   (b) *"State NO_x Ozone Season Retirement Account"* means a general account established by the [insert U.S. EPA or applicable state agency/official] under [insert cite to CAIR FIP or state CAIR regulations] for the purpose of permanently holding and retiring NO_x Ozone Season allowances transferred by the owners or operators of affected units in accordance with the provisions of [insert cite to 40 CFR 97.360 or state equivalent of 40 CFR 96.360]. Allowances held in this account shall not be transferred for subsequent use.

3. Phase I surrender requirements. For each control period commencing with 2009 though 2014, the designated representative of a CAIR NO_x Ozone Season source shall transfer to the State NO_x Ozone Season Retirement Account one allowance, issued under [insert cite to 40 CFR 97.342 or state equivalent of 40 CFR 96.342], for every four tons of NO_x emitted during the ozone season control period, rounded to the nearest whole allowance. ***[Placeholder ratio - assumed additional 25% retirement ratio for CAIR Phase I; will change based on further modeling/budget setting for reductions beyond CAIR.]***

4. Phase II surrender requirements. For each control period commencing with 2015 and thereafter, the designated representative of a CAIR NO_x Ozone Season source shall transfer to the State NO_x Ozone Season Retirement Account two allowances, issued under [insert cite to 40 CFR 97.342 or state equivalent of 40 CFR part 96.342], for every five tons of NO_x emitted during the ozone season control period, rounded to the nearest whole allowance. ***[Placeholder ratio - assumes additional 40% retirement ratio for CAIR Phase II; will change based on further modeling/budget setting for reductions beyond CAIR.]***

5. Timing.

   (a) The designated representative shall make such transfer in accordance with [insert state equivalent of 40 CFR 96.360] prior to each December 1st after the control period in which the emissions occurred.

(b) The allowances transferred under this section shall have a vintage year equal to or earlier than the control period for which they are transferred.

(c) If, after the date of such transfer, the U.S. EPA determines that the source must increase the reported total emissions for purposes of determining compliance with [insert cite to CAIR FIP or state CAIR regulations] during a control period, the CAIR NO_x Ozone Season source shall have ***[60]*** days to transfer the appropriate number of additional allowances to the State NO_x Ozone Season Retirement Account to account for such increase in reported emissions.

6. Effect on other requirements. The requirements of this section are in addition to any other requirements imposed on the source by the [U.S. EPA under 40 CFR Part 97 and] [***add preceding text only if CAIR FIP is in place***] [insert applicable state agency/official] under [insert cite to state CAIR regulations].

July 31, 2006

Attachment C

Draft Model Language for Implementing EGU Reductions Beyond CAIR through an Attainment Reserve [NO_x Programs]

I. Introduction

The language below includes the necessary provisions to implement NO_x emission reductions beyond CAIR through a NO_x attainment reserve concept. Note that this approach would require integration directly with the CAIR program because the attainment reserve would be an integral part of the determination of how many allowances are allocated through the CAIR process. (In contrast, the retirement concept for NO_x, which is included in a separate document and is similar to the suggested approach for SO_2, could be implemented on a stand-alone basis without submittal of the rule text to EPA as part of a CAIR SIP submittal.) If the OTC opts for the retirement approach, the additional "Attainment Reserve" paragraph provided below would not be necessary. The language applies to both the NO_x annual and ozone season programs.

II. Text for Revisions to Model Rule (40 CFR 96.140 and 96.340)

The following are two options for adding a new § 96.140(a)(2)/§ 96.340(a)(2):

Option A: (2) Attainment reserve. For purposes of allocating allowances under § 96.142 [96.342], the trading budget under this paragraph (a) first shall be reduced consistent with this paragraph (a)(2). The state shall allocate [insert attainment reserve #] tons per control period from 2009 through 2014 and [insert attainment reserve #] tons in 2015 and each control period thereafter to a state attainment reserve account, and such tons shall be retired from the program and shall not be available for use by any CAIR NO_x source to demonstrate compliance. ***[Values would be filled in based on budget determinations for achieving reductions beyond CAIR; this option assumes each state could get a specific budget adjustment that may not represent an equal percentage adjustment across all states.]***

Option B: (2) Attainment reserve. For purposes of allocating allowances under § 96.142 [96.342], the trading budget under this paragraph (a) first shall be reduced consistent with this paragraph (a)(2). The state shall allocate the following percent of the trading budget in paragraph (a) of this section to a state attainment reserve account, and such tons shall be retired from the program and shall not be available for use by any CAIR NO_x source to demonstrate compliance:

(i) From 2009 through 2014, [***25*** percent]; and
(ii) In 2015 and thereafter. [***40*** percent]

[Assumes 25% reduction in Phase I and 40% reduction in Phase II; values would be adjusted based on budget determinations for achieving

reductions beyond CAIR; this option assumes the additional reductions would be achieved by adjusting each CAIR state's basic CAIR budget by an equal percentage.]

July 31, 2006

Attachment D

Outline of CAIR Model Rule and Impacts of Various Rule Options for Implementing Reductions Beyond CAIR

I. Structure of CAIR Model Rules

The CAIR model rules follow a similar structure for all three trading programs, as outlined in the table below. Note that these section numbers are for the CAIR Model Rules, which differ somewhat from the CAIR FIP Model Rules.

	Annual NO_x	**Annual SO_2**	**Ozone-Season NO_x**
General Provisions	AA 96.101 – 96.108	AAA 96.201 – 96.208	AAAA 96.301 – 96.308
Designated Representative	BB 96.110 – 96.114	BBB 96.210 – 96.214	BBBB 96.310 – 96.314
Permits	CC 96.120 – 96.124	CCC 96.220 – 96.224	CCCC 96.320 – 96.324
Compliance Certification	DD [Reserved]	DDD [Reserved]	DDDD [Reserved]
Allocations	EE 96.140 – 96.143	EEE [Reserved]	EEEE 96.340 – 96.343
Allowance Tracking System	FF 96.150 – 96.157	FFF 96.250 – 96.257	FFFF 96.350 – 96.357
Allowance Transfers	GG 96.160 – 96.162	GGG 96.260 – 96.262	GGGG 96.360 – 96.362
Monitoring and Reporting	HH 96.170 – 96.176	HHH 96.270 – 96.276	HHHH 96.370 – 96.376
Opt-In Units	II 96.180 – 96.188	III 96.280 – 96.288	IIII 96.380 – 96.388

II. Influence of the Regulatory Options for Implementing Reductions Beyond CAIR

The draft options outlined in Attachments A-C will allow states and sources to implement the basic model rules under CAIR without significant procedural changes. The approaches will influence the basic reduction targets that will need to be achieved, and take advantage of some of the trading program structures in order to achieve reductions greater than the reductions required under CAIR. The following table highlights the key CAIR model rule sections that will be affected and whether the impact is direct (a regulatory change or use of the regulatory provision) or indirect.

EPA CAIR Sections[1]	***OTC Model Rule Options Affecting CAIR*** (No variation unless indicated.)
General Provisions	
§96.X01 Purpose	Indirect (Att. A and B)
§ 96.X02 Definitions	Indirect (Att. A and B)
§ 96.X03 Measurements, abbreviations, and acronyms	
§ 96.X04 Applicability	
§ 96.X05 Retired unit exemption	
§ 96.X06 Standard requirements	
§ 96.X07 Computation of time	
§ 96.X08 Appeal procedures	
Designated Representative	
§ 96.X10 Authorization and responsibilities of CAIR designated representative	
§ 96.X11 Alternate CAIR designated representative	
§ 96.X12 Changing CAIR designated representative and alternate CAIR designated representative; changes in owners and operators	
§ 96.X13 Certificate of representation	
§ 96.X14 Objections concerning CAIR designated representative	
Permits	
§ 96.X20 General CAIR Trading Program permit requirements	
§ 96.X21 Submission of CAIR permit applications	
§ 96.X22 Information requirements for CAIR permit application	
§ 96.X23 CAIR permit contents and term	
§ 96.X24 CAIR permit revisions	
Allocations (reserved for SO_2 model rule)	
§ 96.X40 State trading budgets	Direct (Att. C); Indirect (Att. A and B)
§ 96.X41 Timing requirements for CAIR allowance allocations	Indirect (Att. C)
§ 96.X42 CAIR allowance allocations	
§ 96.X43 Compliance supplement pool	Direct (see Summary)
Allowance Tracking System	
§ 96.X50 Reserved	
§ 96.X51 Establishment of accounts	Indirect (Att. A and B)
§ 96.X52 Responsibilities of CAIR authorized account representative	
§ 96.X53 Recordation of CAIR allowance allocations	

[1] Values of X equal to 1, 2, and 3 respectively correspond to Annual NO_x, Annual SO_2, and Seasonal NO_x programs under CAIR.

EPA CAIR Sections[1]	***OTC Model Rule Options Affecting CAIR*** (No variation unless indicated.)
§ 96.X54 Compliance with CAIR emissions limits	Indirect (Att. A and B)
§ 96.X55 Banking	
§ 96.X56 Account error	
§ 96.X57 Closing of general accounts	
Allowance Transfer	
§ 96.X60 Submissions of CAIR allowance transfers	Indirect (Att. A and B)
§ 96.X61 EPA recordation	
§ 96.X62 Notification	
Monitoring & Reporting	
§ 96.X70 General requirements	
§ 96.X71 Initial certification and recertification procedures	
§ 96.X72 Out of control periods	
§ 96.X73 Notifications	
§ 96.X74 Recordkeeping and reporting	
§ 96.X75 Petitions	
§ 96.X76 Additional requirements to provide heat input data	
Opt-In Units	State Option
§ 96.X80 Applicability	
§ 96.X81 General	
§ 96.X82 CAIR designated rep.	
§ 96.X83 Applying for CAIR opt-in permit	
§ 96.X84 Opt-in process	
§ 96.X85 CAIR opt-in permit contents	
§ 96.X86 Withdrawal from CAIR Trading Program	
§ 96.X87 Change in regulatory status	
§ 96.X88 Allowance allocations to CAIR opt-in units	