



Draft Model Rule

Regulatory Options to Implement Additional EGU Reductions Beyond CAIR Budgets

OTC SAS Committee Meeting
Dulles Hilton - Herndon, VA
September 19, 2006



Dates & Schedules for 2005

2005	USEPA	OTC	State – Option 1 CAIR SIP	State – Option 2 Abbr SIP (pref)
Jan				
Feb				
Mar				
Apr			Rulemaking for CAIR SIP	
May	CAIR promulgated			
Jun		OTC Annual Meeting		
Jul				
Aug				
Sep				
Oct				
Nov				
Dec				



Dates & Schedules for 2006

2006	USEPA	OTC	State – Option 1 CAIR SIP	State – Option 2 Abbr SIP (pref)
Jan				
Feb				
Mar		Draft model rule		
Apr	FIP promulgated		Adopt state rule	Rulemaking for abbr SIP
May			Write CAIR SIP	
Jun		OTC Annual Meeting		
Jul				
Aug				
Sep	CAIR SIP due	Air quality modeling	Submit CAIR SIP	
Oct	NOx allocation for CAIR SIP due		Submit NOx allocation for CAIR SIP	
Nov				
Dec				



Dates & Schedules for 2007

2007	USEPA	OTC	State – Option 1 CAIR SIP	State – Option 2 Abbr SIP (pref)
Jan		Air quality modeling continued		
Feb				
Mar	Abbr SIP due			Adopt state rule Write and submit abbr SIP
Apr	NOx allocation for abbr SIP due			Submit NOx allocation for abbr SIP
May				
Jun		OTC Annual Meeting		
Jul				
Aug				
Sep	EPA records allocation for CY2009			
Oct				
Nov				
Dec				



Dates & Schedules for 2008

2008	USEPA	OTC	State – Option 1 CAIR SIP	State – Option 2 Abbr SIP (pref)
Jan				
Feb				
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep	EPA records allocation for CY2010			
Oct				
Nov				
Dec				



SO₂ Approaches

- Option 1 (preferred) - state retirement account
- Option 2 (backstop) - separate SO₂ program
- Have not settled on the targeted emissions reduction - still waiting on air quality modeling



SO₂ State Retirement Account

- Transfer Title IV SO₂ allowances to a state retirement account in addition to ARP and CAIR obligations
- Based on existing CT SO₂ retirement program
- Similar to USEPA's treatment of Title IV SO₂ allowances under CAIR
- Can be stand alone from CAIR model rule



SO₂ State Retirement Account

- Allows non-CAIR states to participate
- Does not require USEPA to administer or adjust CAIR
- Does not require submission as part of CAIR SIP
- Works within timing constraints of CAIR
- Currently, retirement ratio assumed to be same for all states



SO₂ State Retirement Account Draft Model Rule

- Purpose
- Definitions
- Phase I surrender requirements
- Phase II surrender requirements
- Timing
- Effect on other requirements



Backstop

Separate SO₂ Program

- Under development
- A separate, non-CAIR SIP interstate trading program that overlays CAIR
- OTC would have to establish separate allowances and a tracking system
- Rely on Part 75 data
- NY's existing intrastate trading program as example



Backstop Separate SO₂ Program

- Need a backstop if USEPA loses legal challenge to the CAIR SO₂ program
- Allows states to allocate SO₂ allowances more equitably than Title IV
- Leakage from ARP and CAIR



NO_x Approaches

- Option 1 - state retirement account
- Option 2 - reserve allocations through state attainment reserve
- Have not settled on the targeted emissions reduction - still waiting on air quality modeling



NO_x State Retirement Account

- Transfer CAIR NO_x allowances and CAIR NO_x ozone season allowances to a state retirement account in addition to CAIR obligations
- Same approach as the SO₂ retirement concept
- Benefits and issues generally the same as those for the SO₂ retirement approach



NO_x State Retirement Account Annual and Ozone Season

- Purpose
- Definitions
- Phase I surrender requirements
- Phase II surrender requirements
- Timing
- Effect on other requirements



Reserve Allocations Through State Attainment Reserve

- State would establish a reserve in their CAIR rules and allocate some portion of their budget to that reserve prior to allocating to the sources and set-asides
- Appears to fit under the requirements of CAIR
- No additional accounting/tracking



Reserve Allocations Through State Attainment Reserve

- Timing is a constraint under CAIR; possible solution to timing issue is to “over-reserve” the initial year and then re-allocating after the final reserve value has been determined (not in model rule)
- Two options for creating the reserve account
 - Option A: Each state reserve a specific number of allowances
 - Option B: Reduce CAIR NO_x budgets across the board by a set percentage for all states



Reserve Allocations Through State Attainment Reserve

Draft Model Rule - Option A

- Text revisions to CAIR model rule (40 CFR 96.140 and 96.340)
- Allocate a specific amount to Attainment reserve
- Two phases
- To be retired



Reserve Allocations Through State Attainment Reserve

Draft Model Rule - Option B

- Text revisions to CAIR model rule (40 CFR 96.140 and 96.340)
- Allocate a certain percentage of the budget to Attainment reserve
- Two phases
- To be retired



Compliance Supplement Pool

- Only for the 2009 annual NO_x program in CAIR
- As an initial step forward in reducing emissions by not allocating the compliance supplement pool and retiring them



Other Issues

- Output-based allocations
- EE/RE set-aside
- Non-CAIR states
- New PM standards