OZONE TRANSPORT COMMISSION

Connecticut

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Massachusetts

New Hampshire

New Jersey

New York

Pennsylvania

Rhode Island

Vermont

Virginia

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OTC ANNOUNCES FULL IMPLEMENTATION OF NOX TRADING PROGRAM

(May 16, 2003, Washington DC) - May 1st marked the beginning of the last phase of a regional Nitrogen Oxides (NOx) trading program, representing full implementation of Phase III of the Ozone Transport Commission's (OTC's) NOx Budget Program. The program has already achieved a 60% reduction of NOx emissions during the ozone season from more than 1,000 major polluting sources. OTC's NOx budget program will eventually be incorporated into EPA's NOx SIP Call, but for now, is operating in advance of EPA's program.

"We hope EPA's NOx SIP call will bring other regions of the country up to where the OTC is," said Jan H. Reitsma, Chair of the organization and Director of the Rhode Island Department of Environmental Management, "but that program is still a year from starting, whereas the OTC states are already implementing these reductions."

In 1994, most of the OTC states signed a Memorandum of Understanding to create a market-based emissions trading program to reduce and cap regional NOx emissions substantially below levels than required by the application of Reasonably Available Control Technology (RACT). The NOx Budget Program applies to more than 1,000 large combustion facilities in signatory states, including over 900 electric generating units and over 100 industrial units, such as steam boilers and process heaters.

Large NOx emission sources in OTC states are subject to three separate phases of emissions reductions. Phase I involved year-round RACT controls, reducing the NOx emissions from major industrial and utility sources from 473,000 tons to 290,000 tons during the summer ozone season. Phases II and III comprised the OTC NOx Budget Program: Phase II had an initial ozone season budget beginning in 1999, and the Phase III budget will reduce the emissions to no more than 143,000 tons during the 2003 ozone season.

"This is one very successful component of our overall strategy to bring the region into compliance with healthful air standards" said Christopher Recchia, Executive Director of the OTC, referring to the clean-up of major pollution sources within the region. "It shows we can successfully reduce pollution while continuing to produce power economically. Still, we can't meet the standards with this effort alone - Polluting sources beyond our region that transport unhealthy air into our member states (mainly, coal-fired power plants) need to make comparable reductions, and, nationally, we all need to do more work to reduce total emissions from our cars and trucks" Recchia said.

The NOx SIP call was developed in response to OTC members advocating for further reductions to address ozone transport in the eastern U.S. The NOx SIP call affects 21 eastern states and the District of Columbia. Trading under the program will include all of the OTC states currently trading in the Budget Program except New Hampshire which will continue to achieve comparable reductions as the NOx SIP call under a state-run trading program. The emission reduction targets under the NOx SIP call program are comparable to the OTC Phase III reduction targets, about 70 percent from 1990 baseline levels. This approach, utilizing a firm budget that decreases in stages, is known as a declining cap. Full implementation of the program both within the OTR and outside the OTR region is necessary to ensure most of these urban areas will have healthy air.

OTC is a multi-state organization whose main focus is to develop regional solutions to the ground-level ozone problem in the Mid-Atlantic and Northeast region of the U.S. It is committed to finding innovative approaches that maximize public health and environmental benefits. OTC was created by Congress, and its members include: Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia.