DEP White Paper on Section 111(d) of the Clean Air Act

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AGENDA

1. Welcome
2. Review of White Paper Proposal
3. Questions & Comments

Note: WebEx Technical Support is available at 866-229-3239
• Use Section 111(d) of the Clean Air Act to establish emissions guidelines.
• Change the New Source Review Applicability Test to remove obstacles to the installation and operation of efficiency projects.
• Provide opportunities for system-wide compliance demonstrations, trading, and banking, without the use of allowances.
• Use Section 111(d) of the Clean Air Act to establish emissions guidelines.

• Change the New Source Review Applicability Test to remove obstacles to the installation and operation of efficiency projects.

• Provide opportunities for system-wide compliance demonstrations, trading, and banking, without the use of allowances.
Why Section 111(d)?

- Emissions guidelines should be developed in close consultation with the states.
- This is because the states are the best authority to inform the EPA of their unique issues.
- The structure of Section 111(d) is the fundamental principle of cooperative federalism.
• Use Section 111(d) of the Clean Air Act to establish emissions guidelines.

• Change the New Source Review Applicability Test to remove obstacles to the installation and operation of efficiency projects.

• Provide opportunities for system-wide compliance demonstrations, trading, and banking, without the use of allowances.
New Source Review

• Minimal changes to New Source review must be made to allow optimization of efficiency improvements.
  o Change NSR applicability test
  o Current test provides absurd results
  o Lbs/MWhr vs. tons/year
  o *Critical to the success of the program*
  o Removes the regulatory obstacle
New Source Review

• A new affected source undergoes BAT, BACT, and, if applicable, LAER to determine its emissions limits.

• In non-attainment areas, a source is also required to obtain emissions reduction credits in excess of their emissions to offset the emissions increase.
NSR Paradigm

- Potential to Emit
- Baseline Actual Emissions + Significance Threshold
- Emissions Opportunity

Legend:
- Emissions
- Significance Threshold
- Opportunity to Emit without a Project
Pennsylvania’s Section 111(d) White Paper

- Use Section 111(d) of the Clean Air Act to establish emissions guidelines.
- Change the New Source Review Applicability Test to remove obstacles to the installation and operation of efficiency projects.
- Provide opportunities for system-wide compliance demonstrations, trading, and banking, without the use of allowances.
System without Allowances

- Accumulation/System-wide compliance
- Multi-year compliance demonstration
- True up
- No allowances
Pennsylvania’s Specific Vision

• Emissions guidelines should address emission reductions achievable “within the fence line” of affected sources.

• “Beyond the fence line” projects are non-affected sources and not subject to Section 111(d).

• It is appropriate to consider the use of projects from non-affected sources, only at the discretion of the affected source.
Pennsylvania’s Specific Vision

• Credits generated by non-affected sources to assist an affected source to meet the guidelines must be:
  o Quantifiable
  o Enforceable
  o Continuing

• Energy avoidance projects should not be used to generate credits.
Pennsylvania’s Specific Vision

- Pennsylvania recommends a mass-based budget determined using 2005 as the baseline year.
- All units operating in 2005, and other existing units would quantify their baseline to establish the total baseline.
- Compliance is determined on a five-year rolling basis; the multiyear compliance demonstration smooths out short-term variations.
- Early reductions from the 2005 baseline year (e.g., retirements) will be credited for compliance demonstrations.
Efficiency investments provide an economic benefit to the investor.

Results in lower costs, lower prices, and lower emissions.

Preserves fuel diversity and grid reliability.

Allows all sectors to invest in energy efficiency.

Improves competitiveness while preserving and expanding jobs and growing the economy.
QUESTIONS?
For more information, contact:

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