



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Bureau of Air Quality



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

May 6, 2014

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Bureau of Air Quality

AGENDA

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

Note: WebEx Technical Support is available at
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▶ 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.

▶ Pennsylvania's Section 111(d) White Paper

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➤ 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.

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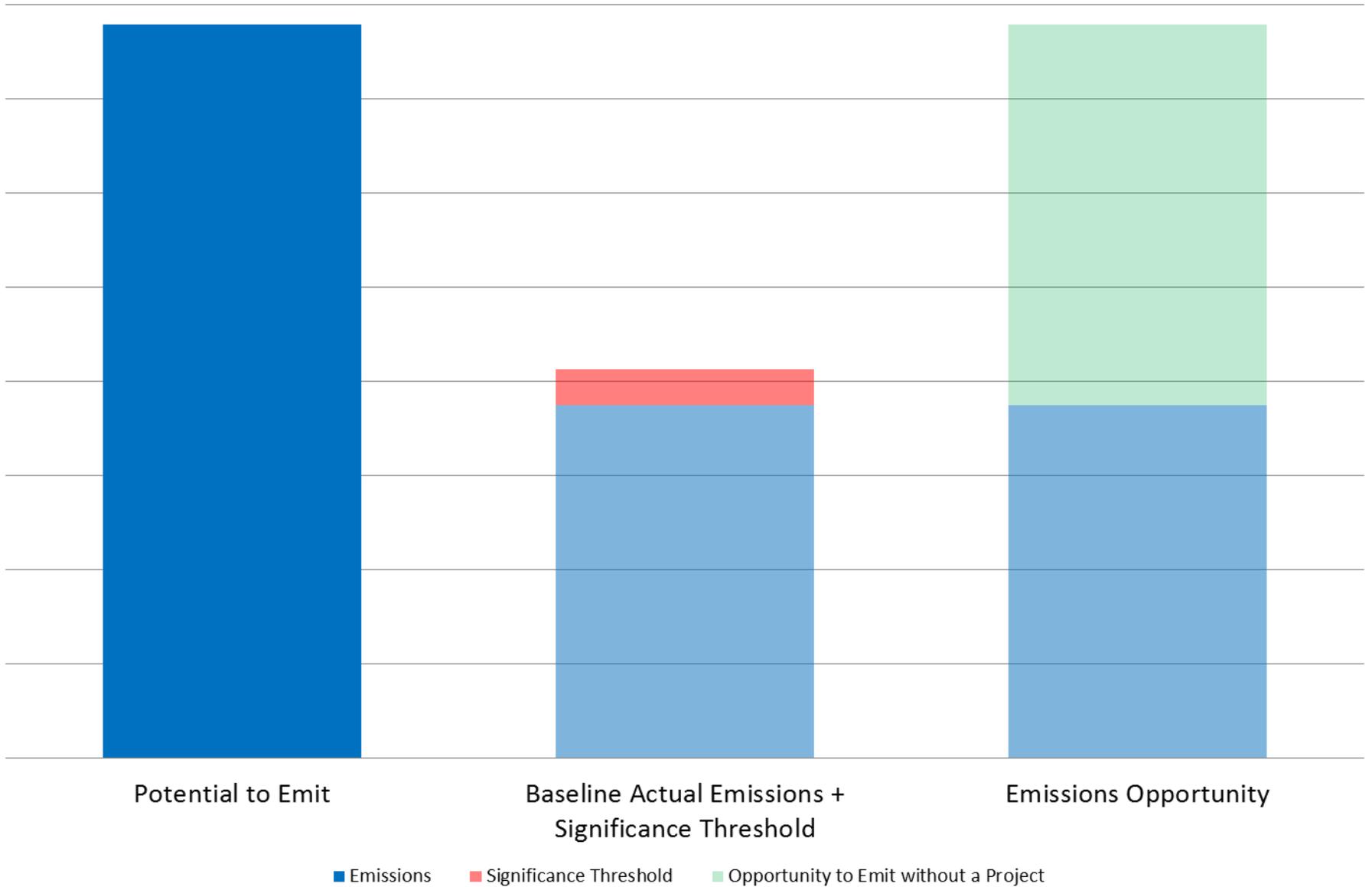
New Source Review

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

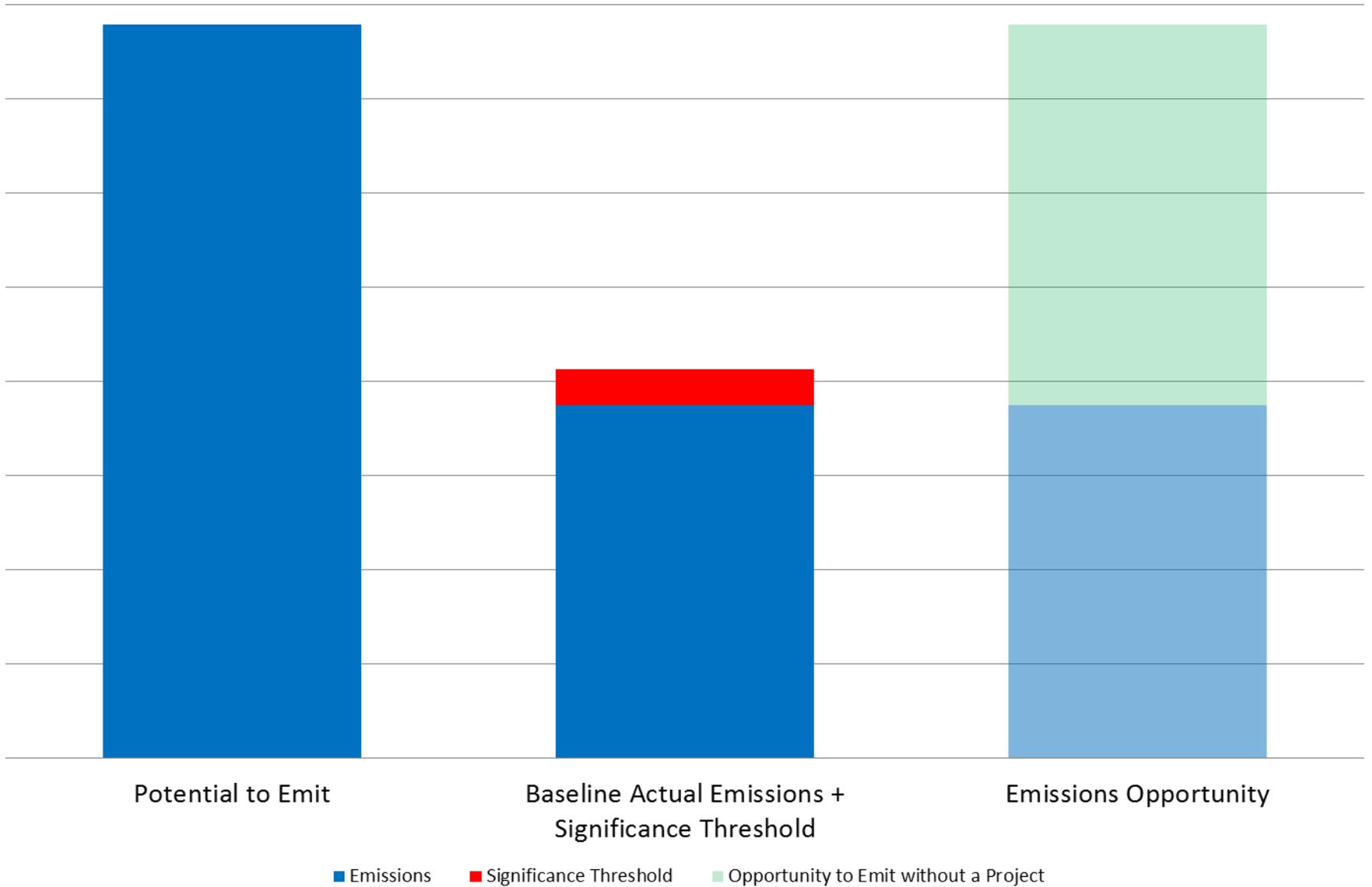
New Source Review

- 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.

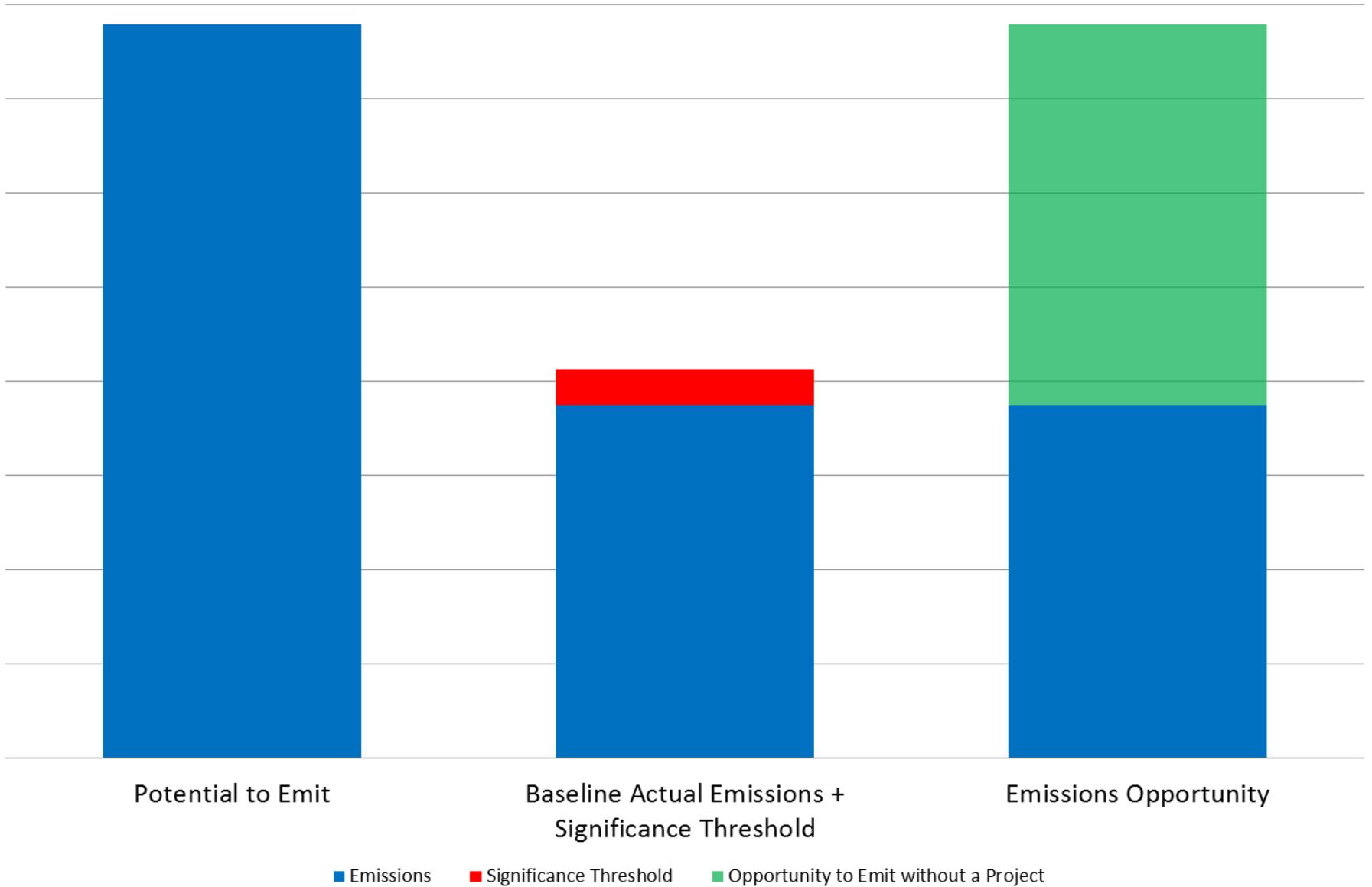
NSR Paradigm



NSR Paradigm



NSR Paradigm



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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:
 - Quantifiable
 - Enforceable
 - 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.

► Everybody Wins

- 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.



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QUESTIONS?



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