American Forest & Paper Association

AMERICAN WOOD COUNCIL

New Source Review Improvements

April 25, 2019

Overall Thoughts

- Guidance can be unevenly applied between states so regulations are welcome.
- We support the incorporation of Project Emissions Accounting into the regulatory language.
- Other improved emission accounting procedures that reflects more realistic conditions could be added.
- Important to streamline the process so additional reforms can be realized quicker.
- NSR Reforms important to global competition

Project Emissions Accounting

- Project emissions accounting will benefit mills doing projects that have an environmental benefit, such as replacing old equipment with newer, more efficient, lower emitting equipment or reconfiguring the mill to accommodate a different product line.
- By properly considering emissions during Step 1, PEA addresses the true emissions changes for a particular project and reduces unnecessary permitting complexity.
- Some states are allowing facilities to use the PEA approach now, but a rulemaking is needed to foster consistency and permanency.

Example of Better Accounting

- A paper mill wanted to upgrade one biomass boiler while shutting down two other boilers so the total emissions would be the same.
- Rather than getting the green light to proceed, the company spent significant resources analyzing emissions (as well as emissions from contemporaneous projects), delaying investments many months.
- Applying PEA, this project would not trigger NSR.
- The costs and delays should have been avoided.

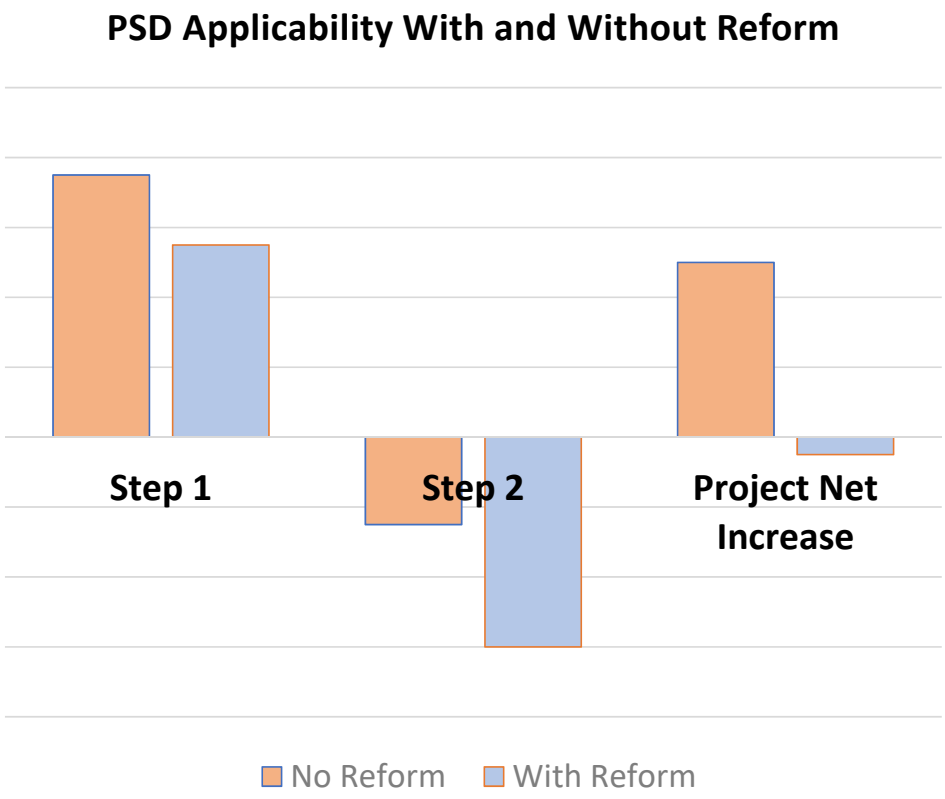
Additional Reforms Related to PEA

- Opportunity to enhance benefits of PEA rule making by seeking comment on two other key reforms:
  - Treatment of units that have gone through major NSR in subsequent Step 1 analyses (related to debottlenecking but different in that major NSR requirements have been satisfied for the upstream/downstream units).
  - Appropriate emissions test for prior contemporaneous projects at Step 2.
- Request: Seek comment in preamble to proposed PEA rule and state that EPA may go final with these changes simultaneous with issuance of PEA.

Example Project With All 3 Reforms

- A pulp mill is evaluating a project to reconfigure the pulp mill and the woodyard to improve quality and realize a small production increase.
  - Pulp washers and some woodyard equipment will be replaced.
  - Some equipment will be enclosed to reduce PM emissions.
  - More steam will be needed from the boiler that has been through PSD review for PM and has BACT.
- Contemporaneous projects: (1) added gas burners to a coal boiler and is burning gas instead of coal, shut down an old boiler, and increased fuel use at its biomass boiler; (2) performed a project that resulted in a small production increase but did not trigger PSD review based on projected actual emissions.
- The following slide depicts the difference in how the PSD applicability analysis is performed for PM with and without the 3 NSR reforms.

PSD Applicability Analysis – With And Without Reforms



- Without reform: In state interpreting regulations not to allow PEA, only project increases are included at Step 1; boiler utilization increases are added at Step 1 even though it has recently gone through major NSR for PM and has BACT; Step 2 netting is not as impactful because contemporaneous projects must be evaluated using actual to potential test, not actual to projected actual test used when permitted.
- With reform: Project increases and decreases are included at Step 1 (PEA); boiler utilization increases are not included (debot.); in Step 2, using actual to projected actual comparison for projects results in overall project having a net emissions decrease (Step 2 netting)

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Step 2 Netting

Issue:

- Use of Actual-to-Potential or allowable emissions for contemporaneous projects in Step 2 based on interpretation of what are “actual emissions”
- A contemporaneous project is one that occurs at a mill within 5 years
- Actual-to-Potential overstates impact and can result in double or triple counting of increases when same unit is included in multiple contemporaneous projects

Step 2 Netting – con't

Solution:

- Use projected actual emissions for contemporaneous projects, consistent with how the project was evaluated when permitted
- Use *actual* emissions for emission units when facility has track record of operations and post-change emissions
- Consistent with WEPCo court decision and pre-2002 guidance
- Exclude unit that "has not begun normal operation" and is new or substantially modified by the project (use actual to potential)
- Definitional change could be part of the PEA rulemaking

Limited Debottlenecking in Step 1

Issue:

- Emission changes occurring at unmodified upstream and downstream unit operations are counted when determining if a physical or operational change will cause a significant emission increase.
- Contemporaneous emission increases and decreases that have already been relied on to issue a major NSR permit are excluded from Step 2 calculations to avoid double counting.
- An emission increase or decrease is considered contemporaneous when it occurs within five years, and has been "relied on" when the reviewing authority has concluded that the change will not cause or contribute to a violation of an increment or ambient standard.

Limited Debottlenecking – con't

Solution:

- Consistent with PEA principles governing emission decreases from a proposed project, emission increases that have already been relied on and shown to not violate the NAAQS or PSD increment should also be excluded as part of the Step 1 emission increase analyses.
- This approach streamlines the applicability determination process and avoids unnecessary reviews and costs.
- It could be accomplished as part of PEA rulemaking
- Limited in scope compared with past "debottlenecking" proposal

Debottlenecking - Example

- A simple example of a debottlenecking project is replacing an existing steam turbine with a larger one to allow a facility to reduce the amount of electricity it must purchase from the grid.
- In this example, no emissions come from the new unit itself – the steam turbine. Emissions increases will only occur from the boiler. The larger turbine will require more steam which will require higher utilization of the existing boiler and cause actual emissions to increase.

Summary

- NSR Reforms important to global competitiveness.
- Need to modernize an antiquated and complicated system.
- Many other air programs ensure air quality improvements when and where needed – MACT, RTR, and NAAQS SIPs.
- No degradation to public health or environment.
- Many “conservative” assumptions overstate impacts in applicability determinations and PSD modeling- probabilistic (rather than deterministic) assessment procedures superior.