

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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RULEMAKING PROPOSAL CONCEPT PAPER PROPOSED CHANGES TO AIR QUALITY PERMITS RULES

The Department is proposing to perform a major overhaul on rules governing air quality permits. Specific provisions of these rules are:

- Inconsistent with federal regulations;
- Deficient with regard to federal standards for approving state air quality programs;
- Obsolete;
- Unclear, wordy and difficult to understand; and
- Inconsistent with the State's conventions for form and content.

Many of these problems can be remedied by adopting recent changes to federal rules by reference, and making nonsubstantive wording changes. Substantive changes the Department wishes to propose are discussed below.

THE FEASIBILITY OF EMISSIONS TRADING AND THE BUBBLE

The Environmental Protection Agency (EPA) has continually reviewed regulatory approaches and has developed alternatives that permit firms to trade air pollution control requirements within a plant, and among plants and firms. A principal component of the emissions trading process is the "bubble concept". Implementation of this concept can be visualized as a plastic bubble over an industrial complex, with only one opening for emissions. This scenario provides for variable emission controls within the bubble, so emission controls can be selectively applied to be cost effective to the company and yield emissions levels that are essentially averaged for compliance purposes.

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The Department has received petitions that request the repeal of the "dual source" definition. The Department air quality rule, A.A.C. R18-2-101.158, defines "stationary source" differently, depending upon whether the source is located in an attainment area or a nonattainment area (See paragraphs b. and c.). The source definition applicable in nonattainment areas establishes each identifiable piece of equipment that emits pollutants as a source. In attainment areas, a source is essentially the entire facility. Therefore, there is no authorization for utilization of the bubble in nonattainment areas, while it may be permitted in attainment areas.

The benefit of the bubble is reduced cost to the source for air pollution controls. The literature on emissions trading presents evidence that, though there were great cost savings to industry, the air quality benefits of the program have been negative to neutral. As implemented by EPA, emissions trading in nonattainment areas has prevented attainment of health based ambient standards by the deadlines in the Clean Air Act, and permitted increases in emissions of sulfur dioxide and nitrogen oxides, the precursors of acid rain and reduced regional visibility.

The DEQ believes that adoption of the "bubble" can be consistent with improved air quality if we learn from the mistakes that EPA and other states have made in implementing their emission trading regulations. In order for this reform to result in air quality improvements, it is paramount that the regulatory agency ensure that pollution loadings and levels are considered at least as important as cost reduction for the source. Concise and careful wording in the rule would be necessary for maximization of environmental effectiveness. The "dual source definition" should only be repealed if:

1. The EPA requirement for 20 percent reduction in emissions with each offset transaction is also adopted;

2. All emissions emanating from a facility, including fugitive emissions, are included in the allowable emissions limits of a permit; and
3. Sources demonstrate net ambient air quality benefits for each transaction.

The Department is not considering adoption of emissions banking, since it has extremely limited applicability, if any, for facilities permitted by the State.

Also, it would probably be beneficial to include a rule permitting permanent boundaries for cooperative industries, so that emissions from different companies who move into an area simultaneously are treated as a single source.

The current air quality rules place the following requirements on major sources:

<u>ATTAINMENT AREA</u>	<u>NONATTAINMENT AREA</u>
Modeling	Modeling
Monitoring	Monitoring
Best Available Control Technology (BACT)	Lowest Achievable Emission Rate (LAER)
	Offset

These requirements will not change under the proposed application of the bubble.

The Department will be receiving information on other State emissions trading programs and will present that information at the workshop.

Finally, the Department must seriously consider the resources necessary for implementation of the full emissions trading program, before it is considered feasible for Arizona.

OTHER PROPOSED CHANGES

- Installation permits rules will be revised to be more clear, concise and understandable. A common complaint with these rules is that the procedures and requirements are difficult to follow. The Department will be receiving an example(s) of rules from other areas of the country that may provide a model for revision. This example will be presented at the public meeting.
- Federal New Source Performance Standards (NSPS), National Emission Standards for Hazardous Air Pollutants (NESHAP), and revised and new test methods will adopted by reference through June 30, 1988.
- Other federal standards governing new source review, visibility protection (see related concept paper), and the new particulate standard (PM10) will be incorporated.
- Article 7, pertaining to nonferrous smelter orders, will be repealed.
- Both existing and new source definitions will be revised to eliminate conflicts regarding state and federal emission standards.