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The Offset Crisis and a Straw Concept

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Examples

- Most recent PM10 ERC Transactions (SCAQMD)
  - $100,000 - $240,000 ***per pound***
- Examples of Total PM10 Offset Cost
  - 500 MW CCGT Power Plant (w/ SCR)
    - ~ $50 Million
  - Small Industrial Boiler (400 hp, 16 mm BTU/hr; ~0.6-1.9 pounds PM10/day)
    - $200,000-$400,000
- Foregone Business/Employment Opportunities

Relative Source Contribution to Nonattainment (SCAQMD 2002)

	VOC	PM10
Electric utility fuel combustion	1.7	1.4
Refining (combustion and processing)	5.9	2.8
Manufacturing and industrial fuel combustion	1.7	1.1
Commercial & industrial mobile equipment	91.0	13.6
Recreational boats	97.0	5.6
Construction & demolition	0	39.9
Paved road dust	0	126.0
Cars, trucks and buses	455.1	24.6
Totals (tons/day)	1009	274

Relative Source Contribution to Other Health Risk

- MATES III (preliminary release January 2008, currently under review)
  - Population weighted risk reduction of ~17% since MATES II
  - Total upper bound estimated South Coast Air Basin carcinogenic risk (population weighted lifetime exposure)
    - 1,200
  - Mobile source contribution
    - 94%
  - Stationary source contribution
    - 6%
    - Predominant contributors – chrome plating (hex chrome) and dry cleaning (perc)

Primary Challenges

- Very few offset opportunities
  - Almost all conceivable strategies already are included in the SIP and may not be considered “surplus” (even if there is no apparent source of financing)
  - Even retrofit control installations are not considered surplus because EPA policy and District rules require ERCs to be discounted to RACT/LAER levels to capture retrofit control opportunity
  - Accelerating turnover of mobile sources may not be considered “permanent”
  - Many source categories lack quantification protocols

Straw Concept

- Payment of annual fee (e.g., $10,000/ton) to offset fund
- Fund used to finance hard-to-access reductions
  - Prioritize reductions most needed
    - To reduce health risk
    - To deliver attainment
- Provide the state, tribe or district the discretion to target those pollutant reductions that will deliver the greatest public health and attainment benefits without requiring specific category-category offset

Possible Required Findings

- Nonattainment is disproportionately caused by sources other than those subject to the preconstruction permit program (e.g.,by “legacy” mobile sources)
- The region suffers from a scarcity of traditional offsets that has resulted in the cost of offsets above “X”
- Sources paying into the offset fund must demonstrate that the net emissions increase will not result in an unacceptable increase in public health risk

Clinton Memorandum

Federal Register
Vol. 62, No. 138
Friday, July 18, 1997

Presidential Documents

Title 3— Memorandum of July 16, 1997

The President

Implementation of Revised Air Quality Standards for Ozone and Particulate Matter

Page 38429:

COST-EFFECTIVE IMPLEMENTATION STRATEGIES

There is a strong desire to drive the development of new technologies with the potential of greater emission reduction at less cost. It was agreed that $10,000 per ton of emission reduction is the high end of the range of reasonable cost to impose on sources. Consistent with the State's ultimate responsibility to attain the standards, the EPA will encourage the States to design strategies for attaining the PM and ozone standards that focus on getting low cost reductions and limiting the cost of control to under $10,000 per ton for all sources. Market-based strategies can be used to reduce compliance costs. The EPA will encourage the use of concepts such as a Clean Air Investment Fund, which would allow sources facing control costs higher than $10,000 a ton for any of these pollutants to pay a set annual amount per ton to fund cost-effective emissions reductions from non-traditional and small sources. Compliance strategies like this will likely lower the costs of attaining the standards through more efficient allocation, minimize the regulatory burden for small and large pollution sources, and serve to stimulate technology innovation as well.