

Energy, Water and Environment Team
Advocacy Issues Background

Issue

Pass SB 696 to Spur Southern California Job Creation

SB 696 is urgently needed to get southern California's economy moving again. This bill reestablishes the South Coast Air Quality Management District's (SCAQMD) credit bank to continue the District's strict permitting program that protects public health while unfreezing the construction of essential job-creating facilities.

Pass SB 696 to Spur Southern California Job Creation

-BACKGROUND-

SUPPORT: SB 696 (Wright; D-Inglewood)

Currently a lawsuit has blocked implementation of nearly 1,100 South Coast Air Quality Management District permits for schools, fire stations, police stations, water quality plants, pollution control projects, hospitals, electricity generation, manufacturing and others. In addition, more than 2000 existing permits are potentially subject to being cancelled.

Blocking these permits means lost jobs and delays in building needed projects like police stations, fire stations, hospitals, manufacturing and more. Over half of these permits impact small businesses. Altogether, thousands of facilities will be impacted that employ hardworking men and women in southern California.

This problem will make southern California's severe economic downturn even worse. Essential services, small businesses and others will have to pay up to \$4 billion to obtain emission reduction credits –if they are available at all. Job losses will contribute to the downward economic spiral. It will also create hurdles for new economic stimulus projects.

Unless SB 696 is passed, many upgrade projects at aging facilities will be stopped. That means many of these facilities won't be able to replace older equipment with cleaner and more energy efficient equipment and modern pollution control equipment. Consequently, neither the air quality goals of the State Implementation Plan (SIP) nor the greenhouse gas emission

reductions planned for in the AB 32 Scoping Plan can be implemented.

SB 696 is urgently needed to get southern California's economy moving again. It reestablishes the South Coast Air Quality Management District's (SCAQMD) credit bank and allows access to its priority reserve to continue the District's strict permitting program that protects public health while allowing essential services and job-creating facilities to be built.

SB 696 is sponsored by the South Coast Air Quality Management District which is the agency responsible for improving air quality in the region along with a growing coalition of public officials, businesses, labor, law enforcement, education and water quality officials.

New Source Review and the AQMD Internal Bank

Congress established the New Source Review (NSR) permitting program as part of the 1977 Clean Air Act Amendments. NSR ensures that air quality non-attainment areas, such as Southern California, do not significantly worsen as new emissions are added to the air basin. State law also stipulates that there be "no net increase" from major and non-major sources new sources. Emissions offsets are required for new facilities, relocations and expansions or modifications to existing facilities, including equipment replacements, air pollution control projects, relocations of existing equipment, and emergency backup engines. Offsets are available for trade in a market based system where upgraded facilities can sell to new or expanding facilities. However, few credits are currently available and those on the market are extremely expensive.

SCAQMD manages the NSR in Southern California and maintains an internal bank of credits available for essential public services. Those services include municipal and emergency services as well public works. Some examples include emergency back-up generation for hospitals, airports, police and fire stations; landfill gas generators; and sewage treatment facilities.

Off-sets have also been provided for large electricity generators in order to avert another power supply crisis and meet future needs for the region.

Legal Action

The decision to allow power generators to draw from the internal bank caused the Natural Resources Defense Council (NRDC) to sue SCAQMD. A state court CEQA decision has enjoined the South Coast District from issuing any permits to facilities that rely on the District's internal bank since November 3, 2008. The permitting program has ground to a halt. In addition to essential public services, small facilities emitting less than 4 tons per year of a given pollutant can no longer obtain permits.

NRDC is also pursuing action in federal court to challenge SCAQMD's ability to use credits from its internal bank.

Business Impact

The District has over 1000 permits at about 500 facilities currently on hold. In addition, the court decision required the District to set aside approximately 3,000 permits that had already been issued during the pendency of the litigation (partial list provided).

There are several examples of Chamber member projects on hold which would improve existing equipment and air quality or are essential for public safety.

Impact of Stationary Sources

Southern California has successfully reduced its emissions from stationary sources. The 2008 Multiple Air Toxics Exposure Study III (MATES III), a monitoring and evaluation study conducted in the South Coast Air Basin (Basin), showed a significant reduction in air pollutants within the basin, but that toxics were still unacceptably high. The report cited the transportation sector as the primary factor in current health risks.

In fact, stationary sources now represent a small fraction of overall toxic air pollution within the basin. *The chart below demonstrated the relatively small contribution of criteria emissions stationary sources make to the region (less than 2%).*

Chart: relative contribution

<u>Sector</u>	<u>VOC</u>	<u>PM10</u>
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	13.6
Recreational boats	97	5.6
Construction & demolition	0	39.9
Paved road dust	0	126
Cars, trucks and buses	455.1	24.6
Totals (tons/day)	1009	274

Source: SCAQMD 2002

L.A. Area Chamber Position

- **The economy cannot recover if business does not grow**

Whether or not it was their intent, the litigants against SCAQMD halted all business growth in Southern California. There are over 4000 permits on hold or at risk. Impeding business growth is damaging; in this economic climate it is dire. The state will not recover if businesses in Southern California are not allowed to grow.

- **SB 696 protects public safety and small to medium business**

While the intent of the litigation was to limit development of power plants it has had immediate negative consequences to emergency and public services and has stopped growth of small and medium businesses. The litigation has done nothing to improve air quality and has hurt the businesses and services that can least afford delay.

- **The legislature should act to protect Southern California's power reliability**

SCAQMD acted appropriately to give power plants emissions offsets, where none were available, to avert electricity disruptions. Obtaining credits from the District's internal bank does not mean they have a CEQA exemption. All of the existing state and national environmental regulations and procedures still apply to any new projects.

- **The NRDC lawsuit prevents environmental mitigation**

The most unfortunate impact of the lawsuit is the inability for existing facilities to upgrade aging equipment with cleaner and more efficient versions. By delaying all project development the lawsuit has in effect stopped all equipment retrofits and upgrades to pollution emitting equipment. Other new facilities, which reduce CO2 emissions, such as landfill gas generators have also fallen by the wayside.