

CAIR Update

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5/12/05 final Clean Air Interstate Rule (CAIR) published.

EPA found that 28 states “contribute significantly” to non-attainment of 8-hour ozone and/or PM_{2.5} standards in downwind states.

CAIR Overview

- EPA determined the amount of emission reductions that each contributing state must achieve.
- Based on the level of reductions that can be achieved with “highly cost-effective” controls on EGUs.
- But does not require that states achieve the reductions from EGUs.

CAIR Overview

- EPA has provided a model cap and trade rule for states to adopt to achieve EGU emission reductions
- If a state wants its EGUs to participate in the CAIR cap and trade program, it must adopt EPA's model rule in its CAIR SIP.
- Model rule sets out most program parameters: accounts, permits, monitoring, reporting, etc.

CAIR Overview

- Two-phase multi-pollutant trading program
 - NO_x : annual (2009, 2015) &
ozone season (2009, 2015)
 - SO₂ : annual (2010, 2015)
- Massachusetts is only in ozone season NO_x program
- NO_x ozone season program supersedes NO_x SIP Call

CAIR – SIP Timing

- Full SIP due September 11, 2006
- FIP with abbreviated SIP due March 31, 2007
- Legal rationale for FIP: states failed to submit SIPs to address interstate transport following adoption of PM_{2.5} standard in 1997.

Applicability

- Fossil fuel fired units serving turbines > 25 MW
- Cogens Exempt
- Biomass
 - Burn fossil fuel during start-up?
- Municipal Waste Combustors
 - Burn > 20% fossil fuel?

CAIR – MA Status

- MA CAIR Ozone Season NO_x Budgets (tons):

2009 – 2014: 7,551

2015 and beyond: 6,293

- MA NO_x SIP Call Budget: 12,861

- For 2009, 5,310 fewer NO_x allowances for MA sources under CAIR ozone-season program than under NO_x budget program.

CAIR – MA Status

- **EPA used** a fuel-adjusted heat input methodology to set caps: 1999-2002 heat input multiplied by fuel-adjustment factors of: 1.0 for coal, 0.6 for oil and 0.4 for gas.
- Many states including MA not happy with use of fuel-adjustment factors.

CAIR Flexibility Provisions

- Whether to include NO_x SIP Call sources that do not meet CAIR EGU definition in the CAIR ozone season NO_x program.
- Allocation method for state allowances (input vs. output, set-asides for renewables, etc.)
- Whether to allow sources that do not meet CAIR EGU definition to opt-in to the CAIR trading program.

NO_x SIP Call Sources

- State must maintain emission reductions from NO_x SIP Call “add-on” sources whether or not these sources are brought into CAIR
- If included, state budget will be increased to accommodate these sources.
- All in/all out?

Flexibility Provisions: Allocation

- Permanent v. Updating
- Allocation Factors
- Allocation Dates
- Public Benefit Set Aside
- New Unit Set Aside

Flexibility Provisions: Opt-in Units

- Unclear what sources would want to opt in as no sources opted-in to NO_x SIP Call.
- MassDEP will seek stakeholder input on this and other flexibility provisions.

OTC Analysis of “CAIR Plus”

- EPA’s CAIR modeling suggests that there will still be non-attainment areas for ozone and PM 2.5 in the OTC region after implementation of CAIR.
- SIP quality modeling may show the need for reduction in additional OTC states.
- There are ongoing discussions within the OTC regarding emission reduction quantity and mechanism.
- June OTC meeting to review parameters of OTC program.
- States need to proceed with CAIR SIP rule development pending OTC consideration of CAIR+.

Next Steps

June	OTC Commissioners Discussion of CAIR Plus Strategies
June/July	MA Stakeholder Meeting
late September	Propose Rule
October	Public Comment Period
late January	Final Regulations Published
March 15 th	SIP Due