



Air Quality and Climate Change Update

**BACWA Annual Meeting
January 27, 2011**

Key Issues

- California Cap and Trade
- State Mandatory Reporting
- Tailoring Rule
- Renewable Energy - Biogas Incentives
- BCDC Bay Plan Amendment on Climate Change

Cap and Trade Adopted

- At its December 16 meeting, the California Air Resources Board adopted the *California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms*, otherwise known as Cap and Trade



Cap and Trade - Summary

- No wastewater agencies in California will be subject to the cap
- Biomass emissions, including those from combustion of digester and landfill gas, are excluded
 - This language was clarified per CWCCG's request.
 - Language also excludes methane and nitrous oxide emissions from wastewater treatment processes
- Threshold for inclusion in the cap is 25,000 metric tons/yr of *fossil fuel* based emissions (ie natural gas combustion)
- CARB will kick off a process for adopting new offset protocols in Feb 2011
 - CARB staff still very interested in opportunities to create wastewater offset protocols
- The adopted resolution directed staff to “review the treatment of combined heat and power facilities in the cap-and-trade program to ensure that appropriate incentives are being provided for increased use of efficient combined heat and power”

California Mandatory Reporting Revisions

- At the same hearing as cap and trade, CARB also adopted amendments to the state Mandatory Reporting Regulation
 - Very little testimony or debate because focus was on Cap and Trade
- Intent was to harmonize with cap and trade and EPA Mandatory Reporting Rule
- The proposed changes kick in for reporting year 2011 (filed in 2012)
 - Current reporting requirements remain through the 2010 emissions report (filed in 2011)

California Mandatory Reporting Revisions (continued)

■ Key changes:

- Reporting threshold lowered from 25,000 metric tons/year of CO₂ to 10,000 metric tons/year of carbon dioxide equivalents (CO₂e)
 - Includes both biomass and fossil fuel combustion emissions.
 - facilities with emissions between 10,000 and 25,000 metric tons/year will be able to file an abbreviated report and will not be required to undergo third- party verification
- Cogeneration category (> 1 MW power and 2500 metric tons/yr of emissions) has been eliminated
 - Cogen facilities with emissions > 10,000 metric tons/year will report as electricity generation sources
 - Cogen facilities with emissions < 10,000 metric tons/year can drop out

Tailoring Rule

- USEPA rule published June 3 to bring GHGs into Clean Air Act permitting programs (Title V and Prevention of Significant Deterioration)
- Implementation will occur in stages:
 - Step 1 (Jan 2011)
 - Existing Title V sources will have to address GHGs in new permits and renewals
 - Step 2 (July 2011)
 - Modifications resulting in potential to emit GHGs $\geq 100,000$ tons/yr CO₂e will be subject to PSD review
 - Sources that have potential to emit $\geq 100,000$ tons/yr will trigger Title V (regardless of non-GHG emissions)
 - Step 3 (2017)
 - TBD

Tailoring Rule - Considerations

■ Implications and Concerns

- Rule makes no distinction between anthropogenic and biogenic sources
 - More on this in a moment...
- Definition of Best Available Control Technologies (BACT) for GHGs still evolving
- Could be interpreted as covering wastewater process units

■ Important Considerations

- Applicability is determined based on Potential to Emit (PTE), not actual emissions.
 - PTE is based on your equipment running at full capacity 24/7
- Tailoring Rule works in short tons, whereas other GHG regulations are based on metric tons

Tailoring Rule – Biogenic Emissions

- EPA published a Call for Information on approaches to accounting for greenhouse gas emissions from bioenergy and biogenic sources in July 2010
 - EPA received 7000 comments
 - On January 12, EPA announced that it will defer *PSD permitting* of biogenic emissions and biomass sources for 3 years
 - “EPA received information supporting the conclusion that certain biomass such as waste materials whose inevitable decomposition will result in greenhouse gas emissions anyway -have only very limited climate impacts when combusted as fuel.”
 - Over the next 3 years, EPA will review the science and technical issues associated with biogenic sources
- *Bottom Line*: If you are trying to permit a new biogenic source in the next 3 years, you don't need to worry about GHGs from a permitting standpoint (still need to address in CEQA)

Tailoring Rule – Air District Implementation

- The Bay Area Air Quality Management District (BAAQMD) issued letters to 3 wastewater agencies suggesting that they may be subject to Title V for GHGs
 - EPA's announcement on the biogenic emissions permitting deferment seems to apply to new sources (ie PSD), not Title V
- Meeting was held with BAAQMD staff on December 20 - key messages were:
 - BAAQMD surveyed their database of combustion sources in order to determine who might trigger Title V requirements on GHGs. ***They did not look at emissions from non-combustion sources (e.g. process units).***
 - GHG emissions were based on standard emissions factors associated with the fuel combusted
 - BAAQMD would like to administratively change existing permits to reflect operating conditions that would limit PTE below the 100,000 ton/yr threshold
 - *Note that BAAQMD Director of Engineering Brian Bateman attended yesterday's BACWA AIR Committee meeting and discussed this and other issues*

Tailoring Rule – Air District Implementation (cont.)

- For those facilities that already operate under Title V, GHGs will need to be included in the permit application
- Because there are no applicable requirements, there should not be any new conditions in the Title V permit related to GHGs (except perhaps mandatory reporting)
- If a Title V facility were to apply for a permit for a new source, BACT for GHGs would be applied and associated conditions would be captured in the Title V permit
 - EPA will be issuing guidance on how permitting agencies can conclude that combustion of biomass fuel *is* BACT

Renewable Energy - Biogas Incentives

- CWCCG continues to advocate for incentives for biogas energy generation
 - Recent efforts includes comments on CARB Biorefinery Siting Guidance and California Energy Commission (CEC) Renewables Portfolio Standard Guidebooks

- Letter was submitted to the California Public Utilities Commission (CPUC) on December 17 that requested the following:
 - Approve Southern California Gas Company (SoCalGas®)'s *Request for Authorization to Offer Biogas Conditioning Services and Bioenergy Production Facilities Services on a Non-Tariffed Basis*
 - Provide economic incentives for additional onsite power generation, similar to the California Solar Initiative
 - Adopt an interim renewable energy feed-in tariff

- *Commissioner Simon responded saying he is very interested in initiating a dialogue with CWCCG*

Renewable Energy - Biogas Incentives

- Water-wastewater renewable energy policy strategy kick-off call will be held Feb 2
 - Will be considering legislation and regulatory strategies
 - *Let me know if you're interested in participating, and stay tuned for more info*
- Also mark your calendar for BACWA Energy and Resources Workshop on March 4

BCDC Bay Plan Amendment on Climate Change

- Bay Conservation and Development Commission (BCDC) proposed amendments to the Bay Plan to address adaptation to climate change
- In particular, the amendments restrict development in inundation zones resulting from sea level rise
 - Bay Area WWTPs would be within the inundation zone, so new projects would need to be justified in accordance with the Plan
- The Bay Planning Coalition, Bay Area Council, and Building Industry Association have raised strong opposition to the amendments as they are very prescriptive and limit local government control over land use decisions
 - Changes to the amendment language have been proposed by a team of land use lawyers representing local government agencies
- Stakeholder discussions continue



Questions?

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<http://www.bacwa.org/Committees/AirIssuesRegulations.aspx>

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