

CALIFORNIA AIR RESOURCES BOARD

STAFF REPORT

SAN JOAQUIN VALLEY PM2.5 CONTINGENCY MEASURES UPDATE

I. BACKGROUND

On April 30, 2008, the San Joaquin Valley Air Pollution Control District (District) adopted the 2008 PM2.5 Plan to address the 1997 National Ambient Air Quality Standards (standards) for PM2.5 -- 24-hour standard of 65 µg/m³ and the annual standard of 15 µg/m³. The plan demonstrates that the San Joaquin Valley (Valley) will attain these standards by 2014. On November 9, 2011, the U.S. Environmental Protection Agency (U.S. EPA) approved this plan and related submittals except for the contingency measures¹.

Contingency measures provide additional emission reductions in the event a nonattainment area fails to achieve either Reasonable Further Progress (RFP) targets or attain the PM2.5 standard by its attainment date. These contingency measures are to take effect without any further Air Resources Board (ARB) or District regulatory action. Neither the Clean Air Act (Act) nor U.S. EPA's 2007 PM2.5 Implementation Rule specifies the amount of contingency emission reductions. The preamble to U.S. EPA's 2007 PM2.5 Implementation Rule suggests contingency measures should provide for emission reductions equivalent to about one year of the reductions needed for RFP.

In its action, U.S. EPA determined that, while the measures in the 2008 PM2.5 Plan were appropriate, the plan did not document enough emission reductions from the contingency measures. This contingency measures disapproval triggers sanction clocks under the Act that run from the effective date of the final action, January 9, 2012. The first sanction, the offset sanction, would apply in the San Joaquin Valley 18 months later, July 9, 2013. The second sanction, highway funding sanctions, would be imposed 6 months after the first sanction, January 9, 2014.

To meet the Act's contingency measure requirements and avoid the sanctions, the District adopted as a State Implementation Plan (SIP) amendment *Quantification of Contingency Reductions for the 2008 PM2.5 Plan* on June 20, 2013.

II. CONTINGENCY QUANTIFICATION

In the 2008 PM2.5 Plan, the District identified three types of contingency measures that go into effect without further action: 1) documented emission reductions occurring between 2014 and 2015 from on-going implementation of existing programs; 2) reductions from an already adopted contingency provision in the District's Wood

¹ EPA, Approval and Promulgation of Implementation Plans; California; 2008 San Joaquin Valley PM2.5 Plan and 2007 State Strategy; Final Rule. 76 FR 217, pp. 69896-69926 (November 9, 2011) <http://www.gpo.gov/fdsys/pkg/FR-2011-11-09/pdf/2011-27232.pdf>

Burning Fireplaces and Wood Burning Heaters Rule; and 3) reductions from incentive-based projects. *Quantification of Contingency Reductions for the 2008 PM2.5 Plan* updates the emission reductions estimates in the 2008 PM2.5 Plan with further analysis of the impacts of the District's implementation of the Wood Burning Fireplaces and Wood Burning Heaters Rule contingency provision and quantification of emission reductions from incentive-based programs.

The District's SIP amendment documents 21 tons per day (tpd) of NOx and 3 tpd of SOx from on-going implementation of existing programs; over 3 tpd of direct PM2.5 from the contingency trigger in the wood burning rule; and over 4 tpd of NOx plus additional PM2.5 reductions from incentive programs. As a result, *Quantification of Contingency Reductions for the 2008 PM2.5 Plan* shows that emission reductions equivalent to about one year of RFP are available for attainment contingency satisfying the U.S. EPA benchmark.

Since the District already met RFP targets, RFP contingency is not needed, and the current update applies to attainment contingency only.

III. CREDIT FOR INCENTIVE-BASED REDUCTIONS

Incentive programs achieve emission reductions beyond those achieved by regulations through the introduction of cleaner technologies earlier than what is required by regulation alone. California's incentive investment is long-standing and substantial, with over \$700 million Statewide under the Carl Moyer Memorial Air Quality Standards Attainment (Carl Moyer) Program and \$500 million under the Proposition 1B: Goods Movement Emission Reduction Program (Proposition 1B).

The Carl Moyer Program Guidelines stringent criteria provide a strong technical foundation for ensuring that the projects funded attain emission reductions that are surplus, quantifiable, enforceable, and permanent. The Carl Moyer Guidelines have been developed through a public process and adopted by ARB. The Proposition 1B Program was established to quickly reduce air pollution emissions and health risk from freight movement along California's trade corridors. The Proposition 1B Guidelines ensure that projects funded under this program achieve early or extra emission reductions not otherwise required by law or regulation. The Proposition 1B Guidelines have also been developed through a public process and adopted by ARB. Both programs have been very successful in achieving cost-effective surplus emission reductions.

In addition to these Statewide programs, due to the air quality challenges in the San Joaquin Valley, the United States Department of Agriculture Natural Resource Conservation Service (NRCS) also provides incentives to replace off-road agricultural equipment in the Valley. In December 2010, U.S. EPA, NRCS, ARB, and the District signed a Statement of Principles to establish a framework for ensuring that the emission reductions resulting from the federal incentives receive SIP credit. As noted in the

Statement of Principles, the NRCS incentive program is modeled after ARB's Carl Moyer Program.

ARB and the District have been working with U.S. EPA to establish the appropriate mechanisms to receive SIP credit for emission reductions achieved through incentive-based projects. U.S. EPA has indicated that the District must adopt accounting rules and submit these rules to the SIP. To this end, the District adopted Rule 9610 - *State Implementation Plan Credit for Emission Reductions Generated through Incentive Programs* (Rule) on June 20, 2013. The Rule provides the administrative framework to report to U.S. EPA that emission reductions achieved from incentive programs administered by ARB, NRCS or the District are surplus, quantifiable, enforceable, and permanent, and are therefore eligible for SIP credit. ARB staff is also developing an incentive program credit rule. Staff expects to bring a rule to the ARB for its consideration in October 2013.

IV. STAFF RECOMMENDATION

The District's *Quantification of Contingency Reductions for the 2008 PM2.5 Plan* updates the quantification of emission reductions needed for contingency allowing for approval of the 2008 PM2.5 Plan as meeting the requirements of the Clean Air Act. Once submitted to U.S. EPA, these SIP revisions should resolve the pending sanction clocks.

Staff recommends that the Board adopt the District's *Quantification of Contingency Reductions for the 2008 PM2.5 Plan* as a revision to the California SIP.