

**CLEAN AIR
ACTION**
CORPORATION

RECEIVED
CLERK'S OFFICE

JAN 09 2001

STATE OF ILLINOIS
Pollution Control Board

January 8, 2001

R01-17
P.C.#4

Bobb Beauchamp
Hearing Officer
Illinois Pollution Control Board

Re: R01-17, Proposal to Amend 35 Ill. Adm. Code 211 and 217 of the Illinois Air Regulations, Subpart X to Part 217

Dear Mr. Beauchamp:

Clean Air Action Corporation appreciates this opportunity to submit comments on the proposed Nitrogen Oxides Control and Trading Program, developed in response to the US EPA's NOx SIP Call.

Clean Air Action commends the State of Illinois for the environmental leadership you have demonstrated by including Subpart X in your NOx SIP Call rulemaking. This flexibility, if implemented correctly, has the potential to achieve cleaner air for Illinois citizens at lower cost to Illinois regulated industries. Our concern is that, as written, it will not achieve the maximum benefit possible to Illinois air quality, because it is overly restrictive regarding source eligibility.

Section 217.805 limits the eligibility of allocation applicants to stationary sources that were permitted to operate prior to January 1, 1995. There are two ways this eligibility requirement limits flexibility, and therefore cost effectiveness and environmental benefit. First, by limiting eligibility for Subpart X to stationary sources, the state is missing out on a substantial portion of its inventory, i.e. mobile source sectors and area source sectors. There are feasible and relatively inexpensive reductions that can be made in these sectors, and by expanding eligibility to these sectors Illinois can be a national leader in getting reductions from those sectors years before EPA would achieve them.

There is a misconception that the SIP Call Model Rule does not allow this type of flexibility. The Model Rule is very strict as to how a source within the rule must comply, but it is the state that allocates the allowances, and determines the available budget. While the EPA may have set the original EGU budget, nothing prevents the state from taking reductions from the other sectors, and increasing the allocations to EGU sources. For example, that is the basic mechanism for getting additional allowances for the opt-in program. It is also supported by the fact that the Model Rule does not require a 0.15

January 8, 2001
Bobb Beauchamp
Page 2

lb/mmBtu limit on the EGUs. If the state chooses a higher limit, it must make up that difference from the other sectors.

The second problem with Section 217.805 is the January 1995 restriction. The more important criteria, rather than when a source came online, is whether the reductions made at the source are quantifiable and verifiable.

Intent of NO_x SIP Call

In the NO_x SIP Call it is clear EPA intended for states to experiment with flexibility. (See Federal Register, Vol. 63, No. 207, Tuesday, October 27, 1998). In numerous sections, EPA makes broad statements that acknowledge the state's right to adopt their own mechanisms for compliance with the SIP Call:

- II. EPA's Analytical Approach
 - A. Interpretation of the CAA's Transport Provisions
 - 3. Requirements of Section 110(a)(2)(D)
 - f. Determination of Highly Cost-Effective Reductions and of Budgets.

FR 57378:

...The State has full discretion in selecting the controls, so that it may choose any set of controls that would assure achievement of the budget.

As EPA stated in the NPR: States are not constrained to adopt measures that mirror the measures EPA used in calculating the budgets. In fact, EPA believes that many control measures not on the list relied upon to develop EPA's proposed budgets are reasonable—especially those, like enhanced vehicle inspection and maintenance programs, that yield both NO_x and VOC emission reductions. Thus, one state may choose to primarily achieve emission reductions from stationary sources, while another state may focus on emission reductions from the mobile source sector. (62 FR 60328).

January 8, 2001
Bobb Beauchamp
Page 3

III. Determination of Budgets
F. Other Budget Issues
5. Recalculation of Budgets

FR 57426:

... More specifically, to demonstrate compliance with the SIP call, a state must adopt and implement control measures that are projected to achieve the aggregate emission reductions determined by EPA based on the application of highly cost-effective controls to EGUs, industrial boilers, and other affected non-EGUs. While a state may choose to achieve those reductions through application of measures other than those used by EPA in calculating required reductions, any measures it adopts must achieve the reductions assumed by EPA in the development of its budgets.

III. Determination of Budgets
G. Final Statewide Budgets
4. Potential Alternatives to Meeting the Budget

FR 57438:

The EPA believes that there are additional control measures and alternative mixes of controls that a state could choose to implement by May 1, 2003. Examples of such measures are described below, and illustrate that options are potentially available in several source categories.

The EPA believes that, with respect to EGUs, there is a large potential for energy efficiency and renewables in the NOx SIP Call region that reduce demand, and provide for more environmentally-friendly energy resources. For example, if a company replaces a turbine with a more efficient one, the unit supplying the turbine would reduce the amount of fuel (heat input) the unit combusts, and would reduce NOx emissions proportionately, while the associated generator would produce the same amount of electricity. Renewable energy source generation includes hydroelectric, solar, wind, and geothermal generation. EPA recognizes that promotion of energy efficiency and renewables can contribute to a cost-

January 8, 2001
Bobb Beauchamp
Page 4

effective NO_x reduction strategy. As such, EPA encourages states in the NO_x SIP Call region to consider including energy efficiency and renewables as a strategy in meeting their NO_x budgets. One way to achieve this goal is by including a provision within a state's NO_x Budget Trading Rule that allocates a portion of a state's trading program budget to implementers of energy efficiency and renewables projects that reduce energy-related NO_x emissions during the ozone season. Another is to include energy efficiency and renewables projects as part of a state's implementation plan....

...With respect to non-EGUs, individual states could choose to require emission decreases from sources, or source categories, that EPA exempted from the budget calculations. For example, there are many large sources for which EPA lacked enough information to determine potential controls and emission reductions; states may have access to such information and could choose to apply cost-effective controls. In addition, states could choose to regulate one or more of the non-EGU stationary sources, or source categories, that EPA had exempted because emissions were relatively low considering other source categories in the 23 jurisdictions. In individual states, emissions from such sources could be a high percentage of uncontrolled emissions and, thus, be subject to efficient, cost-effective control for that particular state. Further, states may take other approaches to developing their budgets, such as cutoffs based on horsepower rather than tons per day, since they might have access to data that EPA did not have for all 23 jurisdictions.

With respect to mobile sources, states could implement other NO_x control measures in lieu of the controls described earlier in this section. For example, vehicle inspection and maintenance programs can provide significant NO_x reductions from highway vehicles. Additional NO_x reductions can be obtained by opting into the reformulated gasoline program, by implementing measures to reduce the growth in VMT, and by implementing programs to accelerate retirement of older, higher-emitting highway vehicles and non-road equipment.

January 8, 2001
Bobb Beauchamp
Page 5

VII. NOx Budget Trading Program
C. General Design of NOx Budget Trading Program
2. Alternative Market Mechanisms

FR 57457:

The EPA first reiterates that the model program is voluntary (63 FR 25918). In providing a cap-and-trade program as a streamlined means by which to comply with the NOx SIP Call, EPA does not preclude implementation of other solutions. The purpose of the trading program is to provide a compliance mechanism that capitalizes on a proven means of cost effectively meeting a specific emissions budget that the Agency will assist states in administering.

FR 57458:

...States, however, have the flexibility to respond as they see fit to meet their emission budget established under the NOx SIP Call. States are free to pursue other regulatory mechanisms, or include other types of trading programs in their SIPs, whether newly created or already existing, on the condition that they meet EPA's SIP approval criteria as delineated for the NOx SIP Call.

We appreciate this opportunity to comment on this rulemaking, and would welcome the opportunity to discuss it at more length. I can be reached at 918-747-8770.

Sincerely,



Charles E. Williams
Vice President

