



South Coast Air Quality Management District

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Mr. James Goldstene
Executive Officer
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Re: *"Recommended Approaches for Setting Interim Significance Thresholds for Greenhouse Gases under the California Environmental Quality Act"* (Staff Draft Proposal, October 24, 2008)

Dear Mr. Goldstene:

The South Coast Air Quality Management District (SCAQMD) staff appreciates this opportunity to present its comments on the Air Resources Board (CARB) preliminary draft staff proposal regarding CEQA thresholds of significance for greenhouse gases, which was released on October 24, 2008. These comments reflect the SCAQMD's interim significance threshold for greenhouse gases (GHGs) from stationary sources, which was adopted by the SCAQMD Governing Board on December 5, 2008. The SCAQMD supports the CARB's efforts to develop a threshold for statewide use, and has committed to consider the threshold ultimately adopted by the ARB for adoption at the local level by SCAQMD. In developing the SCAQMD's interim threshold for stationary sources, the SCAQMD staff established a stakeholder working group, which included CARB staff. The working group provided input to the SCAQMD staff at seven meetings between April and November 2008. This robust public process, together with the public comments provided at the SCAQMD Governing Board's adoption hearing, have given us a deep

understanding of the issues involved in setting a CEQA threshold. We provide in this letter our comments concerning the CARB staff's proposed threshold for industrial (i.e. stationary) sources. We do not at this time have comments on the CARB staff's proposal for commercial and residential sources.

First, we agree with CARB staff that a tiered approach to determining significance is appropriate for GHG emissions. In the SCAQMD Interim GHG Significance Threshold, we utilize a tiered approach that includes an evaluation of whether a project may be considered exempt, then an evaluation of the project's consistency with any adopted GHG reduction plan that meets specific criteria, and if the project is not consistent with a local GHG reduction plan or there is no such plan, then a screening level with a numerical threshold in tons per year is applicable. (Tier 4, a set of performance-based set of compliance options, has been deferred for further evaluation and consideration.)

Secondly, we agree with CARB staff that a CEQA threshold for greenhouse gases should "result in the vast majority (90% statewide) of the GHG emissions from new industrial projects being subject to CEQA's requirement to impose feasible mitigation." (Preliminary Draft Staff Proposal, p. 9.) We also agree that there is not necessarily one "best" CEQA threshold. (Preliminary Draft, p. 2.) We agree that CEQA's goals can be met while still allowing certain small industrial projects to proceed without requiring additional mitigation under CEQA. (Preliminary Draft, p. 9.) This conclusion is buttressed by SCAQMD staff's calculation that the 10% of new industrial emissions not captured by a threshold meeting this 90% capture rate goal will account for less than one percent of the future statewide GHG 2050 target of 85 MMTCO₂e/yr. Hence, the 90% capture rate sets the emission threshold low enough to capture a substantial proportion of future new stationary source emissions while setting the threshold high enough to exclude small projects that in the aggregate will contribute a relatively small fraction of statewide GHG emissions. Finally, we recognize that the staff draft proposal is intended to be an interim threshold that is to be used at least until such time as performance standards, such as AB 32 regulatory requirements, are in place to ensure mitigation of significant impacts from industrial projects. (Id., p. 9). If the project exceeds the numerical threshold, it is presumed significant for GHG emissions.

CARB staff derived its proposed industrial source threshold by looking at a national survey which found that boilers with an input capacity of 10 MMBtu/hr or greater corresponded to 93% of total industrial boiler capacity. According to CARB staff, this equates to emissions of 4,660 MTCO₂e/yr. CARB staff then adjusted this number to account for non-combustion sources of GHGs and ultimately proposed a GHG significance threshold of 7,000 MTCO₂e/yr for industrial sources. (Preliminary Draft, p. 10.) CARB staff intends that this threshold be used to account for operational emissions (excluding transportation) in conjunction with performance standards for construction and transportation emissions. (Preliminary Draft, p. 9.)

While we are in agreement with CARB staff's basic conceptual approach, we have some concerns regarding the methodology for deriving the threshold. If CARB staff wishes to use industrial boilers to set a benchmark, we would recommend that CARB use a California database rather than a national survey, and that the focus be on actual emissions (i.e., emissions capture rate) rather than boiler capacity (i.e., equipment capture rate). However, it is not necessary for ARB staff to undertake an additional analysis to establish a threshold that will capture 90% of industrial GHG emissions. In the ARB's preliminary draft mandatory GHG reporting rules (August 2007 Initial Statement of Reasons, p. iii), CARB staff estimated that its proposed threshold of 25,000 MTCO₂e/yr would capture 94% of the GHG emissions associated with stationary sources. Reducing this threshold to 10,000 MTCO₂e/yr would therefore provide more than adequate assurance that at least 90% of GHG emissions associated with stationary sources would be captured. An analysis of actual permits conducted by SCAQMD fully supports this conclusion.

In the SCAQMD's "Draft Guidance Document—Interim CEQA Greenhouse Gas (GHG) Significance Threshold" (October, 2008), figure 3-2, p. 3-14, illustrates the reported natural gas consumption of 1,297 facilities for the years 2006-07. Approximately 10% of the facilities (143) accounted for 90% of the total natural gas consumption, which correlates to GHG emissions. The 10th percentile corresponded to 10,000 metric tons per year of CO₂ emissions. (Id., p. 3-13.) Accordingly, the SCAQMD staff proposed, and the Governing Board adopted, a threshold of 10,000 MTCO₂e/yr. (The proposal did, however, include construction emissions amortized over a 30-year period and added to operational emissions, as well as direct and indirect impacts from the project, transportation emissions, and to the extent information is available, lifecycle emissions during construction and operation.) We believe this threshold is more consistent with CARB staff's stated objectives, and more consistent with available data. It is also consistent with the CARB Market Advisory Committee recommendation that a cap and trade program under AB 32 should cover sources emitting 10,000 MTCO₂e/yr or more.

Furthermore, it is our view that applying a threshold of 7,000 MTCO₂e/yr rather than 10,000 MTCO₂e/yr will result in preparing numerous additional environmental impact reports with minimal, if any, environmental benefit. In short, CARB staff's proposal crosses the point of diminishing returns. As stated in CAPCOA's January 2008 White Paper, "CEQA and Climate Change", p. 28, "the trade-offs between the volume of projects requiring review and the quality of consideration given to reviews should be considered. It may also be useful to consider whether meaningful mitigation can be achieved from smaller projects." SCAQMD staff has estimated that using a threshold of 10,000 MTCO₂e/yr will likely result in an increase of around 30 or more additional CEQA documents, including EIRs prepared each year by SCAQMD staff. This represents a tripling of existing workload (15 or 20 EIRs per year). However, using the ARB staff proposed threshold of 7,000 MTCO₂e/yr, it is projected that SCAQMD staff would need to prepare over one hundred additional CEQA documents per year. This amounts to about a six-fold increase in workload. Given that the 10,000 MTCO₂e/yr threshold captures over 90% of

emissions, it is evident that the significant number of new environmental documents, and associated workload, will address only a very small fraction of total emissions.

While it may be suggested that SCAQMD could simply increase its staff to be able to process these additional documents, and charge the facilities accordingly, the additional financial burden on new and modified sources would not be insignificant. Moreover, the smaller the source, the more likely it will represent a single-permit facility that has few, if any, opportunities for on-site mitigation. Thus, the environmental benefit resulting from such a large number of additional CEQA documents is likely to be minimal. We believe that such small sources are better addressed by a "performance standard", such as was proposed by CAPCOA in its comment letter of November 14, 2008.

Based on the foregoing, SCAQMD recommends that CARB adopt an interim screening threshold of 10,000 MTCO₂e/yr for industrial source, or potentially use a methodology to derive a numerical threshold which obtains a 90% emissions capture rate based on stationary sources in California. We believe the 10,000 MTCO₂e/yr threshold is consistent with the overarching policy objective of setting a threshold that will significantly contribute to reducing future GHG emissions in order to stabilize climate change. We share CARB's commitment to using the CEQA process to contribute to this goal.

We also recommend that CARB consider offering guidance which would allow a lead agency to choose, as an alternative to the above-described method, adopting a performance-based significance threshold for industrial (stationary) sources. The CEQA Guidelines authorize such an approach, specifying that a threshold of significance is a "...quantitative, qualitative, or performance level of a particular environmental effect..." (Guidelines, § 15064.7(a)). Such an approach may be particularly appropriate for GHG emissions, given the concern that reductions in one place may simply result in emission increases elsewhere. However, we believe that if a performance-based threshold is used, there should also be a numerical threshold above which a project is considered significant even if it complies with the performance standards. This will allow a more thorough analysis of possible mitigation measures that may be available with a larger project but would not be available with a smaller project. We would welcome the opportunity to work with ARB staff in developing meaningful and practical performance-based approaches.

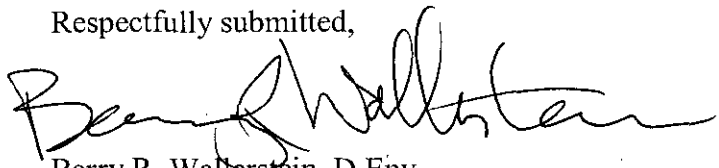
Finally, we recommend that the CARB guidance include recommendations for a priority order or hierarchy of types of mitigation measures. This guidance would be aimed at maximizing the assurance that real mitigation will occur, as well as the likelihood that local co-benefits will occur in terms of criteria and toxic air contaminants. We recommend the following order of preference for mitigation measures:

- Incorporate GHG reduction features into the project design, e.g. increase a boiler's energy efficiency, use materials with a lower global warming potential than conventional materials, etc.

- Implement onsite measures that provide direct GHG emission reductions onsite, e.g. replace onsite combustion equipment (boilers, heaters, steam generators, etc.) with more efficient combustion equipment, install solar panels on the roof, eliminate or minimize fugitive emissions, etc.
- Implement neighborhood mitigation measure projects that could include installing solar power, increasing energy efficiency through replacing low efficiency water heaters with high efficiency water heaters, increasing building insulation, using fluorescent bulbs, replacing old inefficient refrigerators with efficient refrigerators using low global warming potential refrigerants, etc.
- Implement in-district mitigation measures such as any of the above identified GHG reduction measures; reducing vehicle miles traveled (VMT) through greater rideshare incentives, transit improvements, etc.
- Implement in-state mitigation measures, which could include any of the above measures.
- Implement out-of-state mitigation measure projects, which may include purchasing offsets if other options are not feasible.

Thank you again for the opportunity to comment on this important proposal. We look forward to working with CARB staff to further develop the proposed statewide significance thresholds. Should you have any questions or wish to discuss this matter further, please contact me at 909-396-2100, or Dr. Elaine Chang, Deputy Executive Officer, Planning, Rule Development and Area Sources, at 909-396-3186.

Respectfully submitted,



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cc: Kurt Karperos
Douglas Ito