

September 19, 2016

SENT VIA ELECTRONIC SUBMISSION TO:

<http://www.arb.ca.gov/lispub/comm/bclist.php>

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, California
95814

Re: Submitted Comments Regarding:

- 1) **The Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions** (*Released July 19, 2016*), &
- 2) **The Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation** (*Released August 2, 2016*)

Dear Madam/Sir:

Recently the State of California Air Resources Board (CARB) posted public notice outlining proposed amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR) and California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Cap & Trade). This letter is being submitted as public comment for the consideration of CARB when evaluating the proposed amendments to the MRR and Cap & Trade regulations.

Statement of Interest

The comments below are provided by the J.R. Simplot Company (Simplot). Simplot is a privately held agribusiness corporation based in Boise, Idaho. The corporation is engaged in a number of businesses including food processing, farming, fertilizer manufacturing, beef cattle feedlots, mining, ranching and other enterprises related to agriculture. Simplot has operations throughout the United States and the World. The majority of Simplot operations in the United States are located in the upper Midwest and the West including fertilizer manufacturing, distribution and sales facilities in California.

The proposed amendments to the MRR and Cap & Trade regulation will have a significant impact on our nitric acid and agricultural chemical facility production located in Helm, California. The Helm facility has been actively engaged with CARB in annually reporting GHG emissions and participating in the California Cap & Trade Program since the programs inception.



Questions, Comments and Concerns

After careful review and consideration of the proposed rule, Simplot has provided the following comments for the consideration of California Air Resources Board.

Regarding: Proposed changes to MRR (Sections 95102, 95118) and Cap & Trade regulation (Sections 95802, 95871 & 95891) impacting the nitric acid and calcium ammonium nitrate solution industrial sectors:

Simplot believes that our Helm location is one of a very limited number of facilities currently producing nitric acid and calcium ammonium nitrate solution in the State of California. As such we have significant interest in any proposed regulatory changes that impact these industrial sectors. CARB staff have proposed substantial changes to both the nitric acid and calcium ammonium nitrate solution sectors in the current amendments to the MRR and Cap & Trade Regulation.

On Sections 95102 (b), 95118 (d), 95802, 95871, 95891 Regarding Future Amendments to Product Definition, Product Benchmarks, Industrial Assistance Factors and Associated Reporting Requirements for Nitric Acid and Calcium Ammonium Nitrate Solution Product Sectors.

In the above referenced sections of the proposed rule amendments, CARB staff outline their intentions to review and revise the regulatory definitions of nitric acid and calcium ammonium nitrate solutions, modify previously established industry sector benchmarks, propose new industrial assistance factors post 2020 and require changes to associated regulatory reporting at some point in the future. Any proposed changes to these regulations would be subject to a 15-day public comment period.

As owner/operator of one of a limited number of nitrogenous fertilizer facilities currently operating in the state of California, JR Simplot possesses inherent technical knowledge of the nitric acid and calcium ammonium nitrate manufacturing processes that would be essential to developing sound, science based regulatory changes to meet the needs of the MRR and Cap & Trade programs. JR Simplot respectfully requests the opportunity to meet with CARB staff to review and discuss any proposed changes to the regulatory requirements impacting the nitric acid and/or calcium ammonium nitrate industrial sectors well in advance of a public comment period.

On Section 95118 (e) Site Specific Emission Factor and Production Data:

In the proposed amendments to the MRR, CARB staff have recommended nitric acid production facilities increase performance testing for N₂O emissions from the current single test required by federal rule 40 CFR § 98.223 (b) to twice annually, separated by at least 4 months of operation. CARB has indicated that the



additional performance test is required due to observed variability in N₂O emissions from nitric acid plants reporting to the program.

In Simplot's operational experience, variability observed in N₂O emissions from the nitric acid process are not as a result of changes in manufacturing conditions (eg. daily or frequent differences in quality of raw ingredients or operations) but rather subtle changes to production equipment that emerge over a period of time (i.e. equipment wear and tear). The current single annual performance test required by both the federal and state greenhouse gas reporting programs has identified such equipment issues with Simplot's nitric acid plant in the past. The results of these performance tests and subsequent GHG reporting obligations have prompted quick action to replace and repair acid plant equipment not performing optimally.

Following repairs to effected nitric acid plant equipment in 2013, N₂O performance tests at Simplot have been consistent; accounting for less than 2000 tonnes or 25% of all GHG emissions from the facility for the past two reporting years.

As CARB is well aware, performance testing is both cost prohibitive and time consuming for facilities. In Simplot's experience, costs associated with N₂O source tests in particular range between \$10,000 to \$20,000 per test and require 3 days of staff time to plan, prepare and execute. In CARB's MRR staff report (Initial Statement of Reasons for Rulemaking), costs for complying with the proposed rule amendments for all general industrial sectors including nitric acid are reported to be \$47,242 over eight years following implementation. If an additional performance test would be required for nitric acid facilities, Simplot's costs of compliance would range between \$80,000 to \$160,000 in the same timeframe. These costs far exceed CARB's estimates for all general industrial sectors combined to comply with the proposed amendments to the mandatory reporting regulation.

Given the limited magnitude that N₂O emissions represent of the GHG emissions from the overall nitric acid facility, under normal plant operating conditions it is Simplot's opinion that additional source testing will provide data of limited additional value or a higher degree of accuracy to CARB. As such Simplot requests that Section 95118 (e) not be added to the MRR.

Regarding: Proposed changes to MRR Section 95104 (f) regarding independent verification of statements regarding increases or decreases in facility emissions.

Simplot believes that this language should remain as it is currently written and not be changed to require 3rd party verification of these statements. These statements are often subjective in nature and typically require detailed technical knowledge of plant operations to determine why emissions may have increased or decreased (eg. impacts of catalyst selection or operational temperature on formation of N₂O



in nitric acid trains). Without substantial additional reporting or in-depth scientific analysis in some circumstances, Simplot does not believe that an independent 3rd party verification firm would be able to adequately assess the accuracy or inaccuracy of these statements.

Summary

Simplot appreciates the opportunity to provide these comments to CARB. Simplot supports the goal of reducing the production of greenhouse gases in the State of California. As noted in our response there are a number of aspects of the proposed rule that could significantly affect Simplot operations and we would urge CARB to carefully consider our comments before making any changes to the current regulations.

Please contact David Huck at (208) 389-7519 for any questions about these comments.

Sincerely,



for
Alan L. Prouty
Vice President
Sustainability and Regulatory Affairs

- C:
S. Bush J.R. Simplot Company
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