Regulators OK weaker version of air pollution program for Southern California

By Tony Barboza
Los Angeles Times, Saturday, Dec. 5, 2015

Southern California air quality regulators turned aside tough new pollution control measures on Friday in favor of an industry-backed alternative plan that will make slower progress toward cleaning smog from the nation's most polluted region.

The South Coast Air Quality Management District board voted 7-5 in favor of a plan that industry groups argued would allow them to curtail emissions more gradually and with fewer costs.

The measure would reduce the cap on smog-forming emissions from the region's largest facilities, including refineries, power plants and factories, from 26.5 tons of nitrogen oxides a day today to 14.5 tons by 2022.

Air district staff had proposed a steeper, faster plan that would have cut the cap on nitrogen oxides by an additional two tons a per day to a level of 12.5 tons over the same period.

"Those two tons of pollution may not mean much on paper, but out here it translates to more emergency room visits, more respiratory illnesses, and our community can't take much more of that," said Allen Hernandez, a Sierra Club organizer in the smoggy Inland Empire.

Air quality board chairman William A. Burke said the adopted measures were a compromise but better than taking no action. Oil interests fought hard to weaken the staff proposal, arguing that it would force refineries and other facilities to spend billions upgrading pollution controls.
To achieve the reductions, regulators are relying on a decades-old cap-and-trade program that establishes a limit on emissions and allocates each facility pollution credits. Operations whose emissions are cleaner than what is required can sell their credits to those whose emissions exceed the limits.

Under the program, air quality regulators gradually reduce the number of credits available, forcing all industries to reduce their pollution over time. At issue Friday was how fast the air quality board would reduce the number of credits — and by how much.

The air district's staff had recommended 14 tons in reductions by 2022, at a faster pace, and environmental groups had advocated for even steeper cuts.

By adopting a slower and more modest 12-ton cut, the board's action is expected to further delay the installation of emissions controls at oil refineries and other big pollution sources.

The decision followed hours of emotional testimony at a public hearing in Diamond Bar. Environmentalists and community groups urged to board to adopt agency staff's proposal and take swift action to clean the air and ease asthma and other smog-triggered health problems across a four-county region of 17 million people.

Air district staff warned that the industry-supported measure was not supported by the agency's analysis and may not be legally defensible in California, which requires that any cap-and-trade programs achieve the same pollution reductions that could be reached with direct limits on emissions, an approach followed elsewhere in the state.

"The governing board decided to just disregard the law in California and adopt a really weak smog regulation," said Adrian Martinez, a lawyer for the environmental law nonprofit Earthjustice. "It placed the interests of the oil industry over people's health."

The decision is a serious setback to the South Coast air district's attempt to overhaul its long-criticized Regional Clean Air Incentives Market, or RECLAIM, adopted in 1993 as one of the nation's earliest cap-and-trade programs. The nitrogen oxides it regulates are gases that disperse through the region to contribute to the formation of ozone and other lung-damaging air pollutants.

The program was targeted for an overhaul because it has not achieved the level of emissions reductions promised. For years, an oversupply of credits has made it easier for oil refineries and other big industries to buy rights to emit smog-forming pollution than to spend money on better controls.

As a result, Southern California refineries have lagged in installing pollution-scrubbing equipment that is commonplace in the Bay Area and other regions where emissions are regulated directly. Nitrogen oxide emissions from the 275 facilities regulated under the program have remained flat in recent years, even as the region has missed federal deadlines to clean the air.

The cuts in emissions credits adopted Friday would apply to 56 of the region's largest air pollution sources and would fall most heavily on the region’s six major oil refineries in El Segundo, Torrance, Carson and Wilmington.

In a prepared statement, Western States Petroleum Assn. President Catherine Reheis-Boyd welcomed the decision, saying “we are pleased the South Coast Air Quality Management District board listened carefully to the concerns.”

The measures, more than two years in the making, are the South Coast air district’s most significant effort to curb smog in a decade. Officials said they are essential for Southern California to reduce air pollution to meet federal health standards for ozone and fine particulate matter.

Closure of local 'cogen' facilities highlights power plant challenges

By John Cox
Bakersfield Californian, Sunday, Dec. 4, 2015

The closure of two Bakersfield-area “cogeneration” power plants during about the past year illustrates the regulatory, policy and market-based challenges facing small facilities that sell electricity to the state’s power grid.

IHI Power Services Corp., the Japanese-owned operator of several small power plants around the state, said financial realities left it little choice but to close its Rio Bravo Poso and Rio Bravo Jasmin plants near Bakersfield, a move that eliminated about 50 local jobs.

Both plants, commissioned in 1989, burned coal and petroleum coke to produce 35 megawatts of electrical power each, along with steam to boost oil production at nearby wells owned by the Aliso Viejo-based U.S. subsidiary. One of the plants sold its electricity on contract to Pacific Gas and Electric Co., the other to Southern California Edison.

Despite their certification as having the best available emissions-control equipment in place, the plants have been identified as Kern’s two “dirtiest” power plants, based on their emissions per kilowatt of power generated.

IHI Power Services CEO Steve Gross said issues related to emissions contributed to the plants’ closure, in that the company was forced to buy pollution credits under the state’s “cap-and-trade” rules. But there was more to the shutdown decision than that, he said.

“Certainly the cap-and-trade was the final straw,” Gross said. But, he added, “it’s complex. There were a number of things.”

Indeed, the price of natural gas was also a factor. The company’s reimbursement by PG&E and SoCal Edison was indexed to gas prices, which have been relatively low for years.

What’s more, utilities have little incentive to continue buying power from coal-fired power plants, which add to their greenhouse-gas totals and do nothing to help them achieve a state-set goal of contracting fully one-third of their power from renewable sources by 2020.

MISSED OPPORTUNITY?

Three years ago, IHI considered converting both plants to run on biomass — agricultural waste, urban yard trimmings and the like — but decided against it. Such a move would have qualified the facilities as generators of renewable power. It also would have cost IHI tens of millions of dollars.

It’s not clear a conversion to biomass would have helped much in the long run. IHI has four modest-size power plants in California fueled by biomass, and Gross shares industry worries that such facilities face a bleak future in the state unless lawmakers act to subsidize them.

The cost of operating a biomass plant is considerably higher, per kilowatt generated, than the solar and wind power facilities that compete for contracts with utilities.

Recent state legislation supported by the agriculture industry would have shifted cap-and-trade revenue to biomass plant operators. Farmers like biomass plants because the facilities pay for ag waste.

The bill, which was held by the Legislature pending a broader decision on how to spend cap-and-trade money, was also supported by Central Valley air quality regulators who have warned the plants' closures will lead to a large increase in open-air burning of agricultural waste. Such incineration has historically been a significant source of air pollution in the region.

A BRIGHT SIDE

The two local plants' closures will likely provide a benefit to the utilities that contracted power from IHI. Besides representing a savings to the utilities' ratepayers, the greenhouse gas emissions the plants generated will no longer count against PG&E and SoCal Edison.

PG&E had a power agreement with Rio Bravo Poso that was scheduled to last until March 2020. When the utility applied to the California Public Utilities Commission, its primary regulator, for early termination of the contract in March 2015, four months after the plant closed, PG&E termed the proposal a "significant and substantial customer savings."

Additionally, PG&E said getting out of the power purchase agreement early will allow the utility to reduce its unmet greenhouse gas emissions target by 12 percent.

Rio Bravo Jasmin closed only recently, and Edison's contract with IHI is not expected to go before the CPUC for approval until early next year.

Gross still sees closure of the two coal-fired plants as a shame. He had worked with employees at both plants for decades.

For all their emissions, he said, the plants provides what solar and wind power cannot: constant electric power.

"Really, a diverse generation mix in the state is a good thing," he said. "You can't have a grid that is all solar and wind."

Simplot to pay $40 million over clean air charges in Lathrop, elsewhere

By Reed Fujii
Stockton Record, Friday, Dec. 4, 2015

J.R. Simplot Co. will spend more than $40 million to reduce sulfur dioxide emissions from its sulfuric acid plant in Lathrop, as well as four other plants in Idaho and Wyoming, fund a clean air project in the San Joaquin Valley and pay other penalties under a federal court settlement.

Jared Blumenfeld, a U.S. Environmental Protection Agency regional administrator, said this week the goal was to protect Valley residents from air pollution and its harmful health effects.

"This action will lead to a 265-ton per year cut of harmful sulfur dioxide emissions from the Lathrop plant — that's a 56 percent reduction," he said in a statement.

Simplot will also fund a $200,000 project with the San Joaquin Air Pollution Control District to provide area residents incentives to replace or retrofit inefficient, higher-polluting wood-burning stoves and fireplaces with cleaner devices. That comes on top of a civil penalty of nearly $900,000 and the installation of new pollution monitoring and control systems, which officials said should cost more than $40 million.

In a complaint filed Thursday, the U.S. Justice Department, representing the Valley Air District, EPA and Idaho, charged that that Simplot made modifications to its sulfuric acid plants, resulting in increased emissions of sulfur dioxide, without first obtaining pre-construction permits and installing required pollution control equipment.

For its part, Simplot continues to deny any violation of any law or regulation alleged in the complaint but company spokesman Ken Dey said Friday it agreed to meet lower emission limitations at all its plants, rather than proceed with litigation.

“I would also add that we continuously monitor emissions at our plants and make the improvements needed to remain in compliance with all air quality requirements,” he said in an email.

Simplot produces sulfuric acid, as part of fertilizer production, which results in sulfur dioxide emissions. Sulfur dioxide itself can contribute to respiratory health problems, but the “rotten egg” gas also leads to the formation of fine particulate matter in the air, the EPA said.

The additional emission controls at the Lathrop plant, as well as the wood stove replacement mitigation project, will help reduce such pollution in the San Joaquin Valley, which is currently classified as serious nonattainment for fine particulates.

Additional human health and environmental benefits are expected for Pocatello, Idaho, and Rock Springs, Wyoming, where Simplot operates two acid plants in each community, the EPA said.

The settlement was filed Thursday with the U.S. District Court in the District of Idaho and is subject to a 30-day public comment period and final court approval.

Boise, Idaho-based Simplot is a privately held agribusiness firm whose diverse operations include phosphate mining, fertilizer manufacturing, farming, ranching and cattle production and food processing.