



VIA: ELECTRONIC MAIL

March 13, 2024

Chair McCallon and Members of the Committee
Stationary Source Committee
South Coast Air Quality Management District (South Coast AQMD)
21865 Copley Dr.
Diamond Bar, CA

Re: Agenda Item No. 1 Proposed Rule 1146.2

Dear Chair McCallon and Members of the Committee:

The undersigned organizations are grateful for the opportunity to comment on Proposed Amended Rule 1146.2, which covers Large Water Heaters and Small Boilers and Process Heaters. The current proposal – the second major regulation targeting Nitrogen Oxide (NOx) emissions after adoption of the 2022 Air Quality Management Plan (AQMP) - marks an important milestone in that the Air District includes zero-emission standards for all equipment covered under the rule. As this regulation covers close to 10% of the emissions from all stationary sources in the region, it is imperative that the Air District take action swiftly to enter the pathway to zero-emissions in this sector. Moreover, this would be the largest emission reducing regulation – approximately 5.6 tons per day of NOx – the Air District adopts since its

passed Rule 1109.1 in 2021. This regulation will literally save lives and set us on a better path to attainment.

I. Great Urgency Exists to Pass This Regulation.

There is great urgency to move forward with these rule amendments no later than the May Governing Board meeting. First off, this regulation was last updated more than a quarter century ago. Since then, the region has failed to attain even the 1979 1-hour ozone standard and the 1997 8-hour ozone standard, much less any of the subsequent ozone standards. The region has also failed to attain the annual PM_{2.5} standard. Today, the region suffers from amongst the worst ozone pollution in the nation, impacting more than 17 million residents. About 42 percent of these residents reside in environmental justice communities where the disproportionate burdens of pollution significantly heighten health risks. The NO_x emission reductions achieved by these rule amendments will help the Air District make progress on attainment for both pollutants, resulting in significant health benefits for residents. In addition to banking critical emission reductions, timely adoption of this regulation will maximize lead time for market and complementary policy development and allow staff to move onto other life-saving rules that are dearly needed.

The South Coast AQMD has already delayed these amendments to Rule 1146.2. During Working Group Meeting #1 in April of 2023, the AQMD staff projected that these rule amendments were going to be adopted in September of that year. That timeline was later moved to November 2023, then over to the first quarter of 2024, before landing on the current proposed date in May of 2024. While we generally understand the motivation behind these timeline changes and have not opposed moving the adoption date, the May 2024 proposal is already a delay of seven months from the proposal originally presented to the public, and we would be unlikely to support additional delays.

As the Air District is aware, these delays have real and serious consequences for public health. The 2022 AQMP makes clear that passing zero-emission regulations for stationary sources must be a top priority. The AQMP aptly states:

Previous AQMPs have relied on increasingly stringent regulations targeting tailpipe and exhaust stack emissions, new engine technologies, or fuel mix improvements. However, these approaches rely on additional reductions from already strictly regulated sources and cannot achieve an additional 67 percent reduction beyond the 2037 baseline. Therefore, there is no viable pathway to achieve the needed reductions without widespread adoption of zero emissions (ZE) technologies across all mobile sectors and stationary sources, large and small.¹

With so many control measures needing to be accomplished in the near term, the Air District must quickly pass zero-emission regulations on these sources and others. Moreover, given that some facilities covered under this rule will be changing equipment due to the REgional CLean

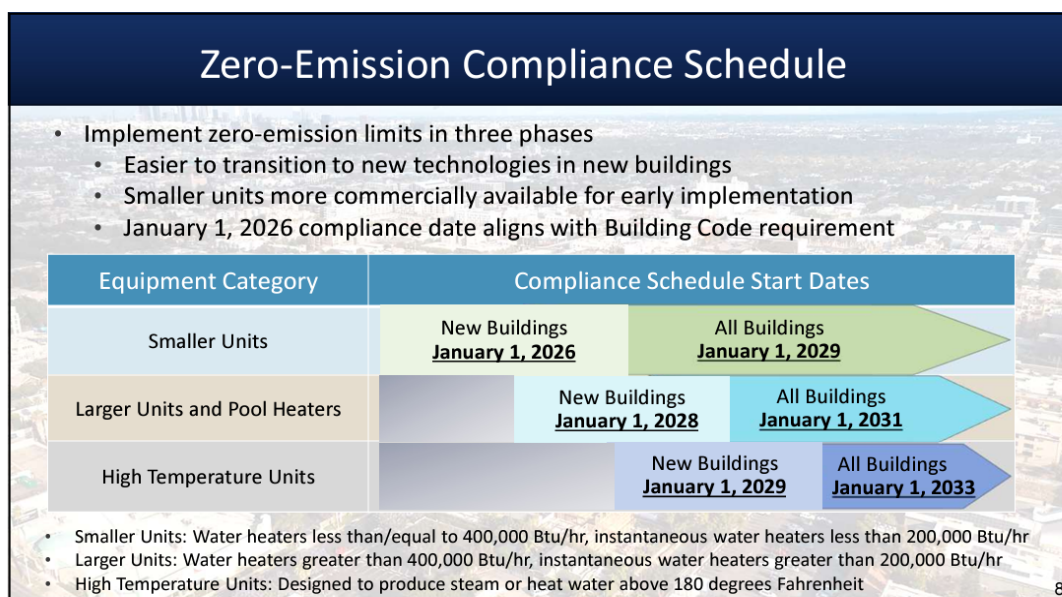
¹ See 2022 Final AQMP, at ES-4, available at <http://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2022-air-quality-management-plan/final-2022-aqmp/final-2022-aqmp.pdf?sfvrsn=16>.

Air Incentives Market (RECLAIM) transition, setting these standards sooner will provide a stronger signal to focus on advancing zero-emission solutions instead of continued combustion technologies.

We support the May adoption date for these amendments and urge that the AQMD stick to this timeline for passing this important life-saving regulation.

II. Zero-Emission Standards Are Critical, and Faster Compliance is Feasible.

Moving to zero-emission equipment where feasible remains critical to attaining federal and state ozone and PM2.5 standards, and our organizations are pleased that this regulation includes zero-emission standards for all categories of equipment:



Some compliance dates can and should be moved up, however. Importantly, given the need for additional NOx reductions by 2031 to attain the 2008 8-hour ozone standard after more than 20 years of excess impacts to health and air quality, all equipment categories currently listed with 2033 compliance dates should be shifted to 2031. Maximizing emissions reductions in the District by 2031 will be necessary to avoid further years of nonattainment and its concomitant harms to residents of the region.

To be clear, we suggest adopting the regulation in May of 2024, but we suggest during the technology review explore a quicker time frame for categories given the great need for emission reductions by 2031.

III. Cost Effectiveness Appropriately Assumes Methane Costs Will Increase.

We appreciate staff’s recognition that previous cost effectiveness assumptions showing methane will be abundant and cheap – even declining in cost – over the next decade or more are wrong. While we think even some of the California Energy Commission assumptions used in

this assessment may be understated in terms of rate increases, the current proposal appropriately reflects that methane costs will increase over the next decade and a half. We look forward to continued work with staff to make sure methane costs are considered appropriately in the cost effectiveness analysis.

IV. Technology Investments.

Record amounts of funding exist for addressing emissions. The South Coast AQMD Technology Advancement team should work to secure funding for incentive programs to advance zero-emissions equipment in this sector. Given the proposed rule's zero-emission market signal, it will be important to develop an incentive program in the next couple of years before compliance dates for existing buildings arrive. As such, the AQMD should establish a \$25 million program, including technical assistance to support entities that want to advance zero-emission technologies quicker than proposed deadlines for equipment covered by this rule.

We appreciate your consideration of these comments, and we look forward to the adoption of these rule amendments to get one step closer to the emissions reductions the region desperately needs.

Sincerely,

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