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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

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SUBJECT: Need for Emission Offsets in Rural O3 Nonattainment Areas

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The intent of this memo is to reiterate EPA policy concerning the need for emission offsets in rural areas for ozone.

EPA has sought to encourage States to adopt (on a Statewide basis) the reasonably available control technology (RACT) regulations for volatile organic compounds (VOC) as contained in the control technique guidelines (CTGs). If a State demonstrates attainment in all urbanized (>200,000 population) nonattainment areas and requires all major sources (>100 tons/year for CTG categories) in all other nonattainment areas to control their emissions to the CTG levels, the SIP is approvable and emission offsets will not be required for new sources locating in rural areas. Under EPA's interpretation of the Act, reasonable controls on major existing sources and LAER on new sources represents an approvable ozone control strategy for such rural areas. This would be true, not only for the existing rural nonattainment areas, but also for those currently unclassifiable and attainment rural areas that may be redesignated as nonattainment in the future. This policy is stated on page 11 of the Administrator's memorandum for Approval of 1979 SIP Revisions of February 24, 1978 entitled "Criteria for Approval of 1979 SIP Revisions."

If a major source is seeking to locate in an unclassifiable rural area, the ambient air quality monitoring that is required under PSD will determine the designation status. Generally, this is preconstruction monitoring performed either by the State or the source. If the monitoring shows nonattainment, there are two situations possible.

First, if the State has an approved urban area plan and if the State has adopted Statewide VOC RACT regulations, the source must meet all requirements of Section 173 of the Clean Air Act except for emission offsets since an acceptable SIP is already in place.

However, if the State has adopted the VOC RACT regulations only for their existing nonattainment areas, the State would be required to develop a SIP for the area, i.e., RACT on existing 100 tons/year stationary sources, and the Federal offset policy would apply to the new source until the SIP was approved. Thus, the source would be required to apply LAER and provide

emission offsets as well. If the monitoring program demonstrated attainment, the new source would have to apply best available control technology (BACT) but no offsets would be required.

If a major source is seeking to locate in an unclassifiable rural area, and wishes to avoid the preconstruction monitoring required by PSD, the requirements are as follows: (1) If the State has adopted Statewide VOC RACT regulations, the State must, after issuing the construction permit, then require the source to perform air quality monitoring during the construction of the new facility or perform the monitoring itself. This will enable EPA to acquire ambient data for these currently unclassifiable areas. (2) If the State has adopted RACT regulations only for its designated nonattainment areas, the source again can avoid the need for preconstruction monitoring by assuming nonattainment which, in this case, would require the source to find emission offsets as well as applying LAER since an approvable SIP is not in effect for the area. The offsets must be arranged for before the construction permit could be issued and must actually take place before the source commences operation. The other requirements of the Interpretative Ruling would also apply. The source would also be required to monitor during the construction of the facility or the State would perform the ambient monitoring.

In both cases (1) and (2) above, the existing Section 107 designation status for the area would remain unchanged until data from the monitoring program indicated a revision was necessary. This would additionally mean that no SIP revision would be needed in the area until nine months after a designation of nonattainment was approved by EPA. Otherwise, the nonattainment status assumed by the new source could require the existing sources to apply RACT perhaps needlessly.