Interstate Natural Gas Association of America

March 17, 2015

Via email (A-and-R-Docket@epa.gov)
U.S. Environmental Protection Agency
Mailcode 6102T
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Re: INGAA Comments Regarding the Proposed Rule, "National Ambient Air Quality Standard for Ozone," (Docket ID No. EPA-HQ-OAR-2008-0699) and the associated Regulatory Impact Analysis for National Ambient Air Quality Standard for Ozone (EPA-HQ-OAR-2014-0169).

Dear Docket Clerk:

The Interstate Natural Gas Association of America (INGAA), a trade association of the interstate natural gas pipeline industry, respectfully submits these comments in response to the Environmental Protection Agency's (EPA) proposed rule, "National Ambient Air Quality Standards for Ozone" (Ozone NAAQS Proposal) and the associated Regulatory Impact Analysis (RIA). The ozone NAAQS standard is designed to address urban smog and will be referred to in these comments as "NAAQS" or "ozone NAAQS".

INGAA's 24 members represent the vast majority of the interstate natural gas transmission pipeline companies in the United States, operating approximately 200,000 miles of pipelines and serving as an indispensable link between natural gas producers and consumers. INGAA member companies operate transmission and storage compressor stations typically driven by reciprocating internal combustion engines or combustion turbines. The existing NAAQS, in conjunction with the EPA NOx State Implementation Plan (SIP) Call Phase 2 Rule, and the state NOx Reasonably Available Control Technology (RACT) regulations have required INGAA members to install nitrogen oxide (NOx) controls on turbines and engines. Therefore, INGAA's member companies are qualified to anticipate the implementation consequences of more stringent NAAQS.

INGAA recommends that the EPA retain the current 75 part per billion (ppb) ozone NAAQS rather than pursue a more stringent standard. INGAA is concerned that more stringent NAAQS for ozone could result in onerous regulatory requirements for NOx sources throughout the U.S. without commensurate societal benefit and with little indication that lowering the standards is necessary to protect public health and welfare. INGAA's support for the existing 75 ppb standard is a reasonable approach. INGAA believes it is prudent to wait to determine the effectiveness of previous (2008 ozone) standards before proceeding with more stringent standards. Both the 2008 ozone standard and revisions to the 2006 and 2013 fine particulate ($PM_{2.5}$) NAAQS experienced implementation delays. Therefore, INGAA supports a

more measured approach until the current regulatory programs have been fully implemented and the societal benefits of these programs are realized and understood.

INGAA raises the following specific issues: (1) ambient ozone levels are declining and likely will continue to decrease in the coming years; (2) there is significant uncertainty in both the health benefits and implementation costs (3) EPA's analysis is based on the use of "unknown" controls; and (3) if the EPA chooses to adopt lower NAAQS, INGAA supports the proposed grandfathering provisions for Prevention of Significant Deterioration (PSD) permitting.

1. The EPA's Proposed Rule Fails to Acknowledge that Ambient Ozone Is Declining. Recent air quality trends indicate that ambient ozone levels have fallen dramatically over the last two decades, and continue to decrease. Because of implementation delays caused by litigation and for other reasons, reductions associated with the 2008 (current) ozone NAAQS have not been fully realized. Moreover, collateral benefits from the EPA's January 2013 revisions to the $PM_{2.5}$ NAAQS annual standard and 2006 revisions to the $PM_{2.5}$ NAAQS 24-hour standard have yet to be realized.

   For example, several regulations in place or proposed will reduce emissions from electric utilities, including the Mercury and Air Toxics Standard (MATS), the reinstated Cross-State Air Pollution Rule (CSAPR), the one- hour NO_2 standard and, when finalized, the proposed Clean Power Plan's New Source Performance Standards (NSPS). Additionally, Tier 3 Motor Vehicle Emission and Fuel Standards will reduce emissions from mobile sources. The EPA's regional haze program also will reduce emissions of ozone precursors.

   States (including the imminent Pennsylvania program) will continue to pursue more stringent statewide NOx and volatile organic compounds (VOC) RACT requirements. While there remains some uncertainty about the impact of state RACT regulations that are not yet adopted, these and other programs will result in additional NOx and VOC reduction in the coming years. These control methods will result in a continued downward trend in ambient ozone.

2. The EPA Fails to Demonstrate Compelling Net Societal Benefits for its Revised Ozone NAAQS and thus the EPA Should Maintain the Current Ozone NAAQS Standard. The Ozone NAAQS Proposal forecasts societal benefits from a lower NAAQS but the Regulatory Impact Analysis[1] indicates uncertainty about the net benefits.[2] For example, there is significant uncertainty in the EPA's estimate of company compliance costs because the EPA's modeling projections for 2025 attainment requires reductions from "unknown controls." This reference to unknown controls means that the EPA has not yet identified the pollution controls and accordingly has not determined that such controls are commercially or widely-available and demonstrated for the pipeline industry's use.

[1] "Regulatory Impact Analysis of the Proposed Revisions to the National Ambient Air Quality Standards for Ground-Level Ozone." EPA-452/P-14-006 (November 2014).
[2] In Comments 3 and 4, INGAA discusses the significant uncertainties associated with the range of monetized health benefits, the portion of those benefits associated with the $PM_{2.5}$ NAAQS, and the EPA's estimate of company compliance costs.

Existing and proposed federal and state regulations that have not yet been implemented fully will result in additional emission reductions. These emission reductions will continue the downward trend in ambient ozone levels. INGAA acknowledges that in the EPA's modeling forecasts these controls are not expected to lower ozone to levels commensurate with the lower targets in the Ozone NAAQS proposal, but INGAA also cautions about the inexact nature of air quality models. Implementation of these existing and proposed federal and state controls will provide real-world monitoring results that will assist the EPA and industry in refining and improving air quality models. Implementation also will enhance the ability of models to assist in the design of effective control strategies for attainment planning should a lower ozone standard be warranted in the future.

INGAA believes that retaining the current ozone standard will provide the opportunity to realize the air quality benefits of ongoing emission reductions regulations and provide a better understanding of regional transport. This additional time will provide the EPA and industry the ability to pursue ozone reduction strategies that are more effective if "next generation" emissions controls prove to be warranted. In addition, retaining the current NAAQS will provide time for the costs, health effects, and other environmental benefits associated with a lower standard to be better understood. Retaining the existing standard will reduce the uncertainty associated with projections of societal costs and benefits.

3. <u>The EPA's Analysis Indicates Significant Uncertainty in the Benefits and Costs of the Ozone NAAQS Proposal.</u> INGAA understands that the EPA's review of the ozone NAAQS cannot directly consider the costs of implementing the standard when choosing a NAAQS level that is protective of human health and welfare. However, the Administrator has considerable discretion in determining what constitutes a protective standard. Consideration of implementation costs and societal benefits are inherent in that discretionary decision.

   The EPA's estimates of costs and benefits associated with the proposed rule are detailed in the RIA. The costs are associated with control of NOx and VOC emissions, where the required tonnage of reductions are based on the EPA air quality modeling that assessed the reductions required from current NOx and VOC inventories to attain a 70, 65 or 60 ppb ozone NAAQS by 2025 (for areas of the U.S. other than in California).

   There is uncertainty associated with the emission reductions that the EPA assumes from proposed regulations such as the Clean Power Plan. Thus, greater emission reductions may be required – with increased costs – than originally forecasted by the EPA. However, assuming the EPA's projections of reductions from "on the books" and pending regulations are accurate, significant *additional* emission reductions are needed to achieve a lower ozone NAAQS. **For these reductions, the cost estimate for *unknown* controls comprises 60 percent to 90 percent of the total control costs for attaining an ozone NAAQS reduction from 70 ppb to 60 ppb.** For California, all of the control costs for post-2025 attainment are from unknown controls, and therefore the costs for California to attain NAAQS reductions potentially are significantly greater than for other parts of the country.

   INGAA believes that the proposed rule's cost uncertainty and the associated burden on the U.S. economy warrants consideration in light of the uncertainty associated with potential

societal benefits. The EPA's RIA presents the following projections of benefits and costs from a lower standard:

- For a 70 ppb NAAQS, the EPA's projected 2025 health benefit ranges from $6.4 to $13 billion. The projected cost is $3.9 billion and about 60 percent of the cost is for unknown controls.
- For a 65 ppb NAAQS, the EPA's projected 2025 health benefit ranges from $19 to $38 billion. The projected cost is $15 billion and over 70 percent of the cost is for unknown controls.
- For a 60 ppb NAAQS, the EPA's projected 2025 health benefit ranges from $34 to $70 billion. The projected cost is $39 billion and about 90 percent of the cost is for unknown controls[3].

A significant portion of the health benefit shown is from collateral benefits associated with lower ambient levels of particulate matter. Yet, that benefit likely would be derived from the $PM_{2.5}$ NAAQS, and not the ozone controls which are the subject of this proposed rule. INGAA wants to make certain that the EPA does not double count the benefits for reducing ozone through a tighter standard by pointing to reductions made through other regulatory programs. The EPA's proposal of a 70 ppb standard shows a marginal health benefit, but that value could be discounted if the costs of unknown controls exceed the EPA's estimate. For 65 or 60 ppb proposed ozone standards, the estimated costs are similar to the lower end of the range of benefits. If the unknown control costs are under-estimated (or the amount of reductions needed are under-estimated), the costs of the standard could exceed the benefit, and would exceed the benefit if only ozone-related health benefits are considered.

With considerable discretion granted to the Administrator, and no clear indication that a tighter standard will provide a net benefit to the nation, **INGAA believes that this uncertainty supports a more cautious approach. INGAA supports retaining the current ozone standard of 75 ppb**. While INGAA recommends that the EPA retain the current ozone NAAQS, should the EPA decide to adopt a tighter standard, the agency should select a standard at the upper end of the range and no lower than 70 ppb.

4. The EPA's Analysis Indicates Requiring Controls that are not yet Available. As discussed in Comment 3, the RIA indicates that a stricter NAAQS will not be achieved using *existing* control technologies for which more established cost information is available. Thus, a significant portion of the projected reductions are based on unknown controls, and the EPA attempts to estimate the associated costs based on a presumed cost per ton. The EPA's assumption that the cost of controls range from $14,000 to $15,000 per ton is not adequately justified and the EPA should consider higher costs in its analysis.

   The EPA's RIA also considers the possibility that actual compliance costs will be lower. The EPA cites historical examples where lower future costs were realized ultimately due to technology advancements. However, the EPA's Proposed Rule fails to address adequately the potential that it will under-estimate unknown costs. The EPA's NOx SIP Call Phase II

[3] *Id.*

requirement is an excellent example of a rule for which the costs of controls substantially exceeded the EPA's original estimates.

Since emission control programs are more mature and significant technological advances have already been realized, examples of previous cost reductions from technology improvements may be a historical artifact irrelevant to future scenarios. In simple terms, ample technology opportunities and innovations are available to achieve "initial" reductions. However, as regulations penetrate across more sectors and control requirements are layered over multiple years in response to more stringent NAAQS, this initial success is not always maintained. The EPA should not presume that historical technological examples are relevant as a remedy for the next round of reductions. In layman's terms, the EPA assumes a wide number of moderately inexpensive control technology opportunities will remain available even as standards become more stringent.

Thus, actual costs could be much higher than the EPA's RIA estimate. Since the RIA analysis indicates that between 60 and 100 percent of the emission reduction costs are from *unknown* controls, a lower ozone NAAQS could have significant impacts on the economy and implementation costs could far surpass the estimated benefit. This uncertainty supports an approach that retains the existing standard, until adequate control measures are available or costs and benefits can be more reasonably forecast.

5. <u>INGAA Supports the Proposed Grandfathering Provisions for PSD Permitting</u>. The EPA is proposing and soliciting comments on adding a grandfathering provision to the EPA's regulations at 40 C.F.R. §§ 51.166 and 52.21. This provision would apply to two categories of PSD permit applications that are pending when the EPA issues the revised Ozone NAAQS: (1) applications for which the reviewing authority has formally determined that the application is complete *on or before* the signature date of the revised NAAQS; and (2) applications for which the reviewing authority has first published a public notice of a draft permit or preliminary determination before the effective date of the revised NAAQS.

   The Proposed Rule's grandfathering provision would allow a permitted source to demonstrate conformance with the ozone NAAQS in effect on the date the permit application is deemed complete or the date the public notice on the draft permit or preliminary determination is first published. As explained in the preamble, states with EPA-approved PSD programs in their SIPs would have additional flexibility for implementing the proposed grandfathering provision, to the extent that an alternative approach is at least as stringent as the federal provision.

   INGAA supports including these grandfathering revisions in the final rule. Failure to address this issue in the final rule would result in uncertainty in the permitting process and stifle economic growth.

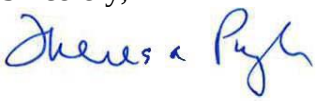
INGAA supports retaining the existing 75 ppb standard. INGAA believes that the EPA has failed to provide justification for lowering the standard given the progress on air quality improvements anticipated under other rulemakings. INGAA believes it would be more prudent to wait until EPA and industry understand the effectiveness of the previous standards before proceeding. Further, INGAA does not believe that the EPA should promulgate a revised standard that would

result in the presumptive use of future unknown regulatory controls with unknown economic impacts.

INGAA appreciates your consideration of these comments. Please contact me at 202-216-5955 or tpugh@ingaa.org if you have any questions.

Thank you.

Sincerely,



Theresa Pugh
Vice President
Environment, Health and Construction

cc (by email): Susan Lyon Stone, U.S. EPA, Health and Environmental Impacts Division, Office of Air Quality Planning and Standards (stone.susan@epa.gov)