

August 28, 2014

VIA Web Link

Ms. Jill Inahara  
Oregon Department of Environmental Quality - Headquarters  
811 SW Sixth Avenue  
Portland, OR 97204-1390  
<http://www.oregon.gov/deq/RulesandRegulations/Pages/comments/AQPerm.aspx>

**SUBJECT: Port of Portland Comments - Proposed revisions to air quality permitting, Heat Smart, and gasoline dispensing facility rules, August 2014**

Dear Ms. Inahara:

The Port of Portland (Port) appreciates the opportunity to review and comment on the proposed rulemaking package. We appreciate the substantial effort that the Oregon Department of Environmental Quality (DEQ) has given to developing the proposed revisions to the affected air quality rules.

The Port's mission is to enhance the region's economy and quality of life by providing efficient cargo and air passenger access to national and global markets. The Port believes that DEQ's proposed rules generally help support that mission by protecting and enhancing local and regional air quality and providing additional flexibility for regions in danger of entering nonattainment status or recently emerging from nonattainment status, supports that mission.

However, we believe it is crucial that any changes to air quality rules: (1) provide a clear and demonstrable benefit to the environment; (2) are equitable and would not cause a competitive disadvantage with similar entities in other states or other regions within the state, or would inadvertently inhibit economic growth in the region; and (3) do not place excessive regulatory or financial burdens on affected entities or regions

within the state. In finalizing these rules, we request that DEQ consider the following comments, which were developed with these principles in mind.

**1. DEQ Proposed Rule Change: Loading Gasoline or Volatile Organic Compound Liquids onto Marine Tank Vessels (OAR 340-232-0110)**

These rules currently require that emission controls be used when loading gasoline into marine vessels within the Portland Air Quality Management Area (AQMA). The proposed change to the rules makes the use of emission controls a requirement when loading volatile organic compound (VOC) liquids in addition to gasoline. The Port has several concerns with the proposed rule including:

**Comment #1: Competitive Disadvantage**

The Portland AQMA, like other areas of the state, is in attainment with the National Ambient Air Quality Standards. Requiring additional controls for these operations only in the Portland AQMA is not justified from an air quality perspective and will place business and terminals located in the Portland region at a competitive financial and potentially operational disadvantage when compared to those businesses located in other parts of the state.

**Comment #2: Relocation and Redistribution of Emissions**

As the export demand increases for volatile organic compound (VOC) liquids (i.e., crude oil, ethanol, or others), businesses will actively seek the most viable locations to set up export terminals that handle those VOC liquids. For facilities located outside of the Portland AQMA, not only would VOC emissions not be reduced through emissions controls, but net VOC emissions could increase due to increased rail and truck emissions (statewide) and pollutant transport into the AQMA. For example: if VOC liquid loading onto marine tank vessels is performed outside of the Portland AQMA without control requirements, VOC will simply be emitted in other areas creating localized impacts as well as increasing potential transport into other areas. Other terminal sites along the Columbia River are influenced by meteorology that could transport these pollutants into the Portland AQMA, depending on the time of year.

**Comment #3: Liquefied Natural Gas (LNG) Applicability**

The Port of Portland is concerned that the definition of a VOC liquid in the draft rules is unclear and could be interpreted to apply to LNG based on LNG's transport pressure. It does not make sense to apply this rule to LNG because OAR 340-232-0110 is a VOC control rule for the Portland AQMA and LNG is mostly methane, a non-VOC [OAR 340-200-0020(151)].

**Comment #4: Potential Worsened Air Quality for LNG, Liquefied Propane Gas (LPG), and Propane Vapor Destruction**

The increased emissions that result from vapor destruction equipment used to control fugitive emissions from LNG, LPG, and propane loading outweigh the limited benefits of VOC emission reductions. The destruction of LNG, LPG, and propane vapors creates criteria pollutants, including VOC, carbon monoxide, nitrogen oxides, and particulate matter; as well as air toxics such as formaldehyde and benzene.

LNG is 95% methane and LPG is mostly butane and propane. Routine destruction of LNG, LPG, and/or propane vapors would generate toxic air pollutants that have higher health impact potentials than the emission of methane, butane or propane directly and that are targeted for reduction in the Portland area (2010 Portland Air Toxics Solutions report). Applying the proposed rules to LNG, LPG, and propane would create additional regulatory and financial burdens on exporters of these products without a significant air quality benefit.

All areas of the state are currently in attainment with federal ozone standards. Moreover, DEQ has recently focused attention on reducing air toxic emissions, particularly in the Portland area. If this rule applies to LNG and LPG, it could result in an increase in local air toxics emissions, while doing little to control the formation of ozone.

**Comment #5: LNG, LPG, and Propane Air Quality Benefits.**

LNG, LPG, and propane are cleaner-burning alternative fuels that produce significantly lower amounts of harmful emissions and greenhouse gases than conventional fossil fuels.

The export of these fuels not only provides significant economic benefit, but plays a key role in helping reduce air pollution globally:

- When used to generate electricity, natural gas burns cleaner than other fuel sources, with less pollutants and no mercury and is an essential partner to the development of renewables.
- Natural gas vehicles emit an average of 25% less CO<sub>2</sub> than vehicles that run on traditional gasoline or diesel.
- LNG is the only cleaner-burning fuel that can power large marine vessels.

## **Recommendations**

The Port supports the implementation of the proposed controls in general; however, we recommend that the limits be applied statewide and not just within the Portland AQMA. As an option, we suggest that the requirements for marine terminals loading gasoline and VOC liquids be placed in the 'Emission Standards for Specific Industries' [OAR 340 Division 236] section of the regulations and be made to apply on a statewide basis.

If the statewide applicability of the control requirements cannot be reasonably accomplished, we recommend that the loading emission control requirements for gasoline and VOC liquids [OAR 340-232-0110] form the baseline for any typically achievable control technology (TACT) determinations for controls at other similar operations at facilities anywhere in the state. This may be accomplished by adding language to the TACT section of the rules [OAR 340-226-0130] and adding language to internal DEQ TACT review policies.

The Port also recommends that LNG specifically be excluded from coverage by the rule. Methane, the major component of LNG, is not a VOC and should not be regulated under VOC regulations.

The Port further recommends that LNG, LPG, and propane specifically be excluded from coverage by the rule. Although the primary components of LPG and propane are classified as VOCs, destruction of these gasses produces new VOCs, other criteria pollutants, and air toxics that could result in unintended negative air quality outcomes.

**2. DEQ Proposed Rule Change: General Air Quality Definitions - Categorically Insignificant Activity" (OAR 340-200-0020)**

Under the proposed rule changes, all natural gas or propane burning equipment would no longer be considered categorically insignificant if one or both of the following conditions is met:

(A) a facility's aggregate emissions are greater than the de minimis level for any regulated pollutant; or

(B) Any individual equipment is rated at greater than 2.0 million metric British thermal Units (MMBtu)/hour.

**Comment:** Negligible Environmental Benefit with Large Burden on Regulated Facilities.

The need for the new categorically insignificant activity (CIA) definition is unclear. It potentially creates: (1) a significant administrative and financial burden on regulated facilities; (2) a vast increase in the number and types of businesses that will be required to seek construction approvals or permits based on miniscule sources; and (3) a vast increase in DEQ permitting efforts to handle the additional permitting and notice of construction actions, all without a demonstrated benefit to air quality.

- Numerous small businesses, warehouses, and other facilities will be affected by this rule. For example, a building that is 20 feet tall, 100 feet long, and 200 feet wide would require approximately a 2.4 MMBtu per hour boiler unit for space heating. Under the proposed rule, such a facility would be required to file a notice of construction or obtain an air quality permit and report on any other natural gas or propane burning units at the site, including small water heaters.
- Relative to the number of natural gas- and propane-fired units statewide (such as the hundreds of thousands of such units at residential locations), this rule would affect a very small percentage of such units in the state, but with potentially substantial financial, recordkeeping, and reporting requirements for the affected sources.
- Affected sources would be required to submit a notice of construction for every small unit, such as a water heater, that is to be installed. This is a big compliance concern for facilities. Every facility would have to keep an inventory of all units

at a site and know when maintenance replaces or adds even a small water heater or space heater. Facilities with multiple small water heaters and other such units would be required to allocate potentially significant labor hours to monitoring, tracking, and reporting, no matter how small the unit.

- Many permitted facilities keep track of natural gas and propane usage only on a site-wide basis. As a result, they already are indirectly including the emissions from every natural gas and propane combustion unit at a site when calculating emission compliance. They just are not doing calculations for every individual piece of equipment. Tracking individual combustion units at these sites would not provide any significant air quality benefit.

### **Recommendations**

Unless it can be shown that the air quality benefits that would result from this rule change would outweigh the costs and compliance issues, the Port recommends:

- (1) Striking the clause that removes categorically insignificant source designation for units at facilities with a unit of 2.0 MMBtu/hour or greater;
- (2) Increasing the aggregate emissions rate for applicability to a threshold that is greater than the de minimis rate; and
- (3) Specifically exempting natural gas and propane units that are used exclusively for comfort heating and domestic use (non-process) water heating. These units would remain CIA units.

These changes would allow DEQ to regulate smaller sources that in aggregate could contribute to local air quality concerns without creating an unnecessarily burdensome set of requirements and regulations on a large population of businesses and facilities.

### **3. DEQ Proposed Rule Change: New Source Review (OAR 340 Division 224)**

The proposed rules contain significant changes to the New Source Review (NSR) program, including new types of designated areas and additional requirements for analysis of impacts. These changes could add considerable time, costs, and uncertainty to businesses trying to obtain NSR permits. Existing and future Port tenants may be impacted by the NSR rules. The Port is concerned that the regulation development

process did not contain adequate analysis of the economic impacts relative to the benefits resulting from the NSR rule changes so that all parties can understand what the new regulations will mean. Because of the complexity of the NSR program, it would be helpful for stakeholders to have had more communication with DEQ to review case examples in meetings and workshops that were more focused on NSR and not on all of the other rule changes.

### **Recommendation**

Because of the impacts from this rulemaking have not been assessed and are potentially extremely significant; the Port recommends that this section be pulled.

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The Port appreciates DEQ's consideration of our input on the proposed rulemaking package. Please contact David Breen at (503) 415-6811 if you have any questions.

Sincerely

*Port of Portland*



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Air Quality Specialist



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