



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION III
1650 Arch Street
Philadelphia, Pennsylvania 19103-2029

Mr. Krishnan Ramamurthy
Director
Pennsylvania Department of Environmental
Protection
Rachel Carson State Office Building
400 Market Street
Harrisburg, Pennsylvania 17101

FFR 08 2019

Dear Mr. Ramamurthy:

Thank you for your November 5, 2018, electronic correspondence requesting the U.S. Environmental Protection Agency's (EPA) approval of First Quality Tissue's (FQT) interprecursor trade (IPT) to offset the significant net emissions increase associated with the construction of Paper Machine 3, in accordance with nonattainment new source review (NNSR) requirements. The proposed trade is between volatile organic compounds (VOC) and nitrogen oxides (NO_x) emission reduction credits (ERCs).

According to the request, submitted on behalf of FQT, by IES Engineers (IES), the Pennsylvania Department of Environmental Protection (PADEP) issued Plan Approval No. 18-00030C for the construction of Paper Machine 3 and associated emissions sources on July 27, 2017. Section C, Condition #008 of the Plan Approval requires FQT to procure 75.93 tons of VOC ERCs and 64.32 tons of NO_x ERCs.

The facility is an existing facility located in Clinton County, Pennsylvania, which is designated as attainment/unclassifiable for each of the ozone national ambient air quality standards (NAAQS). However, since the Commonwealth of Pennsylvania is in the Ozone Transport Region (OTR), Clinton County is treated as moderate nonattainment for ozone and its precursors (VOC and NO_x). Therefore, in accordance with the NNSR provisions of Pennsylvania's rules (specifically 25 Pa. Code Section 127.210(a)), FQT must offset the proposed VOC and NO_x emissions increases through the purchase of ERCs. According to 25 Pa. Code Section 127.208(9), the entire OTR can be considered one nonattainment area for the purpose of procuring offsets.¹ FQT is planning to use NO_x ERCs secured from the shutdown of a glass melting furnace at the LEDVANCE, LLC (formerly known as, Osram Sylvania, Inc.) facility located in Tioga County, Pennsylvania, which is to the northeast of Clinton County where the project is occurring.

¹ Typically, non-OTR sources would be required to follow the requirements of Clean Air Act (CAA) section 172(c)(1)(A) and (B), if offsets are not procured from the same nonattainment area. 25 Pa. Code 127.208(3) mirrors this CAA language.



According to the Request for Approval of Interprecursor Offset Trading, FQT is planning to use NO_x ERCs to offset the VOC emissions increases from the permitted project on a ton-for-ton basis, (i.e. a 1:1 IPT ratio) for a total of 140.25 tons of NO_x ERCs. Pursuant to 40 CFR 51.165(a)(11), the state implementation plan (SIP) shall require that “emission offsets shall be of the same regulated NSR pollutant unless interprecursor offsetting is permitted for a particular pollutant...” Consistent with EPA guidance, *Improving Air Quality with Economic Incentive Programs Program* (Jan. 2001), if a permitting authority’s SIP permits IPT between VOC and NO_x emissions, we believe the permitting authority or permit applicant should provide a demonstration showing how it supports the IPT ratios used.^{2,3}

Based on our review of the analysis provided, we feel IES successfully demonstrated that the FQT plant is located in a NO_x limited air quality regime of the OTR, and that the purchase of NO_x credits to offset the VOC emissions increases will have at least an equal benefit to ambient air quality. To make this demonstration, IES cited valid ozone modeling performed by the Ozone Transport Commission (OTC) Modeling Committee and ozone modeling performed by the University of Maryland for the Maryland Department of the Environment. Both modeling demonstrations show that ozone concentrations, in the air shed in which FQT is located, respond more to changes in NO_x emissions than VOC emissions. Additionally, since Tioga County is a neighboring county to Clinton County and both counties are in the same OTR air shed, the proposed ERCs should successfully mitigate potential ozone concentration increases from increased emissions from the permitted FQT project.

If you have any questions, please do not hesitate to contact me or contact Ms. Zelma Maldonado, Acting Associate Director, at 215-814-3448 and maldonado.zelma@epa.gov.

Sincerely,



Cristina Fernandez,
Division Director
Air Protection Division

² See <https://www.epa.gov/sites/production/files/2015-07/documents/eipfin.pdf>.

³ This is also consistent with EPA’s recently completed rule titled *Implementation of the 2015 National Ambient Air Quality Standards for Ozone: Nonattainment Area State Implementation Plan Requirements*. See 83 FR 62988. <https://www.govinfo.gov/content/pkg/FR-2018-12-06/pdf/2018-25424.pdf>. The rule is accompanied by guidance title *Technical Guidance for Demonstration of Inter-Precursor Trading (IPT) for Ozone in the Nonattainment New Source Review Program*, which address an air agency’s air quality modeling requirements associated with the implementation of an IPT program. See <https://www3.epa.gov/ttn/scram/guidance/guide/EPA-454-R-18-004.pdf>. Additionally, the rule includes new SIP requirements to authorize interprecursor trading (83 FR 63016-18) and the accompanying timelines for requisite NNSR SIP revisions (83 FR 63000-02).