



**Resolution in Support of Recommendations Regarding the Texas Commission
on Environmental Quality's Proposed Eight-Hour Ozone State
Implementation Plan Revision**

The Greater Houston Partnership supports the following recommendations with regard to the Texas Commission on Environmental Quality's (TCEQ) Proposed Eight-Hour Ozone State Implementation Plan (SIP) Revision for the Houston-Galveston-Brazoria region.

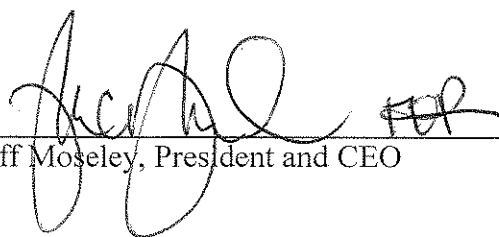
- The Partnership encourages the TCEQ to propose the State request reclassification of the Houston-Galveston-Brazoria (HGB) region to a later attainment date. The TCEQ needs to select an appropriate attainment date that assures continued federal transportation funding and mobile source conformity over the timeframe of the SIP.
- Recognizing the short timeframe to achieve large emission reductions in the Houston region under the current attainment deadline, we will submit a list of additional measures for further analysis and possible inclusion in the current proposed SIP. The Partnership believes these measures will strengthen the current proposed plan and requests that these measures be considered for incorporation into the final plan adopted in May.
- There is no consensus on specific point source control measures that TCEQ should include in the SIP. However, the Partnership recommends that reductions from all sources, including point sources, be considered in future plans for attaining the eight-hour ozone standard. TCEQ, the agency charged with regulating point source emissions, should consider supplementing the SIP with all feasible measures, including point source controls, which will contribute to attaining the standard in an expeditious and cost effective way.



John Hofmeister, Chairman



Dan Wolterman, Secretary



Jeff Moseley, President and CEO



MEMORANDUM

DATE: February 7, 2007

TO: Board of Directors

FROM: Doug Foshee
Chairman, Environment Advisory Committee

SUBJECT: Support of Recommendations Regarding the Texas Commission on Environmental Quality's Proposed Eight-Hour Ozone State Implementation Plan Revision

RECOMMENDATION

The Greater Houston Partnership supports the following recommendations with regard to the Texas Commission on Environmental Quality's (TCEQ) Proposed Eight-Hour Ozone State Implementation Plan (SIP) Revision for the Houston-Galveston-Brazoria region.

- The Partnership encourages the TCEQ to propose the State request reclassification of the Houston-Galveston-Brazoria (HGB) region to a later attainment date. The TCEQ needs to select an appropriate attainment date that assures continued federal transportation funding and mobile source conformity over the timeframe of the SIP.
- Recognizing the short timeframe to achieve large emission reductions in the Houston region under the current attainment deadline, we will submit a list of additional measures for further analysis and possible inclusion in the current proposed SIP. The Partnership believes these measures will strengthen the current proposed plan and requests that these measures be considered for incorporation into the final plan adopted in May.
- There is no consensus on specific point source control measures that TCEQ should include in the SIP. However, the Partnership recommends that reductions from all sources, including point sources, be considered in future plans for attaining the eight-hour ozone standard. TCEQ, the agency charged with regulating point source emissions, should consider supplementing the SIP with all feasible measures, including point source controls, which will contribute to attaining the standard in an expeditious and cost effective way.

BACKGROUND

The eight-county Houston-Galveston-Brazoria region is classified as "moderate" ozone nonattainment by the U.S. Environmental Protection Agency (EPA) under the eight-hour ozone standard. The Houston region must meet the federal eight-hour ozone standard by 2010. The Federal Clean Air Act requires states to submit SIP revisions for the eight-hour ozone standard

by June 15, 2007. The TCEQ is the state agency responsible for developing and implementing a SIP to bring the Houston region into compliance with the federal ground-level ozone standard. The SIP includes control strategies, or measures to address pollution issues, for areas that fail to achieve the ozone standard.

In previous SIP revisions, the TCEQ developed extensive regulations targeting ozone precursor emissions of nitrogen oxides (NO_x), volatile organic compounds (VOCs), and highly-reactive volatile organic compounds (HRVOCs). Key measures already in place to control ozone formation in the Houston region include:

- Control of NO_x to an overall 80% level for point sources, and the associated Mass Emission Cap and Trade (MECT) program;
- Control of NO_x from mobile source emissions through the vehicle inspection and maintenance (I/M) program, the Texas Emission Reduction Plan (TERP), and the Texas Low Emission Diesel (TxLED) program;
- Control of HRVOC and the associated HRVOC Emission Cap and Trade (HECT) program; and
- Control of VOCs.

The Partnership's industrial members have been strong supporters of clean air improvements as demonstrated by \$3 to \$5 billion investments since 2000 in facility emissions reductions. These reductions have targeted NO_x, VOCs, and HRVOCs with a suite of voluntary and mandated emission reductions that began in 2001 and continue through 2008.

With respect to mobile sources, the Partnership's members have participated in voluntary and incentive programs such as TERP. These programs work to accelerate mobile source emission reductions via retrofits of existing equipment with new air pollution control kits, lower emitting engine re-powers, and early replacement of higher emitting equipment.

CURRENT PROPOSED SIP REVISION

The current proposed SIP revision documents steps toward attainment of the eight-hour ozone standard. The TCEQ has stated that challenges to attain the eight-hour ozone standard are great because the Houston region is one of "the most comprehensively controlled industrial complexes in the world; the area has unique and complex ozone formation chemistry and meteorology".

The TCEQ lacks regulatory authority to set emission standards for mobile sources, and no additional pollution control technologies are anticipated to be developed before the region's 2010 attainment date. Estimated NO_x emission reductions needed for attainment as suggested by TCEQ modeling would require an approximately 50% reduction across all emission sectors (approximately 200 tons per day).

On December 13, 2006 the Commission approved the current proposed SIP revision. This revision includes three control measures to reduce emissions of ozone precursors:

- Marine vessels operating locally will be required to use TxLED (low emission diesel);
- VOC rules for storage and degassing operations; and
- Voluntary mobile emission reduction programs (clean vehicles incentives, telework, vanpooling, and related programs) to be coordinated locally by the Houston-Galveston Area Council.

These three measures reduce NOx emissions by 3.7 tons per day.

The current proposed SIP submittal falls short of demonstrating the region's attainment goal by 2010. TCEQ's current proposed plan suggests that attainment may be possible by 2018, but does not set forth a timetable or strategy for developing a future attainment plan. The Commission has also not proposed that the State request reclassification of the region to a later attainment date.

The public comment period on the current SIP proposal is open until February 12, 2007. TCEQ will review and incorporate any additional revisions received during this time and resubmit the plan to the Commission for adoption in May 2007.

RESPONSE

Achievement of federal clean air standards is a top priority for the Greater Houston Partnership. The Houston business community recognizes the need for a complete and approvable SIP submittal. If the Houston region fails to submit an approvable plan to meet the eight-hour ozone standard in 2010, the EPA could impose sanctions including a loss of federal transportation funding estimated at \$1 billion annually and stricter emission reduction requirements for future business growth and expansion.

The following items are recommended for the current proposed SIP submittal:

- Ozone attainment reclassification to a later date is needed for emission reductions from federally pre-empted sources to be realized in the Houston region.
- A list of additional control measures (see table below) has been drafted for potential inclusion in the current proposed SIP submittal. These added measures do not remedy the need for large emission reduction requirements within a short timeframe, but they may be utilized to strengthen the current proposed plan.

POTENTIAL ADDITIONAL STATE AND CONTROL STRATEGIES FOR POSSIBLE INCLUSION IN THE CURRENT SIP¹

Control Measure	Description
Improvements to Low-Income Repair and Assistance Program (LIRAP) Fund and Vehicle Inspection and Maintenance (I/M) Program ²	Increase emission reductions achieved by the LIRAP and I/M programs through several updates to the present system <ul style="list-style-type: none"> • Increase vehicle replacement incentives • Increase stringency of I/M program • Adopt rules to mandate the use of evaporative tank testers • Fully appropriate LIRAP revenues to assist with program enhancements listed above
Control heavy-duty idling	<ul style="list-style-type: none"> • Enable existing state no-idling rules by municipalities through Memorandums of Agreement with the TCEQ • Incentives for truck stop electrification
Texas Emission Reduction Program (TERP) extension and appropriation ²	Extend TERP through at least 2013 and enhance it through full appropriation of TERP revenues
LIRAP and/or TERP fund revolving loan program	Allocate LIRAP and/or TERP funds to create a revolving loan program to support investments in emission control technologies and related education/public outreach
Education/public outreach for voluntary engine reflash program	Implementation possible with TERP/LIRAP revolving loan program; generation of real-world mobile source NOx reductions
Clean School Bus funding ³	Allocate necessary funding to support and expand the program which retrofits or replaces aging school buses
Create Texas Diesel Testing Center to expedite development and verification of new technologies ²	Amend the New Technology Research and Development program funding to include creation of a Diesel Testing Center
Provide additional incentives for government clean fleet programs	Encourage rapid turnover to newer, cleaner technologies among government fleets via greater incentives
Provide additional incentives for government clean contracting programs	Adopt TxDOT "clean contracting" principles which provide incentives for contractors to use cleaner diesel equipment
Transportation Control Measures (TCMs)	Including measures in the SIP to reduce transportation-related emissions by reducing vehicle use or improving traffic flow
California Low-Emission Vehicle Standard ⁴	Statewide adoption of California vehicle standards that are more stringent than the current federal standards

IMPLEMENTATION

To implement this recommendation, the Partnership will communicate its recommendations regarding attainment reclassification and additional control strategies for the proposed SIP revisions to the TCEQ via written comments on or before February 12, 2007. The Greater

¹ Control strategies included in this list may be removed pending further review by the Environment Advisory Committee. No further items will be added to the list.

² This issue is supported in the Greater Houston Partnership's 2007 State Legislative agenda.

³ Item pending Greater Houston Partnership Board approval (February 2007).

⁴ The Greater Houston Partnership's Board approved a resolution opposed to California Low Emission Vehicle standards on December 8, 1992. The Environment Advisory Committee is currently reevaluating the Partnership's prior position. As a result of this review process, it is possible that the Committee could recommend that this previous position be reversed.

Houston Partnership will also communicate support to members of the Partnership and to the community through a press release.

RESOURCES REQUIRED

This resolution can be implemented within current budgetary constraints.