



Department of Environmental Quality



To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

Dave Freudenthal, Governor

John Corra, Director

July 14, 2009

RE: Removal of control equipment and inter-company trading in Sublette County

Dear Sublette County Operator:

The purpose of this letter is to explain the Air Quality Division's position on removal of control equipment once VOC emissions from tanks, which have been issued Chapter 6, Section 2 air quality permits, fall below the applicable removal threshold in each permit. This letter also explains that the Division has allowed, and intends to continue to allow, the use of inter-company trading to secure emission reductions which may be needed to allow a permit applicant to make a Chapter 6, Section 2(c)(ii) Demonstration. Both of these issues (control removal, and inter-company trading) apply to permits issued to sources in Sublette County.

Control Removal

For sources in Sublette County, current permits allow the control device on tanks to be removed after one (1) year following the date of installation of the control device provided it can be demonstrated that the previous thirty (30) day, uncontrolled, annualized VOC emission rate is less than thirty (30), twenty (20) or fifteen (15) tons per year (depending on when the permit was issued). No prior authorization or permit modification is required under the terms of these existing permits, but operators are required to notify the Division of the removal date and certify that the uncontrolled emission rate is below the applicable control threshold specified in the permit. The certification, which must also include documentation of the calculation performed by the operator, must be submitted to the Division within thirty (30) days of removal.

Although existing permits allow removal of control devices when uncontrolled emissions are low enough, operators should note that the Division believes that removing a control device is an action that will cause an increase in VOC emissions (and a decrease in NOx emissions). To account for the increase in VOC emissions, the Division will, upon receipt of any certification that a control device has been removed, calculate the expected increase in VOC emissions (and decrease in NOx emissions), and will record the increase (decrease) in the Division's VOC and NOx offset tracking system maintained for sources within Sublette County. Recording any increase in a company's VOC emissions will reduce the company's "banked" VOC offset credit total, lowering the "banked" VOCs available to offset future permitting actions. If the company's "banked" VOC offset total is less than zero as a result of the removal of a control device, the Division will require that sufficient additional offset credits be created during the



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company's next permitting action to account for both the increases in VOC emissions by the permitting action, and the increases in VOC emissions from control device removal

Inter-Company Trading

The Division has recently allowed a company to utilize emission reductions obtained through inter-company trading in a Chapter 6, Section 2 (c)(ii) Demonstration. Section 4 of the Interim Policy states "No trading (i.e. inter-company emissions reductions) will be allowed". The prohibition on Inter-Company trading was made a part of the Interim Policy because the Division does not intend to establish an open market for emission offsets. It was not the Division's intent to restrict such trades, where companies involved in a trade can reach agreement on the value of any offset involved. Nor was the policy intended to prohibit new companies from operating in Sublette County. While the Interim Policy clearly states that it is not a regulation, the Division is clarifying that a Chapter 6, Section 2(c)(ii) Demonstration that involves emission reductions obtained through inter-company trading will be considered on a case-by-case basis. I appreciate the cooperation that companies in Sublette County have shown in implementing the Division's Interim Policy, which allows continued permitting of new or modified sources while also reducing the overall emissions of NOx and VOCs from gas production sources. We are hard at work to develop air quality modeling tools which will allow us to evaluate the impacts of different VOC and NOx emission reduction strategies on winter ozone formation—which in turn will allow us to make adjustments to, or replace, the Interim Policy. We understand that the Interim Policy cannot be the solution to the area's ozone problem on a long term basis.

If you have any questions, please contact Chad Schlichtemeier at (307) 777-5924, or me at (307) 777-7391.

Sincerely,


David A. Finley
Administrator
Air Quality Division

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AQD Internet