CONOCO

Interoffice Communication

To J. C. Ledvina

From B. I. Raffle

Date September 18, 1981

Subject IMPACT OF AIR OXIDATION CTG ON LCVCM HYDROCARBON BANK

file LCVCM

RECEIVED SEP 21 1981

Your memorandum of July 31, 1981 raises several questions concerning the significance of a future Louisiana oxyvent control regulation with respect to the VOC bank held by the Lake Charles Chemical Complex. This memorandum supplements our previous discussions on this matter.

As you know, the State of Louisiana has agreed to recognize the VOC reductions which will result from incineration of the VCM plant's oxyvent stream as a creditable emissions "bank".[1] As such, this reduction can be utilized in any of the following ways:

1. As a contemporaneous emission decrease to help offset future VOC increases at the Lake Charles Chemical Complex; this will allow the plant to either avoid stringent nonattainment review requirements[2] or, if such review cannot be avoided, to satisfy the offset requirement which such a review entails;[3]

2. as an alternative reduction bank to be used in lieu of installing VOC controls under future emission control regulations;[4] or

---

[1]The banking agreement for hydrocarbons (and carbon monoxide) was entered with the State of Louisiana on May 22, 1979, refined in an addendum dated February 12, 1980. Further definition of both the hydrocarbon and carbon monoxide decreases was submitted December 22, 1980. Incorporation of the bank into Permit Number 1335-T was accomplished on February 21, 1980.

[2]EPA plans to finalize its proposed new source bubble rule for nonattainment areas in the near future. See 46 FR 16280, March 12, 1981.

[3]Section 6.0 of the Louisiana Air Pollution Control Regulations.

[4]Section 17.16 of the Louisiana Air Pollution Control Regulations.

3. to sell to another industrial concern which may use them in one of the ways discussed above.

In the event that EPA issues a Control Techniques Guideline (CTG) for air oxidation vents, the State of Louisiana could be required to adopt VOC control regulations for such vent streams as part of its SIP. Such a requirement is technically imposed on the State under federally promulgated portions of the Louisiana SIP.[5] If this occurred, such control regulations would have to be made applicable to major sources (i.e. those emitting 100 tpy or more) located in rural ozone nonattainment areas such as Calcasieu Parrish.[6] Such regulations would have to be adopted by Louisiana in the second January following the CTG's issuance by U.S. EPA. Thus, if the CTG were issued by EPA in January of 1982, Louisiana would have to adopt an appropriate control regulation by January of 1983. However, if the CTG were issued in February of 1982, a regulation would not be due until January of 1984.

The adoption of an oxyvent control regulation by Louisiana could jeopardize the VOC bank now held by the chemical complex. Upon its approval by EPA as part of the Louisiana SIP, the mandated VOC reduction would no longer qualify as a creditable emission offset for the purposes discussed earlier.[7]

With these conclusions providing a general framework, the specific answers to your questions are presented below:

1. If the SIP is revised before construction is completed on the LCVCM project, do we even have a bank?

---

[5]See 45 FR 9909, February 14, 1980; 40 CFR Section 52.972.

[6]See 44 FR 20372, April 4, 1979 at page 20376.

[7]The baseline for crediting emission reductions under the bubble policy is a source's actual or allowable emissions, whichever is lower. Thus, upon adoption of an oxyvent rule, the creditable baseline for calculating reductions would become the level specified in the regulation. See e.g. 45 FR 52376, August 7, 1980.

ANSWER: Unless the State specifically exempted Conoco from coverage under the revised SIP, the bank would be eliminated by the State's adoption of an oxyvent RACT rule. From a federal (EPA) perspective, the bank would not be eliminated until EPA approved the rule as a SIP revision.

2. If we do start up before the SIP is revised, do we lose the bank upon revision of the SIP?

   ANSWER: If the emission reduction were accomplished prior to the State's adoption of an oxyvent RACT rule, neither the State nor EPA could retroactively "discredit" that bank by prohibiting its continued use after revision of the SIP.

3. In light of the response to question 2, what should our strategy be in utilizing the bank? If we can't use the bank quickly enough within Conoco, maybe we should investigate selling the emissions to another company.

   ANSWER: As discussed more fully below, I do not believe that the bank faces a threat in the forseeable future. Thus, our strategy should be to draw on the bank as ongoing business demands dictate. There will certainly be sufficient lead time prior to a SIP revision for us to take precautionary steps if they are warranted.

This last conclusion is based upon two general observations. First, it is not at all certain that EPA will issue any more CTG's in the forseeable future. John Helms, Chief of EPA's Control Programs Development Division told me yesterday that OMB is very unlikely to sign off on any of the draft CTG's which have been prepared or are under consideration by the agency. OMB is currently reviewing the Air Oxidation Vent Draft CTG.

Second, even if this CTG were issued by EPA, it is not certain that EPA would force Louisiana to develop an appropriate control regulation. Given the agency's current trend toward deferring to state agencies on non-essential SIP requirements, I doubt that EPA would actively push Louisiana to develop a control regulation for oxyvents.

In summary, the issuance of an oxyvent CTG by EPA could pose a threat to the continued existence of our Lake Charles Chemicals VOC bank. Although the probability that this risk will materialize is relatively low, it is sufficient to warrant careful scrutiny. Thus, chemicals should keep its ear to the ground for future developments affecting this CTG.

Bradley I. Raffle

Bradley I. Raffle
Attorney

cc: D. D. Ehrlich, Houston Legal
Jim Hall, Chemicals, Houston
Debs Gamblin, Chemicals, Houston
Ralph Ferrell, Lake Charles Chemical Plant
Mike Hayes, Lake Charles Chemical Plant
Jim DeBernardi, Lake Charles VCM Plant