American Forest & Paper Association

AMERICAN WOOD COUNCIL

May 15, 2018

The Honorable John Shimkus
House Energy and Commerce Committee
Chairman, Subcommittee on Environment
2123 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Paul Tonko
House Energy and Commerce Committee
Ranking Member, Subcommittee on Environment
2322A Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Shimkus and Ranking Member Tonko,

I would like to thank you for holding the hearing entitled, "Legislation Addressing New Source Review Permitting Reform" on May 16, 2018. This hearing provides an important opportunity for the Subcommittee to examine the challenges posed by EPA's New Source Review Program (NSR) and how it can be improved -- consistent with the twin purposes of the Clean Air Act to promote public health and welfare, as well the productive capacity of the nation.

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, tissue and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - *Better Practices, Better Planet 2020*. The forest products industry accounts for approximately four percent of the total U.S. manufacturing GDP, manufactures over $200 billion in products annually, and employs approximately 900,000 men and women. The industry meets a payroll of approximately $50 billion annually and is among the top 10 manufacturing sector employers in 45 states.

The American Wood Council (AWC) is the voice of North American wood products manufacturing, an industry that provides approximately 400,000 men and women in the United States with family-wage jobs. AWC represents 86 percent of the structural wood

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products industry, and members make products that are essential to everyday life from a renewable resource that absorbs and sequesters carbon. Staff experts develop state-of-the-art engineering data, technology, and standards for wood products to assure their safe and efficient design, as well as provide information on wood design, green building, and environmental regulations. AWC also advocates for balanced government policies that affect wood products.

EPA's complex NSR air permit program affects practically every major manufacturing facility in the United States, and unfortunately, it has become a significant impediment to the modernization and growth of the U.S. manufacturing sector. U.S. air permitting and regulatory requirements are out of date, overly conservative, rigid, and time-consuming. The air quality permitting process for new and modified facilities is slow and cumbersome and relies on unrealistic modeling and assumptions, resulting in unnecessary delays, costs and impediments for projects that would benefit both our economy and our environment.

Recently, this problem has become more acute with substantial tightening of EPA's National Ambient Air Quality Standards (NAAQS) closer to ambient background levels. Simply put, when stringent NAAQS are combined with unrealistic air quality modeling and assumptions, there is little or no "headroom" for new or modified facilities in many areas to show that their residual emissions will not contribute to a violation of the NAAQS, even after the installation of the best available pollution control technology.

It doesn't make sense to discourage upgrading plants already subject to myriad other regulatory requirements, or to block beneficial projects using best controls simply due to unrealistic air quality modeling and assumptions. The reality is that energy efficiency and modernization projects for existing sources are delayed, modified or thwarted by complex NSR interpretations that have accumulated and evolved over time. The program requires expensive but unrealistic air modeling that frequently delays projects many months or more and can cost $100,000 or more to complete. Unreasonable permitting delays tie up investment capital and undermine the economic benefits from expansion projects.

AF&PA and AWC support the draft legislation under consideration by the Subcommittee as it makes important strides in reforms to the NSR program that can ultimately result in more efficient manufacturing while still achieving the goals of the NSR program. Among other things, the draft legislation overrides past adverse Court decisions including one invalidating a NSR exclusion for installing new pollution control equipment.

Specifically, the EPA 2002 Pollution Control Project (PCP) Exclusion would have allowed such environmentally beneficial projects to proceed quickly and efficiently. The exclusion was invalidated by the D.C. Circuit in 2005. Because PCPs are no longer excluded from NSR, facilities that want to install more efficient pollution controls, switch

to cleaner fuels, and make modifications to improve energy efficiency must go through the NSR permitting process. For example, a mill wants to upgrade its control system on a bark boiler from a wet scrubber to an electrostatic precipitator (ESP) to get greater particulate reductions. However, the pollution control project increases other emissions from the fuel used to operate the ESP so the project is subject to NSR. In many cases, the inflexible and overly conservative nature of the NSR process forces such beneficial projects to trigger PSD review. In this way, the current NSR permitting program creates a disincentive for companies to pursue PCP and/or energy efficiency improvement projects because the process results in delay and increased costs in implementing the project and could result in an environmentally beneficial project not moving forward at all. The bill's primary purpose test ensures that projects intended to reduce emissions such as installation of control devices avoid the burdens of NSR and get installed and working sooner.

Providing an exclusion for PCP projects from NSR would benefit the environment because it would encourage facilities to invest in environmentally beneficial projects. The exclusion will create incentives to reduce emissions. Overall, the bill provides NSR protection for any "efficiency," "reliability" or pollution control project that may be projected to increase hours of operation, but will not increase the maximum achievable hourly rate.

The NSR permitting program is broken and must be updated to allow for growth and innovation while promoting the best available technologies to protect our environment. The forest products industry is one of the largest manufacturing sectors in the nation, has invested billions of dollars on environmental stewardship and remains committed to innovative and sustainable business practices. Yet, an inflexible NSR permitting program impedes beneficial projects and job creation and undermines paper and wood product manufacturers' ability to effectively plan for our future. Thank you for examining this important issue and our industry looks forward to working with you and the Subcommittee as the legislative process moves forward.

Best regards,

Paul Noe
Vice President Public Policy
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American Wood Council