TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
STATE INNOVATION GRANT PROGRAM
EPA Grant #97670401-01
FY2005 Q2&3 Progress Report - June 2005

OBJECTIVE 1: STRATEGICALLY DIRECTED REGULATORY STRUCTURE

This objective will: 1) support the development of the Strategically Directed Regulatory Structure in partnership with EPA; 2) support the development of permitting incentives for entities participating in CLEAN TEXAS - CLEANER WORLD (CTCW) / NATIONAL ENVIRONMENTAL PERFORMANCE TRACK (NEPT); 3) measure and communicate results to state, regional and national partners.

Task 1.1 *Identify potential types of permits to integrate EMS activities and incentives.*

Status: Completed / Ongoing

On May 3, 2005, the TCEQ announced the first seven sites in Texas to reach the highest level of participation in the Clean Texas, Cleaner World program - the National and Lone Star Leader designations. The first facility to be recognized in Texas is the Strategic Petroleum Reserve.

To be approved at the Leader levels, organizations undergo a rigorous on-site audit of their environmental management system (EMS) and demonstrate environmental performance that goes beyond compliance with environmental laws.

Task 1.2 *Work with agency staff to integrate EMS into the permitting programs via an internal workgroup.*

Status: Ongoing

Integration between Small Business and Environmental Assistance (SBEA) and Office of Permitting, Remediation, and Registration (OPRR). SBEA and OPRR staffs signed a Expedited Permitting Incentive Agreement to establish expedited (top of the stack) permitting for approved Clean Texas, Cleaner World Lone Star Leaders and National Leaders with an approved EMS in place.

On May 13, the TCEQ granted two regulatory incentives to the Strategic Petroleum Reserve as part of its Clean Texas, Cleaner World National Leader membership. The request was authorized under Title 30 of the Texas Administrative Code, Subchapter 90.40 and the Texas Water Code 5.127(d). The two specific incentives that were approved include 1) Biennial Monitoring Frequency, and 2) Expedited Review to Amend Existing Permits to Flexible Permits. One requested incentive related to fee adjustments related to water appropriations was not approved.

TCEQ conducted a Clean Texas, Cleaner World Decision Audit at the 3M Brownwood facility, including participation from the Air Permitting Division as part of the flexibile permit project.

Staff from the Municipal Solid Waste (MSW) Permitting Division is reviewing an EMS Guidance Document related using the EMS certification to meet the Standard Operating Procedures required under the TCEQ'7's MSW regulations. The TCEQ issued a draft rule which would encourage MSW facilities to implement an EMS to provide more flexibility under the existing permit requirements.

Task 1.3 *Conduct at least one pilot project under the "0"Strategically Directed Regulatory Structure"1" interim rules and final rules by September 1, 2005.*

Status: Ongoing

The TCEQ is piloting the Environmental Monitoring and Response System (EMRS) in the Houston area related to excessive emission reductions. The air quality project is aimed at industries working with highly reactive volatile organic compounds (HRVOCs).

The compounds of interest were ethylene, propylene, 1,3-butadiene, and the butenes, which are believed to contribute to the fast formation of ozone. The goal is to find pollution in the early stages, then notify upwind industrial facilities when concentrations of contaminants exceeded certain thresholds at monitoring sites. Alerted to the need for quick action, the facilities would then check their internal operations and, upon finding a problem, initiate corrective action. Within two days, the TCEQ receives a report on the cause of the emissions problem and the solution that was undertaken.

The second phase of the pilot will run for six months beginning in June 2005. The Pollution Prevention Advisory Committee (PPAC) is working to identify regulatory incentives to increase participation in the project, including reduce fees, Supplemental Environmental Projects (SEP) funding, reduced oversight, and Clean Texas Cleaner World incentives.

The SCRS rulemaking has been completed and no additional revisions are anticipated at this time.

Strategically Directed Regulatory Structure (SDRS) rule. TCEQ completed the report to the 79th Texas Legislature. The report includes several recommendations, including:

- Providing regulatory guidance, case studies, and technical assistance on SDRS specific projects, using existing agency resources;
- Educating and training the regulated community, agency staff, and the public on SDRS using existing agency resources;
- Publically reporting performance measures to the public, and the Legislature of the environmental results and achievements resulting from SDRS implementation;
- Coordinating future SDRS implementation with the Pollution Prevention Advisory Committee; and
- Not later than September 1, 2005, completing all rules necessary for the SDRS, as required by Section 5.755 of the Texas Water Code.

The Pollution Prevention Advisory Committee (PPAC) is also providing several consensus-based recommendations regarding SDRS:

- The TCEQ should implement a long-term effort to implement the SDRS to transition from a compliance-based regulatory structure to a performance-based regulatory structure by 2015.
- As the SDRS offers greater opportunities for participation by the regulated community, the TCEQ should balance agency resources toward performance-based regulation.

- The TCEQ should increase awareness and better market SDRS to the regulated community.
- The reimbursement of expenses for PPAC committee members is critical to continued dialogue regarding the implementation of SDRS and performance-based regulation.

OBJECTIVE 2: **INNOVATIONS AND ENVIRONMENTAL MANAGEMENT SYSTEMS TRAINING**

Task 2.1 Conduct at least two EMS permitting training workshops.

Status: Ongoing

Staff training will be conducted in FY06 to support the Expedited Permitting Incentive Agreement.

Task 2.2 *Integrate Innovations and EMS into the annual Clean Texas-Cleaner World Conference.*

Status: Completed / Ongoing

Annual NEPT Conference/ State Innovations Grant Program Conference. TCEQ co-sponsored the Annual 2005 NEPT conference in Austin on Feb 28- Mar 4, including hosting a training session on the States Innovations Grants Project.

Annual Clean Texas-Cleaner World Conference. The 2005 Clean Texas Cleaner World conference included 37 Clean Texas, Cleaner World sessions, including presentations and case studies related to regulatory innovations and performance-based EMS. Over 1,000 people attended the Clean Texas, Cleaner World Luncheon to recognize the first National Leaders designated by the agency.

OBJECTIVE 3: **PERFORMANCE EVALUATION**

Task 3.1 Conduct grant evaluation to document project results, including emissions reductions and cost savings.

Task 3.2 TCEQ will utilize the performance metrics established under the National Environmental Performance Track. TCEQ will conduct the appropriate quality assurance on the data collection.

Status: Completed / Ongoing

TCEQ issued the Clean Texas, Cleaner World Performance Report to outline the results of the program. A copy of the report can be found at