EPA Region 8 Proposed FIP for Oil and Natural Gas Sources on the Uintah and Ouray Indian Reservation in Utah

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Purpose and Need of the Proposed FIP

- EPA started with three goals
  - Improve AQ by reducing VOCs from new and existing oil and gas sources
  - Provide regulatory certainty and consistency for O&NG Sources in the Uinta Basin
    - Control requirements for well pads on the U&O Reservation similar to state O&NG source requirements
    - Controls consistent with current NSPS OOOO and OOOOa
  - Allow responsible economic O&NG development on the U&O Reservation to continue through a streamlined approval process
    - Emissions reductions from existing sources supports the May 2019 National Indian Country O&NG FIP amendment to include the NAA
- Also now have CAA NAA schedules to plan for
  - Propose controls now that are likely to be required soon under CAA Moderate area requirements
    - Allows time for more thoughtful rule development
    - Avoids a rush to meet CAA schedules and requirements for Moderate NAA
    - Equipment controlled under FIP expected to meet RACT and not require additional controls when bumped up to Moderate NAA
    - Early reduction will help narrow eventual reductions needed for attainment

Benefit to Proposing the FIP Now

- By proposing the U&O FIP before a likely bump-up to Moderate, EPA would have additional time to evaluate comments and develop a final rule that most cost-effectively reduces VOC emissions while being consistent with CAA requirements
  - Areas where we are looking for comment include whether and how to control emissions from pneumatic pumps, basing the emissions control applicability on combined or individual unit emissions at the source, need for case-specific extensions or waivers based on economic or technical infeasibility.
- Additionally, finalizing the FIP in mid-summer 2020 versus in ~late 2022/early 2023 (as part of an attainment FIP) would provide operators significantly more time to comply with the requirements

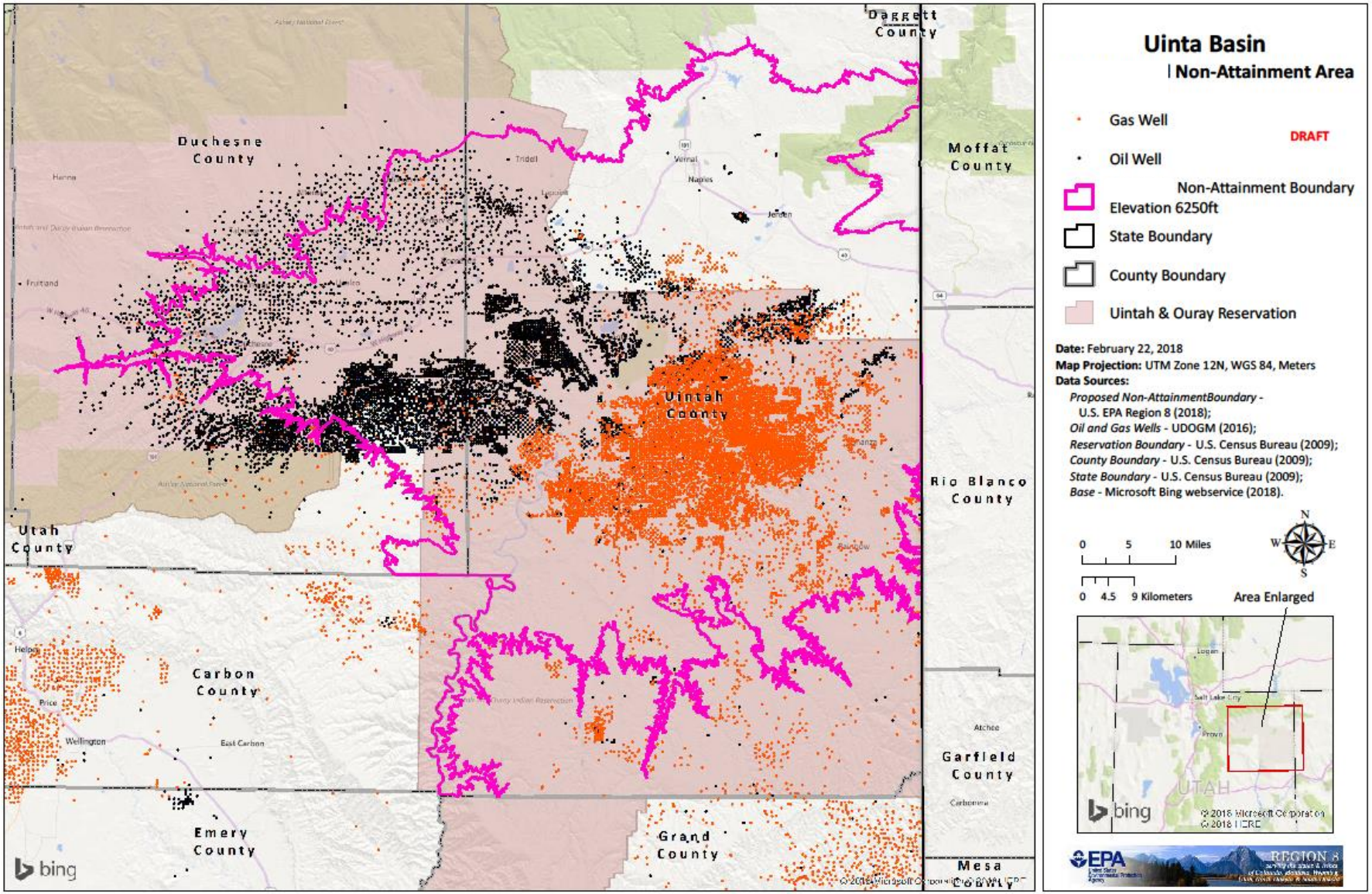
CAA 2015 Ozone Nonattainment Timeline

- August 3, 2018 – Uinta Basin nonattainment designation
- August 3, 2021 – Marginal Attainment date
- February 2022 – For areas not attaining, EPA is required by statute to reclassify, or "bump up," within six months of the failure to attain
  - Based on current monitoring data this will likely mean reclassifying the Uinta Basin to Moderate
- Late 2022 or early 2023 – Moderate attainment plan, RACT submittal, and RACT implementation
  - Exact due dates will be established in bump-up notice (historically, RACT submittal and implementation is required within 12-18 months of bump-up, or less)
  - SIPs must be submitted to EPA (or FIPS developed by EPA)
  - A plan showing a 15% decrease in VOCs over 5 years (3% per year RFP) must be approved (or developed by EPA)
- August 3, 2024 – Moderate area attainment date
- February 2025 – EPA will complete an additional round of bump-ups for Moderate areas that fail to attain

Anticipated U&O FIP Schedule

- December, 2019 – U&O FIP is proposed with a 60-day comment period
  - EPA's continuing consultation with the Ute Indian Tribe is an essential part of this process
  - The public comment period will provide an opportunity for industry and other stakeholders to weigh in on the proposed requirements.
- Mid-summer, 2020 – U&O FIP is finalized
  - 18-month compliance schedule for controls to be in place (with case-specific option to request additional time to comply)
- February, 2022 – The Uinta Basin will likely be reclassified to Moderate, triggering RACT/RACM requirements
- By early 2022 most sources covered under the proposed U&O FIP would meet the FIP's requirements
- By late 2022/early 2023 EPA would issue a final RACT/RACM FIP
  - Expected to include all of the controls in the U&O FIP, as well as controls considered to be RACT for other VOC sources
  - Deadlines will be specified in the February, 2022 bump-up action. Historically, both submittal and implementation are due within 12-18 months of bump-up (i.e., Feb '23 to Aug '23)

Uinta Basin Ozone Nonattainment Area



Uinta Basin Ozone Trends

- Current (’16–’18) design value is 88 ppb
  - Based on 4th max values of 96, 103, 67
- ’17 – ’19 (to date) DV is 89 ppb
  - Based on 4th max values of 103, 67, 98
- The 4th max currently needed in ’20 to exceed the standard of 70 ppb is 48 ppb at Ouray monitor (55 ppb at Roosevelt)
  - Based on ‘18 – ’20 data

Overview of Proposed Action – Summary of Proposed Requirements

- The following types of control technologies would apply in varying degrees to certain O&NG sources operating on or proposing to locate on the U&O Reservation:
  - Routing of emissions from tanks to a combustor
  - Routing of emissions from dehydrators to a combustor
  - Routing of emissions from pneumatic pumps to a combustor
    - Certain existing sources would require installation of a combustor and retrofitting tanks, dehydrators and pneumatic pumps to route emissions to the combustor.
  - Installation of low-bleed pneumatic controllers
    - Certain existing sources would require conversion of existing high-bleed pneumatic controllers to low-bleed pneumatic controllers
  - Equipping all combustion devices with auto igniters
    - Certain existing combustion devices would require retrofit
  - Implementation of a leak detection and repair program using OGI equipment (e.g., IR camera)
- We estimate approximately **2,524 existing sources** will be required to implement one or more of the proposed controls to comply with the FIP

Cost/Benefit Analysis

- Preferred option would result in a **20,000 tpy VOC reduction**
- EPA estimates the total capital cost of the proposed FIP to be $280 million for affected sources
- Total annualized costs for the preferred option (using a 7 percent discount rate) are $68 million when not including product recovery savings (**$3,400 per ton of VOC reduced**), or $64 million when accounting for additional revenue from product recovery (**$3,300 per ton of VOC reduced**)
  - Expected cost of control is similar to (or lower than) other EPA rulemakings that control VOC emissions.
  - Annualized costs do not account for health benefits of ozone reduction because there is no reliable method to monetize benefits of VOC reduction in relation to ozone (only monetized benefits of methane reduction have been included) – therefore, realized health benefits of ozone reduction expected to further reduce cost of control

U&O Emissions Reduction Credit Banking Rule

- In a separate action, EPA is planning to propose a rule to establish a voluntary bank to allow for the accrual and trading of emissions reductions credits (ERCs)
  - ERCs could be used to support future NSR major source permitting offset requirements or used for conformity demonstrations
  - Reductions must be permanent, quantifiable, enforceable, and surplus of CAA requirements
- Any reductions achieved as part of compliance with the U&O FIP's required controls would not be eligible for deposit in the ERC bank since they would not be surplus of CAA requirements
- EPA is planning on proposing the ERC Banking Rule in early 2020