



Current EPA Air Regulatory Issues for the Gas Compressor Industry

Jeff Adams

Gas/Electric Partnership Conference

February 7, 2013



Current Regulatory Environment

- President Obama Second Term
 - Inaugural Address Stressed Climate Change/Environment
 - Congressional Split Limits Legislation Changes
 - Environmental Agenda Is Being Driven Via Regulation
 - Limiting Factor Will Be:
 - Economy/Budget Constraints
 - Last Terms Final Rules Have Been Challenged
- NGOs Continue to Press for EPA Regulations Through Court Actions, Public Comments and “Sue & Settle” Agreements.

Expected High Impact EPA Air Quality Rulemakings



(Does not include Climate Change Rules)

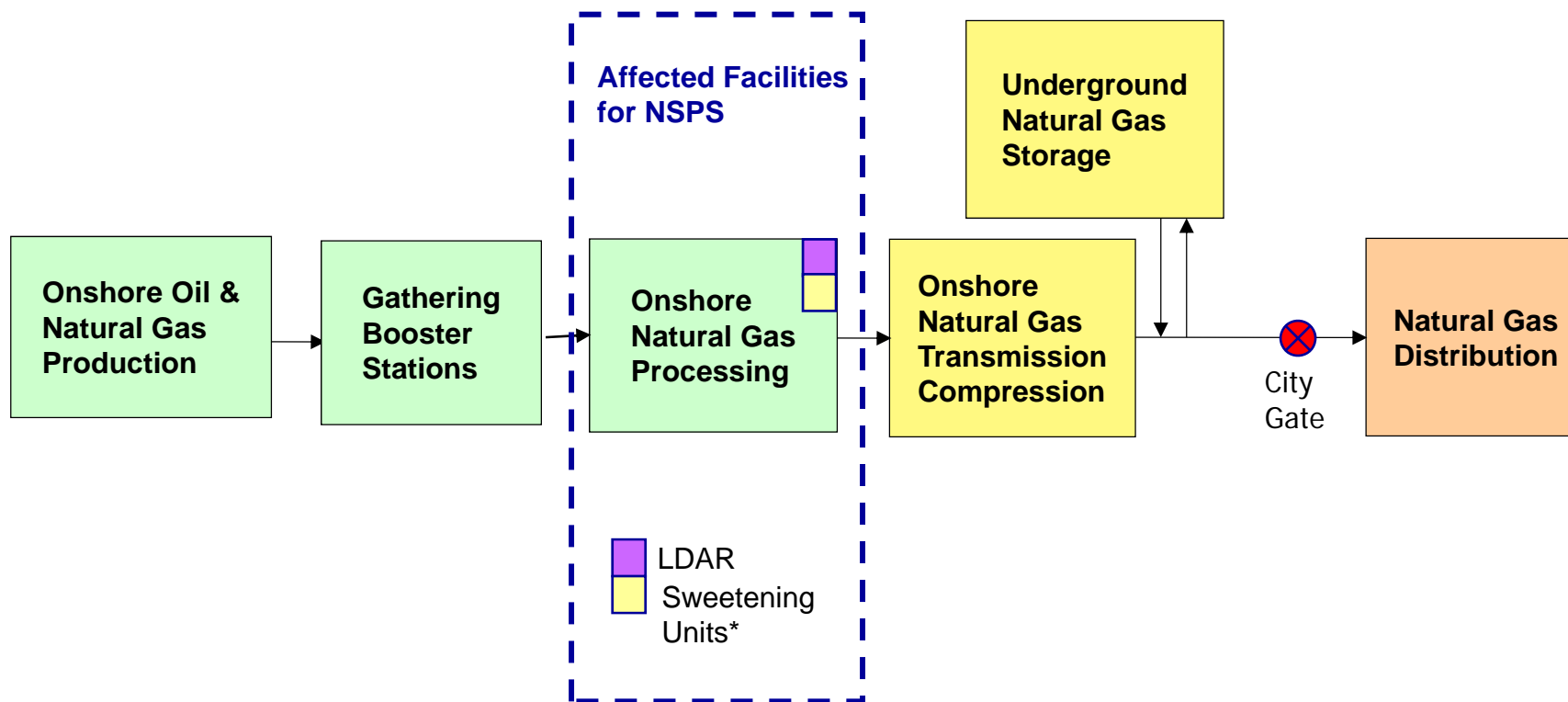
- Implementation of 75 ppb Ozone NAAQS
- Next Ozone Review Final in 2014 (70 – 50 ppb)
- Final Oil & Gas NSPS/NESHAP and Petitions
- Existing Engine NESHAP
- Source Aggregation
- Tribal Lands Minor Source NSR
- Revised Boiler/Heater NESHAP

Ozone NAAQS



- 8 Hr Standard Lowered to 75 PPB March 2008
- Implementation of 75 PPB Standard Mainly Affects Locations Near Urban Areas.
- Next Ozone NAAQS Review in 2013/2014
- Expect Proposed Range to be 70-50 ppb
- Rural Area Impact Become Sever at Ozone NAAQS Below 70 PPM Due to “Policy Relevant Background”.

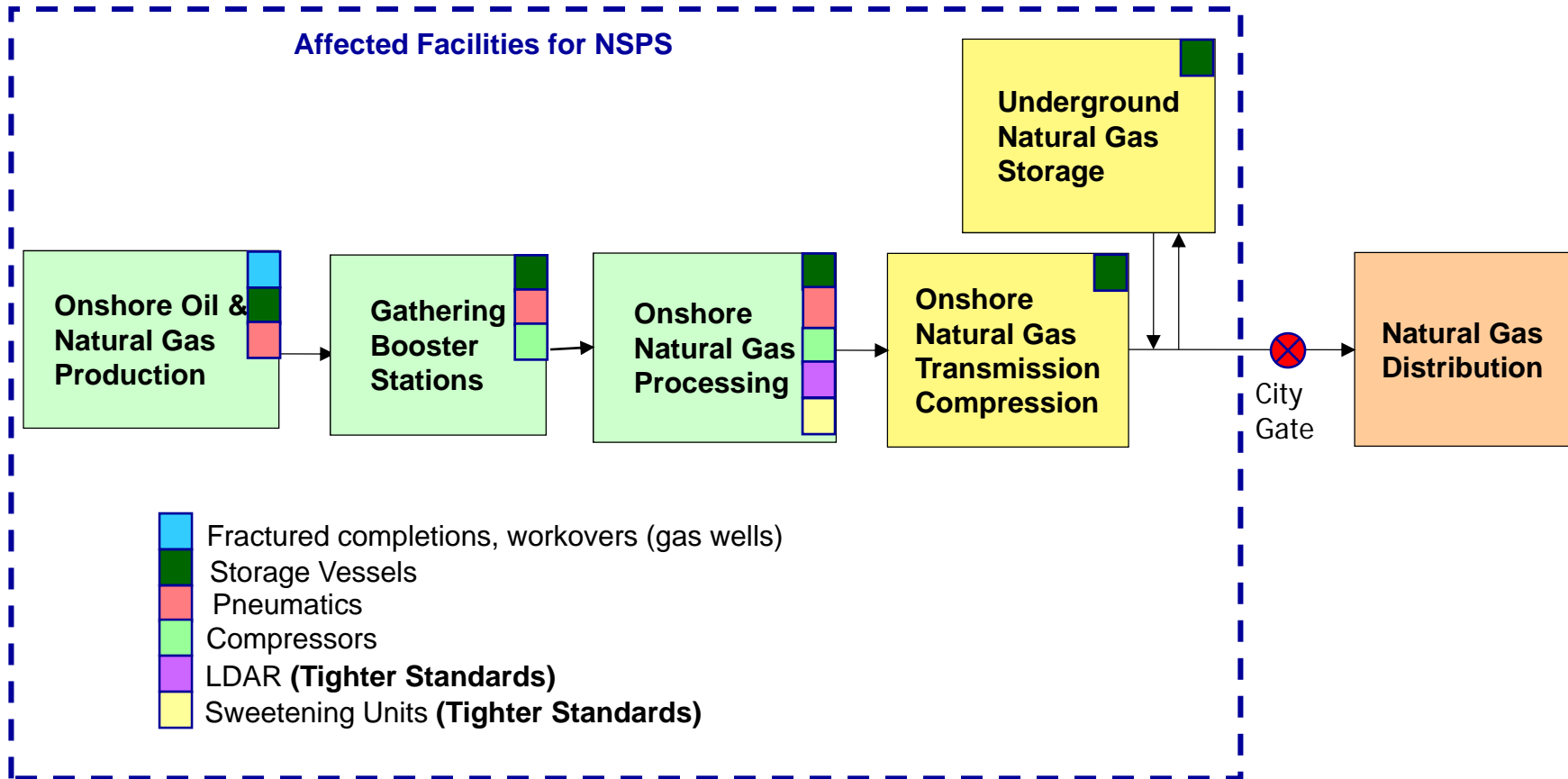
Facilities Previously Subject to NSPS (KKK, LLL)



* Subpart LLL covers natural gas sweetening units located anywhere, but they tend to be concentrated at processing locations.

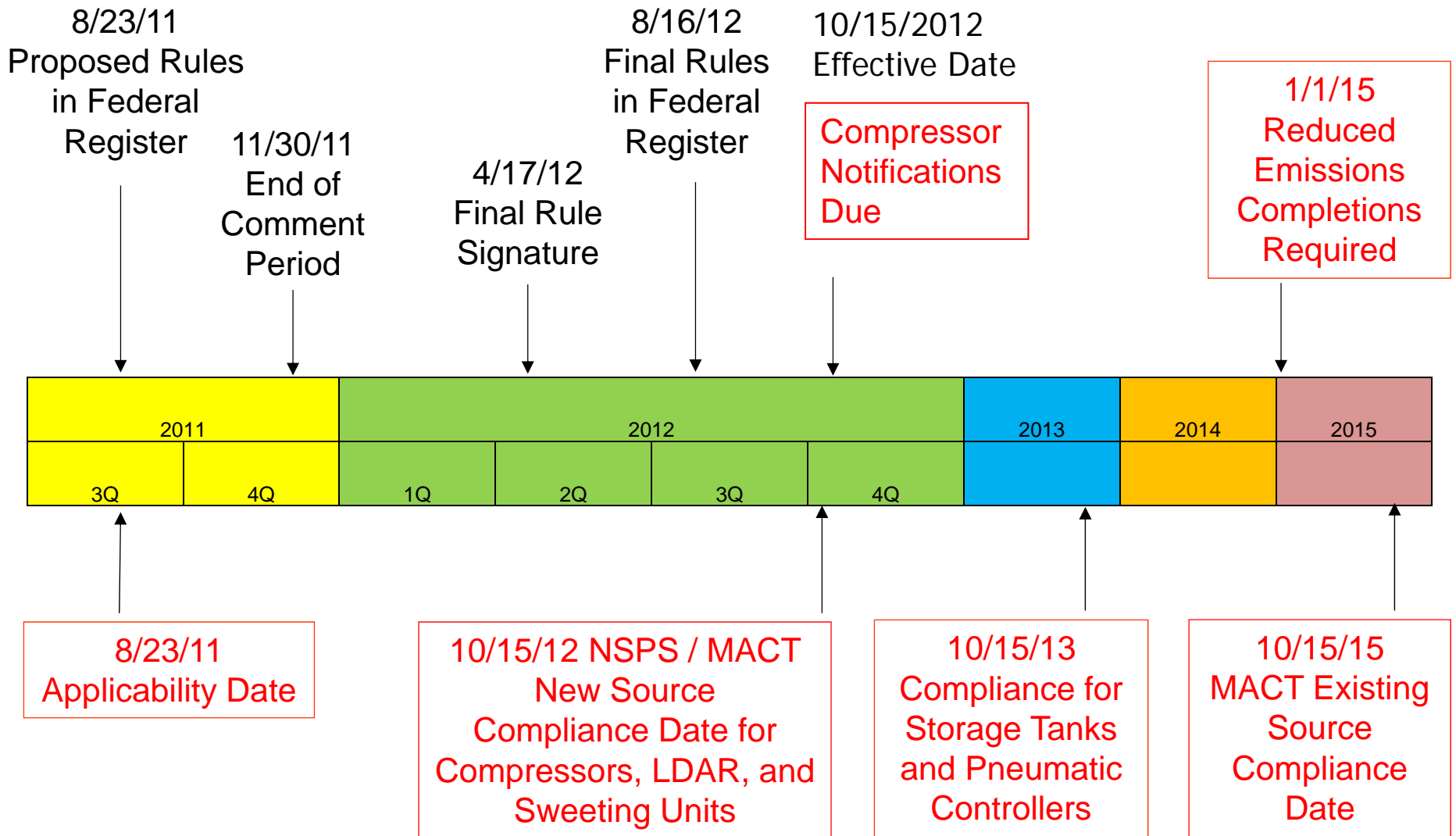


Facilities Subject to NSPS (0000)





Oil & Gas Sector Rule – Timeline



More on this topic in the Upstream meeting



Affected Facilities - General

- Must commence construction (of new facility, not relocation) or modification/reconstruction (of existing facility) on or after **8/23/2011**.
- Commence means “a contractual obligation to undertake and complete, within a reasonable time”.
- Must consider “affected facility when determining modification/reconstruction

Storage Vessel Affected Facility Exemptions

- Portable & onsite < 180 Days.
- Pressure vessel (>15 psig)
- Process vessel (i.e. surge, knockout or receiver vessels)





Affected Facilities - General

Pneumatic Controllers Affected Facility

- Must be continuous bleed and powered by natural gas.
- Not snap acting or intermitant.



Reciprocating Compressor Affected Facility

- Not at a well site

Centrifugal Compressor Affected Facility

- Uses wet seals
- Not a screw, sliding vane or liquid ring

Affected Facilities - General

Gas Well Affected Facilities

- Gas well means an onshore well drilled principally for production of natural gas.
- Generally Drilled in the following formations
 - (1) High-permeability gas, (3) other tight reservoir rock or
 - (2) shale gas, (4) coal seam.



NESHAP HH Rule Changes Summary



- Applies to major sources
- Area Sources within 50% of threshold must document status annually
- All tanks must be included in major source determination
- Storage vessels
 - Storage vessels “with potential for flashing emissions” subject to standards
- Dehydrator emission limitations
 - Elimination of 1 tpy benzene exemption for large dehydrators
 - New standard for small dehydrators (effective upon final rule in federal register)
- Equipment leaks
 - Lower leak definition for valves (500 ppm)
- Require compliance during SSM (affirmative defense)
- More stringent compliance assurance requirements



Oil & Gas Sector Rule – Petitions

Petitioner	Reconsideration	Judicial Review
NRDC et al.		X
California Communities et al.		X
Domestic Energy Producers Alliance		X
Texas Oil and Gas Association	X	X
Texas CEQ	X	X
API	X	X
IPAA & 6 State O&GAs	X	X
Gas Processors Association	X	X
Western Energy Alliance	X	X
America's Natural Gas Alliance & AXPC	X	
Clean Air Council et al	X	
EarthJustice	X	
Interstate Natural Gas Association of America	X	
REM Technology Incorporated	X	

Oil & Gas Sector Rule – Industry Issues



- Make Clarifications Permanent in Reg. Text or Preamble
- Clean Up Regulatory Text and References Throughout
- Storage Vessel Provisions
 - Longer Phase-in Time (i.e. Extend to October 15, 2015)
 - Change Applicability Date to Compliance Date
 - Limit Applicability to Crude Oil, Condensate, Produced Water
 - Allow Removal of Control After Emissions Are Reduced
- Control Device Compliance Assurance Requirements
 - Reduce from Major Source NESHAP Stringency to Appropriate Level for NSPS at Remote, Dispersed, and Unmanned Sites
 - No Continuous Monitoring (i.e. Flow of Combustor Inlet)
 - Performance Test Methods and Frequency
 - Reporting and Responsible Official Signature Requirements
 - Monthly Method 22 Visibility Observations
- Understandable Pneumatic Controller Requirements
- Remove Compressor Notification Requirements



EPA's Reconsideration Schedule

- EPA to Revised O&G NSPS/NESHAP in 3 Rulemakings
- NSPS, Subpart OOOO Fast Track
 - Proposed March 13, 2013 and Final July 31, 2013.
 - Include Storage Vessel Applicability and Technical Revisions
- NSPS, Subpart OOOO Final Resolutions
 - Proposed December 17, 2013 and Final November 25, 2014
 - Storage Vessel Compliance Assurance and other NSPS issues.
- NESHAP, Subpart HH/HHH
 - Proposed April 30, 2014 and Final March 31, 2015
 - All NESHAP Issues.



Existing Engine NESHAP Revisions

- Existing SI Engine Compliance Due October 2013
- CPMS Revisions Finalized March 9, 2011 for Major Facilities
- Settlement Finalized January 30, 2013.
 - Emergency Demand Response Settlement.
 - Use of Total Hydrocarbons for Performance Testing in lieu of Formaldehyde at Major Sources.
 - O&G Industry Settlement On Area Source Engines.
 - Remote engine exemption from catalyst
 - Non-remote engines alternate management practice.

Engines Rules – Subpart ZZZZ Settlement



Area Source Remote Engine Maintenance Practice

- Use of maintenance practice in lieu of emission limit/catalyst for remote engines.
- Remote if one a pipeline & DOT Class I
 - <10 occupied buildings 220 yards either side of pipeline for any 1 mile length
- If not on a pipeline 5 occupied buildings within ¼ mile radius.

Area Source Alt. Monitoring Management Practice

- Replaces performance test methods.
- Initial (3 runs) and annual (single run) test with portable analyzer (per method; 15 min. runs) for CO and O₂ to assure active catalyst.
- If catalyst fails, must clean or replace, then retest to maintain compliance with work practice.
- High exhaust temp. shutdown can replace CPMS requirement.



Aggregation – Quick Review

- **What makes up a “facility” for Air Permitting?**
- **Three Part Test from 1980 Rulemaking.**
 - Same primary SIC (two digit)
 - Common Ownership
 - Contiguous or Adjacent
- **Industry believes adjacency only involves proximity.**
- **Agency argues inclusion of “interdependence” (adjacent in process steps)**
- **Wehrum memo (1/12/2007) Supported Industry**
- **McCarthy memo (9/22/2009) Reversed Wehrum memo and supported “interdependence.**

Aggregation



- Sixth Circuit Win In Summit Petroleum Case
 - Facts of case were suitable for “interdependence” finding.
 - Court found “Adjacency” is not “ambiguous” and that geographical proximity alone is determinate.
- New EPA Guidance Memo states Summit Decision applies only to Sixth Circuit states (Michigan, Ohio, Tennessee and Kentucky).
- EPA is expected to propose new regulations to clarify that “adjacency” includes both geographical proximity and process interrelationship.

Q & A Session

