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EPA [Environmental Protection Agency] - Miscellaneous: CTG's [Control Technique Guidance]

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CTG'S

Many of the groundrules for the regulatory budget program applied to CTG's have been agreed to. However, two significant issues remain unresolved.

ISSUE: The number of CTG's included in the regulatory budget.

POSITION: EPA strongly believes that the original agreement was to include all of the CTG's. No discussion was held, nor reference included in the Reilly/Boskin memo, to limit the CTG's.

Additionally, including all of the CTG's is good policy:

- o Provides the most flexibility among CTG's to obtain the greatest benefits at the least incremental cost.
- o Includes a spectrum of control approaches (e.g. pollution prevention).
- o Includes a representative set of costing difficulties to be an effective prototype of the regulatory budget approach.

Limiting the CTG's to OMB's preference list will:

- o Remove approximately 3/4 of the costs and benefits from the regulatory budget.
- o Include only those CTG's with minimal control flexibility, thus discouraging creative and cost-effective control approaches.

ISSUE:

Total cost to be managed within the regulatory budget.

POSITION:

If all CTG's are included, EPA would stick to the commitment of managing within the \$610 million. If the CTG's are restricted to OMB's preference list, EPA will recalculate the estimates of each CTG included.

- o The CAA Amendments expanded the definition of major source and the size of nonattainment areas relative to those used in developing the CEA cost estimates. As a result, the number of affected facilities for many of the industrial source categories is likely to be higher than earlier estimated. If we are opening up the program, the revised budget estimate should reflect a more realistic estimate of affected facilities.

Issue I

OIRA Position: Include 10 of 11 categories in the CTG Reg Budget project, but cover the "Industrial Solvents" category under a separate rulemaking with full Executive Order No. 12291 review.

- The "Industrial Solvents" category is a major rulemaking that accounts for more than half of all the costs (roughly \$350 million per year of the total estimated cost for CTGs of \$610 million) associated with these CTGs.
- The projected cost of control for "Industrial Solvents" is 10 times the likely control cost of any other CTG category. A small error (deliberate or not) in calculating the cost for the "Industrial Solvent" category can provide the room for substantially more stringent controls in some of the other CTG categories. It is clear from our discussion with EPA staff that they intend to use the "Industrial Solvents" as a buffer to absorb any "above-budget" costs from other categories.
 - o The control approaches associated with the "Industrial Solvents" category are very different from most of the other CTG industry categories. For "Industrial Solvents" the Environmental Protection Agency (EPA) will rely on the ban of certain products and product formulations (as opposed to "end-of-pipe" control technologies). The costing of product bans are substantially more difficult to develop because of the problems in projecting the availability of alternative products and their likely prices.
- The 10 CTG categories covered by our proposed offer will provide EPA with a full range of opportunities to exercise flexibility in rulemaking, with a spectrum of control approaches and a full range of costing approaches. [We originally sought to restrict the CTG Project to 7 of the 11 CTG's. But, in our last meeting with EPA, we agreed to include three additional categories--industrial wastewater/POTW, auto-body refinishing, and adhesives.] These 10 CTG categories will provide EPA with the opportunity to explore a full range of potential control approaches. And, these 10 categories pose the full range of "challenges" for costing out alternative approaches. The "Industrial Solvents" category does not add to these dimensions of the CTG Reg Budget project.

Issue II

OIRA Position: We oppose any re-costing of CTG requirements to change the budget "cap" for the CTG Reg Budget project.

- One of the important elements of this exercise is to give EPA a stake in the correct costing of legislative proposals. If EPA is allowed to revise its cost estimates ex post, it would destroy the incentive for accurate costing of future legislative initiatives.

REGULATORY BUDGET FOR CONTROL TECHNIQUE GUIDANCE GROUP

Preliminary regulatory budget: \$610 million (1987\$)
(see attached page from CEA 9/21/90 cost memo)

<u>CTG Category</u>	<u>Emission Reduction Estimate</u> (tons)
SOCMI Reactor/ Distillation	2,000
/ Industrial Wastewater/POTW	12,000
Plastic Parts Coating ¹	2,000
Web Offset Lithography	35,000
/ Autobody Refinishing	110,000
/ Industrial Clean-up Solvents	180,000
Petroleum Wastewater	1,000
Wood Furniture Coating	29,000
SOCMI Batch	44,000
/ Adhesives	45,000
Bakeries	<u>24,000</u>
Total Tons	484,000

*EPA estimated that there would be
no costs for this category*

¹ Two separate plastic part coating CTGs are considered in this category due to the inability to analyze separately.