

EPA's 2010 Ozone NAAQS Proposal: The Real Cost to Missouri

In January 2010, the Environmental Protection Agency (EPA) proposed a rule to lower the primary National Ambient Air Quality Standard (NAAQS) for ozone from the current standard of 75 parts per billion (ppb) to a level between 60 and 70 ppb. Under the Clean Air Act, areas that do not meet the new standard would then be considered “non-attainment” (NA). An NA designation can hinder economic development and limit business expansion in an already struggling economy. EPA cites no new health studies as the reason for lowering the standard, but believes the prior administration did not go far enough in 2008 when the standard was lowered from 80 ppb to 75 ppb. EPA’s proposal would have the following effects in Missouri:

- The majority of counties with ozone monitors would exceed the new standard under baseline conditions;
- If Missouri businesses and individuals installed all available emission controls for nitrogen oxides (NO_x), they would achieve only 12 percent of the necessary reduction in NO_x emissions, so EPA's proposal may not be achievable;
- NO_x reductions from unknown controls would be required in most Missouri counties;
- Missouri businesses and individuals would incur control costs of up to \$2.4 billion.

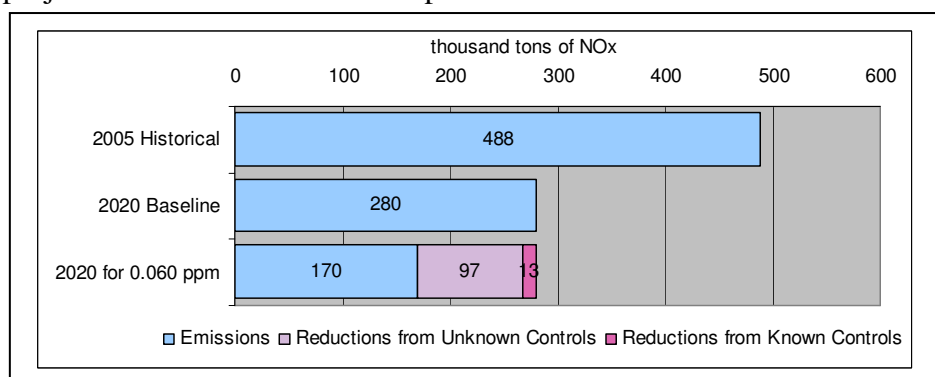
Impacts on Economic Development

Consequences of ozone non-attainment for St. Louis, Kansas City and other urban areas in Missouri can include the following:

- Restrictive permit requirements that discourage companies from building major manufacturing facilities in the area. These requirements include offsetting new emissions and installing the maximum emission reduction technology without consideration of costs.
- Loss of federal funding for highway and transit projects unless the state demonstrates that the projects will not increase emissions.
- Costly compliance that will make Missouri businesses less competitive and thus lead to direct employment losses--generating larger overall losses through multiplier effects.

Statewide Reductions

The figure below shows NO_x emissions in Missouri in 2005, in 2020 under baseline conditions, and in 2020 for a new 60 ppb standard. The standard would require NO_x emissions in 2020 to be 39 percent below their projected baseline level and 65 percent below their 2005 level. Known controls achieve only 12 percent of the necessary reduction from the 2020 baseline. If unknown controls are not available to the extent assumed by EPA, some areas of the state would be in non-attainment.

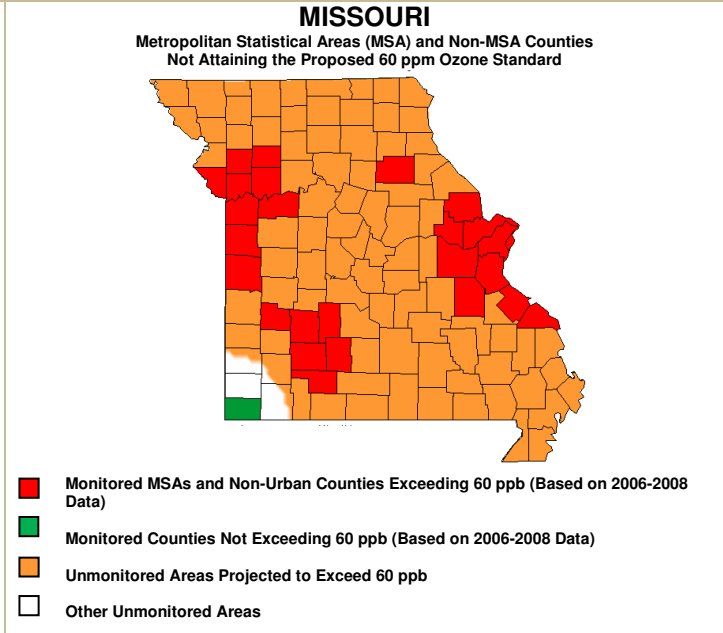


Note: Known controls include EPA's Modeled Control Strategy and supplemental controls. Sources: EPA data in ozone docket

State Impact

The map at right shows projected NA counties, shaded in ■, under a new ozone standard of 60 ppb based on EPA data. Because data are not available for many counties in ■, the actual number of NA counties could be substantially larger than those identified by EPA.

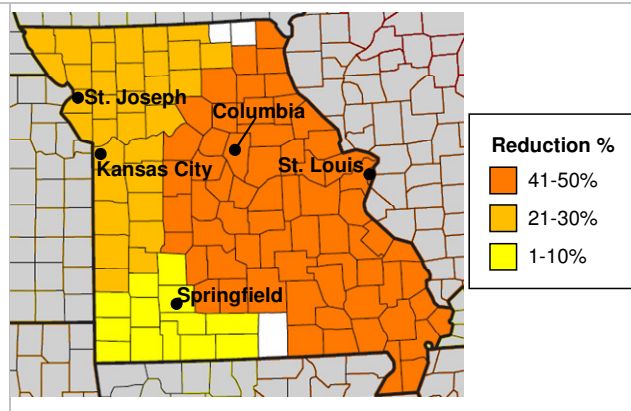
Source: EPA, *Final Ozone NAAQS Regulatory Impact Analysis* (2008), Table 3a.18



Areas of Reduction

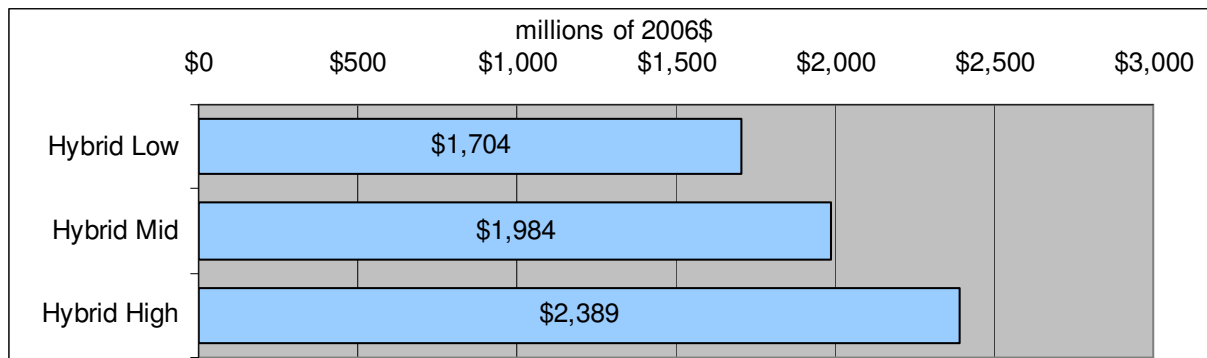
The map to the right shows that NO_x reductions from unknown controls would be required in most Missouri counties to meet a new 60 ppb standard. Counties in the St. Louis area would need to reduce NO_x emissions 49 percent through unknown controls relative to their emissions in 2020 after application of known controls in the Modeled Control Strategy.

Source: EPA, *Supplemental Ozone NAAQS Regulatory Impact Analysis* (2010), Figure S2.2



Unknown Controls, Exorbitant Costs

The figure below shows ranges of EPA's estimated emission control costs for Missouri in 2020 under an ozone standard of 60 ppb (assuming these controls can be achieved). The estimates assume that unknown controls become more expensive as the level of necessary emission control increases. As noted by EPA, this assumption aligns with the expectation that the average costs of unknown costs should be highest in areas relying most heavily on unknown controls relative to known controls. The cost estimates range from \$1.7 billion to \$2.4 billion.



Notes: Cost estimates reflect known and unknown controls for NO_x emissions; Hybrid Low, Mid, and High refer to alternative techniques for estimating the costs of unknown controls assuming marginal costs increase linearly from \$15,000/ton with low, mid, and high slopes

Sources: EPA data in ozone docket