

**ECONOMIC IMPACT STATEMENT
OF PROPOSED RULES OR REGULATIONS
EO 05-04: Regulatory Flexibility**

Department Arkansas Department of Environmental Quality
Division Air Division
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Title or Subject: Addition of Chapter 14: Clean Air Interstate Rule (CAIR) to Arkansas Pollution Control and Ecology Regulation 19 Regulations of the Arkansas Plan of Implementation for Air Pollution Control

Benefits of the Proposed Rule or Regulation

1. Explain the need for the proposed change(s). Did any complaints motivate you to pursue regulatory action? If so, Please explain the nature of such complaints.
Regulation Number 19 contains the provisions of the State Implementation Plan for the State of Arkansas. The proposed addition of Chapter 14 fulfills the State's obligations as part of the Clean Air Interstate Rule (CAIR). CAIR will control the interstate transport of NO_x and SO₂ emitted by fossil-fuel fired Electric Generating Units (EGUs) by creating an interstate cap and trade program. ADEQ engaged in a series of meetings with stake holders to discuss the proposed changes to Regulation Number 19. EPA established trading budgets for each state, but has allowed each state to determine how to distribute the allowances in that state. CAIR will be implemented in two phases. For Arkansas EGUs, Phase I of EPA's rule caps NO_x emissions at 11,515 tons per ozone season starting in 2009, while Phase II will limit NO_x emissions to 9,596 tons beginning in 2015. NO_x emissions from EGUs are currently estimated at 19,000 tons per ozone season in Arkansas.
2. What are the top three benefits of the proposed rule or regulation?
 - *The proposed rule contains a methodology to allocate NO_x allowances that encourages EGUs to operate efficiently by basing allocations on their electric output.*
 - *The proposed rule uses updated electrical output to determine distribution of the allowances.*
 - *The proposed rule provides Arkansas with the flexibility to change allocations.*
3. What, in your estimation, would be the consequence of taking no action, thereby maintaining the status quo?
EPA will make these allocations according to their model rule. Under EPA's rule, allocations would never change and would cause new facilities to achieve compliance by purchasing allocations from other sources. It would also continue to allocate allowances to facilities that were retired.
4. Describe market-based alternatives or voluntary standards that were considered in place of the proposed regulation and state the reason(s) for not selecting those alternatives.
None EPA mandated these reductions. Please note that this is a market-based program.

Impact of Proposed Rule or Regulation

5. Estimate the cost to state government of collecting information, completing paperwork, filing recordkeeping, auditing and inspecting associated with this new rule or regulation.
Administration of the trading program associated with CAIR will be conducted by EPA's Clean Air Market's Division. There are no costs to Arkansas to participate. Minimal costs are associated with providing annual data to EPA.
6. What types of small businesses will be required to comply with the proposed rule or regulation? Please estimate the number of small businesses affected.
Small business will not be affected by the proposed Regulation 19 revision.
7. Does the proposed regulation create barriers to entry? If so, please describe those barriers and why those barriers are necessary.
The proposed regulation will provide no barriers to entry. Businesses affected by this regulation are obligated to participate by EPA.
8. Explain the additional requirements with which small business owners will have to comply and estimate the costs associated with compliance.
No additional requirements for small business owners.
9. State whether the proposed regulation contains different requirements for different sized entities, and explain why this is, or is not, necessary.
The proposed regulation does not contain different requirements for different sized entities. CAIR applies to fossil-fuel fired EGUs with a nameplate capacity greater than 25 megawatts.
10. Describe your understanding of the ability of small business owners to implement changes required by the proposed regulation.
Small businesses are not required to implement any changes.
11. How does this rule or regulation compare to similar rules and regulations in other states or the federal government?
EPA established trading budgets for each state, but has allowed each state to determine how to distribute the allowances in that state.

Provide a summary of the input your agency has received from small business or small business advocates about the proposed rule or regulation.

Small businesses were not consulted; however, ADEQ engaged in a series of meetings with stake holders to discuss the proposed changes to Regulation Number 19.