

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

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 2008 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 New Mexico:

- Virtually all counties with ozone monitors would exceed the new standard;
- If New Mexico businesses and individuals installed all available emission controls for nitrogen oxides (NO_x), they would achieve only 55 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 New Mexico counties;
- New Mexico businesses and individuals would incur control costs of up to \$1.2 billion.

Another Burden for an Already Struggling Economy

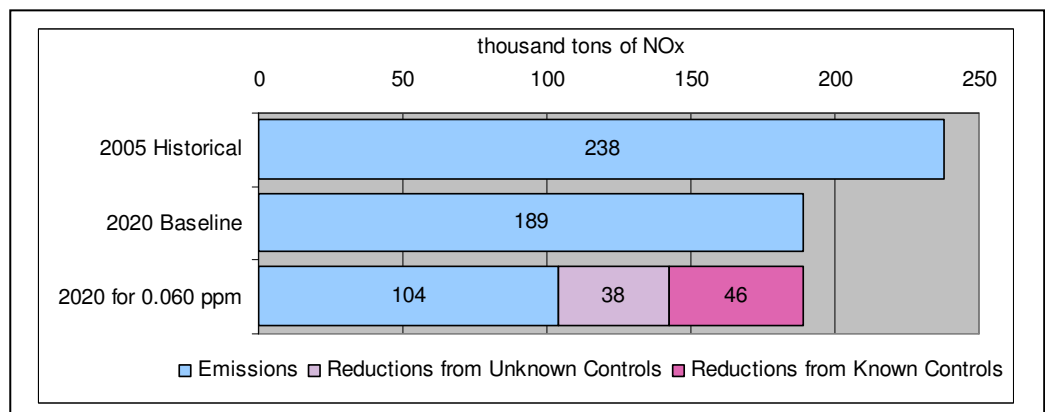
Albuquerque, Farmington, and other urban areas in New Mexico may be designated as NA areas under the new proposal. Consequences would include:

- 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 makes New Mexico businesses less competitive and thus leads to direct employment losses—generating larger overall losses through multiplier effects.

A more detailed discussion on the detrimental impact to New Mexico's economy can be found in [“Impact of EPA 2010 Ozone NAAQS Proposal on New Mexico's Economy”](#)¹

Statewide Reductions

The figure below shows NO_x emissions in New Mexico 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 45 percent below their projected baseline level and 56 percent below their 2005 level. Known controls achieve only 55 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 designated NA.



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

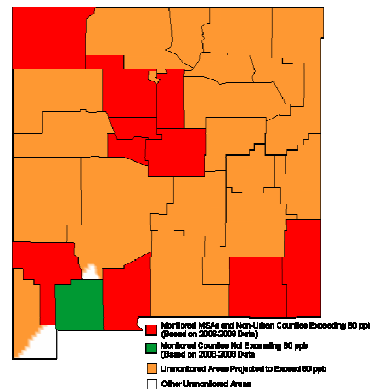
¹ Impact of EPA 2010 Ozone NAAQS Proposal on New Mexico's Economy (2010). Available from http://www.nmenergyforum.com/uploads/files/15/OzoneEconomicImpact_NM.pdf.

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 shaded 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

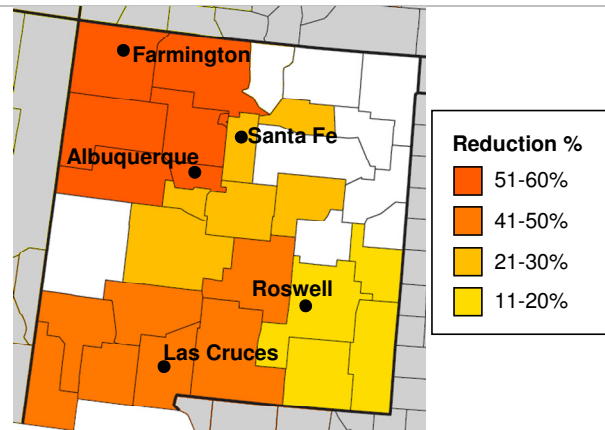
NEW MEXICO
Metropolitan Statistical Areas (MSAs) and Non-MSA Counties
Not Attaining the Proposed 60 ppb Ozone Standard



Areas of Reduction

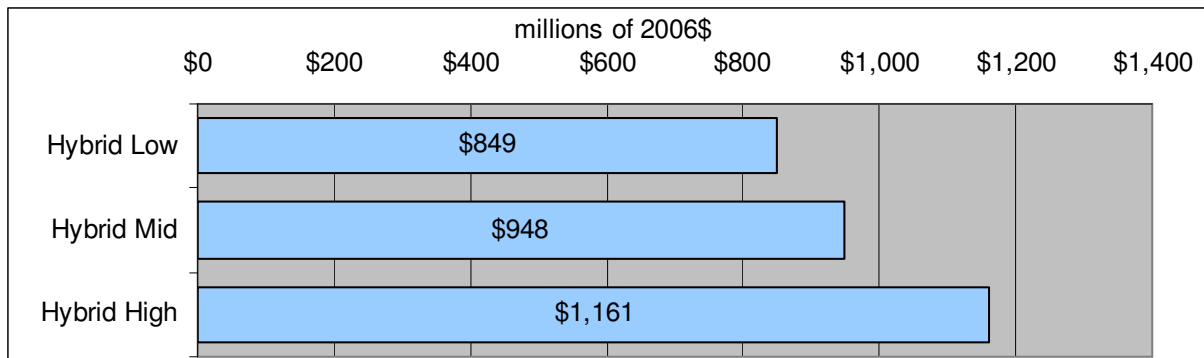
The map to the right shows that NO_x reductions from unknown controls would be required in most New Mexico counties to meet a new 60 ppb standard. Counties in northwestern New Mexico would need to reduce NO_x emissions by more than 50 percent through unknown controls relative to their emissions in 2020 after application of known controls in the Modeled Control Strategy.

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



Statewide Control Costs

As shown in the figure below, EPA estimates New Mexico's emission control costs under an ozone standard of 60 ppb to range from \$850 million to \$1.2 billion in 2020 (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.



Notes: Cost estimates reflect known and unknown controls for NO_x and known controls for VOC 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