Manufacturers

EPA's Boiler MACT Rules: Broad Economic Impact

www.nam.org/energy • E-mail: energy@nam.org

While the business community was pleased with some of the changes the Environmental Protection Agency (EPA) made to the final Boiler MACT rules, there are still strong concerns about the high compliance costs and jobs that may be lost. Industry estimates that complying only with the MACT portion of the rules will cost over $14 billion – plus billions more in operating costs. The commercial and industrial solid waste incineration portions of the rule will pile on additional compliance costs. As a result, an estimated 230,000 jobs will be put at risk.[1] Specific examples of the broad impact of these rules are provided below:

Agri-business Example

The dioxin levels in the final rule remain difficult to achieve. One agri-business company conservatively estimates that it would cost $200 million to replace its current coal-fired boilers with natural-gas-fired boilers. The final rule hits the company's cogeneration facilities particularly hard because they were built when coal-fired boilers were still an economically-viable option.

Chemical Industry Example

One chemical manufacturing facility estimates that the potential cost of installing additional controls on three coal-fired boilers to meet dioxin and other emission limits ($35 million) exceeds the capital costs of operating this facility, making these expenditures economically infeasible. The company believes it has limited options: one option is to offset the costs of additional controls by reducing operations and jobs, but the company believes it would be irresponsible to take that approach without an assurance that an investment of $35 million in control technology would achieve the final emission limitations. The company is not aware of any available control technology for these three boilers that would be capable of meeting the dioxin emission limits. Another option is for the company to switch to modified gas-fired boilers. The estimated capital costs of this option are $20 million to $35 million, with an increase in annual operating costs and a loss in competitive advantage. Again, an expenditure of this magnitude would result in reduced operations and jobs at the facility.

Biomass Power Industry

The Boiler rules could result in the closure of certain wood-fired and other biomass power plants and many other significant impacts. Lost fuel sources would make their way into landfills. The substantial loss of good-paying jobs would hit rural areas disproportionately. Finally, local economies would be devastated by the resulting closure of existing facilities, the loss of renewable energy resources and their environmental benefits.

[1] See http://www.cibo.org/pubs/boilermact_jobs_09072011.pdf

In Michigan alone, the wood-fired power industry provides $68 million annually for local, mostly rural economies and supports 1,200 well-paying jobs. Were it not for these facilities, forest residues would be left on forest floors inhibiting maintenance of healthy forests. In addition, clean construction waste and broken crates and pallets would end up in landfills, where they would generate additional carbon emissions and result in the need for more and bigger landfills.

In addition, new bagasse-fired boilers, now subject to Generally Available Control Technology (GACT) emission standards under the Area Source rule, will be required to install unnecessary control devices. The cost of constructing each new bagasse-fired boiler will increase by at least $1,200,000 with little to no measurable reduction in hazardous air pollutants.

Forest and Paper Industry

The current Boiler MACT rules are on a collision course with jobs and economic growth. The rules would impose capital costs of approximately $7 billion for the forest products industry. According to a recent study, that degree of expense at this time would place over 20,000 jobs at risk in the pulp and paper sector alone — about 18 percent of its workforce. If impacts on jobs in pulp and paper industry suppliers and surrounding communities also are factored in, the total loses soar to over 87,000 jobs, largely in small, rural communities that can least afford to lose them.[2]

Moreover, the rules classify many alternative fuels, including carbon-neutral biomass residuals from wood and paper production, as wastes instead of fuels, leading to regulation under extremely costly and stigmatizing incinerator standards. As a result, many mills will not be economically feasible, and millions of tons of valuable alternative fuels will be diverted to landfills.

Municipal Utilities

Most municipal utilities and other small public entities will have a very difficult time meeting the Boiler MACT rules within the three-year compliance period. Municipal decisions move more slowly than private-sector decisions, and each significant compliance issue requires multiple layers of consideration before the governing body (utility board, city council, citizens of the town through a referendum, or mayor) approves the project. Once the project has been approved, the schedule must allow time for the public process for bidding procedures and contract requirements — these are provided by statute and vary from locality to locality. An extension on the compliance time frame will provide municipal utilities with a more reasonable schedule to make the necessary improvements.

Conclusion

At a time when our nation's businesses should be focused on staying competitive in the global marketplace, they must deal with these costly new regulations that could mean the difference between remaining in business for another year or shutting their doors.

Congress should pass H.R. 2250 and S. 1392, the EPA Regulatory Relief Act of 2011. This legislation would stay the boiler rules, extend the compliance time frame and grant the 15-month extension initially requested by the EPA to develop a more achievable final rule.

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[2] See http://www.afandpa.org/Temp/Docs/FinalCumulativeAirBurdenEconomicImpactSummary.pdf

BASED ON 2010 CIBO - IHS Global Insight Study

The Economic Impact of only the 2011 Final EPA Major Source Boiler/Process Heater MACT Rule on ICI Boiler and Process Heater Owners and Operators

Estimate of State Level Impacts of Potential Jobs at Risk- using average job impact of 16,000 per $1 billion compliance capital cost only and state by state cost estimates.*

BY STATE

State	Boilers	2011 Cost Estimate	Potential Jobs at Risk
AK	9	$109,516,557	1,752
AL	61	$544,618,932	8,714
AR	42	$338,482,280	5,416
AZ	2	$23,532,103	377
CA	9	$56,454,112	903
CO	5	$71,527,928	1,144
CT	13	$122,190,754	1,955
DE	3	$18,258,898	292
FL	36	$365,498,920	5,848
GA	52	$399,225,204	6,388
HI	20	$208,727,944	3,340
IA	51	$489,971,530	7,840
ID	20	$98,248,045	1,572
IL	53	$464,824,188	7,437
IN	82	$1,023,776,776	16,380
KS	7	$78,652,329	1,258
KY	26	$183,140,546	2,930
LA	31	$345,665,237	5,531
MA	11	$119,941,780	1,919
MD	11	$177,316,730	2,837
ME	42	$424,722,192	6,796
MI	79	$788,787,531	12,621
MN	65	$602,639,020	9,642
MO	38	$302,718,329	4,843
MS	37	$202,508,555	3,240
MT	8	$47,742,026	764
NC	152	$1,040,651,651	16,650
ND	9	$84,674,412	1,355
NE	9	$57,581,639	921
NJ	3	$30,227,631	484
NY	30	$482,403,820	7,718
OH	75	$850,983,351	13,616
OK	11	$116,755,163	1,868
OR	31	$210,294,358	3,365
PA	82	$726,068,629	11,617
PR	2	$11,461,640	183
RI	3	$13,687,522	219
SC	77	$677,585,203	10,841
TN	60	$527,375,393	8,438
TX	27	$202,218,185	3,235
VA	81	$634,212,550	10,147
WA	19	$149,391,002	2,390
WI	71	$596,382,766	9,542
WV	27	$277,998,031	4,448
WY	12	$78,152,518	1,250
TOTALS	**1594**	**$14,376,793,910**	**230,029**

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*** Note- State total potential jobs at risk figure assumes the national industry distribution of the IHS Global Insight report. State totals estimates will differ based on actual industry distribution. Also, capital cost estimates (increased operating costs are not considered) are developed for Major Source boilers only and based on current fuels continuing to be considered fuels. A change in this assumption forcing boilers into the CISWI incinerator category could increase the cost by a factor of 2X of 3X for affected industries.**