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September 5, 2007

SOAHR 2006-043EQ

Thank you for the opportunity to comment on the proposed administrative rules **SOAHR 2006-043EQ**. The proposed new rule would impose volatile organic compound (VOC) emission limitations on an existing source of emissions from process equipment utilized in the manufacture of Portland cement, in areas which were designated as nonattainment for ozone on June 15, 2004. Recognizing that there is only one company included in the rule description, it is clear; the rule targets Holcim (US) Inc.

First, let me describe the MMA membership and their importance to Michigan's economy. MMA represents about 3,000 members that operate in the full spectrum of manufacturing industries. Our members represent 90% of Michigan's industrial workforce. Manufacturing wages are about 25% higher on average than any other sector and provide among the best benefits in the economy. Manufacturing, along with allied industries mining and utilities, is the largest single sector of the economy, creating 21% of the gross state product (GSP), or \$76.3 billion. This contribution is nearly double the contribution of the next largest sector, real estate, with \$42.9 billion in GSP. In addition, manufacturing has the highest economic multiplier effect compared to other sectors, with manufacturing creating an average of 3 indirect jobs for every 1 manufacturing job created. That is why manufacturing is so important to Michigan.

A word about global competition - It is important to recognize that the manufacturing sector competes in the global economy in ways that other business sectors do not. We do not compete with companies down the street; we compete on the basis of price with the lowest cost location anywhere in the world. If we don't win on price, we lose market share. The ultimate consequence can be redirected capitol investment and job loss.

Michigan now has the highest unemployment rate in the nation at 7.2%. We have lost 67,100 jobs just since July of 2006. With the worst economy in the nation, small changes in cost structures for industry can result in significant consequences for Michigan's ability to compete in the global economy; and that means more lost jobs.

On June 30, 2005, the MDEQ submitted to EPA its strategy for attaining compliance with the 8 hour ozone standard. The primary control measures included a reduction of Reid Vapor Pressure of 7.0 psi for gasoline, and reducing emissions associated with use of consumer/commercial products. The

strategy also proposed to reduce emissions from a cement manufacturing company, specifically Holcim. The documents stated:

“Generally, point sources make up a smaller portion of the emission inventory as are the result of regulations dating back to the CAA of 1977. In evaluating the various contributors to the emission inventory, however, there is a single, very large VOC source. Application of controls at that single facility might yield emission reductions comparable to what is achievable in other source categories. An assessment of alternative reduction measures will be made that includes technical feasibility and cost before any specific reductions are quantified.” Later in the document under a heading of “Ozone Specific Considerations” the MDEQ indicated, “Also, significant reductions could be achieved through the application of reasonable controls at cement manufacturing and is therefore part of the control strategy.”

The compliance strategy, developed by DEQ and the Southeast Michigan Council of Governments (SEMCOG) relies on a “weight of evidence” approach. MMA has been supportive of this approach and we compliment the innovative work of the two agencies in their efforts to achieving attainment in southeast Michigan. We recognize that every strategy designed to reduce emissions will impact some entity. The “weight of evidence” approach balanced the need to achieve the maximum amount of reductions at the lowest possible cost, and assuring reductions would be verifiable for the state implementation plan (SIP). Historically, the manufacturing community has made significant expenditures and achieved substantial reductions that have accounted for the majority of VOC reductions made in Michigan. In fact, the manufacturing community now accounts for just about 9% of the total VOC emissions from all sources statewide. We also recognize that, if the overall strategy fails, the consequences of not achieving attainment fall on all sources in the nonattainment area.

We have watched the discussions between the agency and the company, though have not participated in those discussions. We are interested in seeing an agreement reached in this matter. The strategy suggests that, “These reductions may be in the range of 1700 tons per year (tpy) (6 tons per day). Final reductions will be based on a combination of cost and reasonableness, analogous to the Clean Air Act process for applying reasonably available control technology (RACT). The time to achieve reductions has yet to be determined, but will likely be in the 1-2 year timeframe.” Yet, Table 8 in the strategy indicates that emissions at the facility in 2003 amounted to 1,789 tpy. Moreover, under the VOC reduction potential category, Table 8 says, the amount is “under discussion” and the estimated cost is characterized as “To Be Determined.”

The goals set out in the strategy were vague with only the sense that significant reduction could be made in the context of technical feasibility and reasonable cost. We are disappointed that there has not been a resolution to this discussion. Yet, we remain optimistic that a resolution can be achieved. We suggest that the discussions continue through a third party mediator, agreed upon by both parties. The administrative rules process is not the most appropriate mechanism for negotiation between the state and a single entity. The unique natural circumstances that exist in Dundee create unique technical challenges for Holcim. We believe a more structured discussion outside the rules process would provide the best chance for finding a resolution that achieves significant VOC reductions, yet allows the company to compete effectively in the face of global competition and enable this Michigan based facility to compete for investment dollars within their company. Most importantly, a viable solution will help all industry in southeast Michigan avoid additional regulations associated with non attainment.

We believe this effort should be initiated quickly, to enable changes to be made in a time frame that will achieve reductions for the upcoming ozone season. Unique challenges require unique solutions. We ask

that the agency postpone promulgation of this rule until a solution is produced through the mediation process. A timeframe for discussion should be established up front with a certain deadline. We appreciate the opportunity to share our views on this rule. We are confident that a mediation process will yield a workable solution more effectively than is allowed in the administrative rules promulgation process. We are hopeful that significant reductions can be achieved at the Dundee location that will benefit efforts to meet the National Ambient Air Quality Standards in Southeast Michigan.

Respectfully,

Mike Johnston, Director of Regulatory Affairs

