

# Vinyl Industry Comments for OMB on EPA's Proposed PVC MACT Rule



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# Summary of Industry Concerns on EPA's Proposed PVC MACT



- Rule can not be met by the industry due to calculation errors and compliance test method different than that for data collection
- Plants will be closed, expansions curtailed, new plants eliminated, thousand of jobs lost, exports reduced and replaced by imports from countries with less strict emissions standards
- Over \$100 MM of direct economic impact and over \$1 billion of broader economic impact is estimated
- Small businesses will spend \$millions adjusting to lower quality resin or buying imports vs. U.S. based goods.
- We ask OMB intervene for a rule that is logical, reduces emissions, and protects a critical industry in the U.S.

# Background Context



- Arbitrary deadline compressed timeframe for rulemaking
  - EPA settlement dates with ENGO's
  
- Rushed data collection effort led EPA to issue unclear instructions and allow inconsistent industry information
  - Calculations
  - Test methods
  - Test conditions
  
- EPA did not attempt to reconcile data
  
- Led to a fundamentally flawed proposed rule

# Industry Efforts



- PVC industry has consistently reduced emissions year over year for the past 25 years
- Industry cooperated fully, expending \$12 million on data collection and reporting
- EPA should base MACT floors on industry updated databases

# Compliance Issues: Automatic Violations



- Automatic violations are built in to EPA's proposed rule
  - Impossible limits for Dispersion & Blending resins
  - Best performer cannot be in compliance
  - Emergency release from pressure safety device
  
- Industry needs rule it can comply with all day, every day



# Compliance Issues: Resins



- Over a hundred different homo- and co-polymers resins
  - suspension
  - dispersion
  - blending
  - bulk
  - Solution
- Because daily compliance is mandated, more resin subcategories are needed to accommodate the many grades made
  - Existing VC NESHAP took this into account in its limits
- EPA calculated resin limits using one test method, yet requires compliance with a different test method
  - This violates Clean Air Act

# Compliance Issues: Process Vents & Wastewater



- EPA contrived artificial operating conditions for testing process vents then misapplied results to set limits for PVC-only plants
  - EPA should use PVC-only results for PVC-only plants
  - Activated carbon injection proposed by EPA will not work with wet scrubbers already in place
  
- Wastewater was not covered under S114 data collection request, just the survey
  - EPA set MACT floor for WW using engineering estimates
  - VI WW database should be used to calculate floor

## Impacts: Dispersion and Blending Resins



- Dispersion and blending producers will be forced out of business at an economic impact of \$300 million
  - No technology exists to meet EPA's proposed limits
  - Directly eliminate 500 jobs at those plants
  - Plant owners will be burdened with hundreds of millions in shutdown expenses and asset write-offs
- Customers will be forced to seek foreign suppliers
  - Customers will be burdened to reformulate and requalify foreign replacement, costing \$millions
  - Foreign suppliers do not stand up to the rigor of U.S. environmental compliance rules – greater harm to global environment
- PVC resins are not always interchangeable – unique types and grades will be lost, resulting in discontinued end-products



## Impacts: Suspension Resins



- Most producers already optimized strippers with new equipment
  - Adding steam to resin stripper will not reduce HAPS in the manner EPA believes; this degrades the resin
  - Retrofitting plants will cost \$130 million
  
- Customers will be burdened to compensate for poorer quality resins
  - Reformulating and re-qualifying thousands of new recipes will cost \$40 to \$120 million
  - The entire process may take over 3 years
  - Increased recipe costs are over \$90 million annually
  - Anxiety in the industry will hurt PVC as a material

## Impacts: Downstream Flooring Customers



- Mannington Mills – Reformulating is technically challenging and will need to be done on hundreds of flooring products
  - The one-time cost for resilient flooring manufacturers exceeds \$2 million just to reformulate and requalify
  - Resilient flooring added recipe ingredients are estimated at over \$3 million annually

## Impacts: Upstream Suppliers



- PVC resin consists of 57% chlorine and 43% ethylene
  - Chlorine is produced as a gas in the chlor-alkali process
    - Primarily used in the manufacture of PVC
    - consumption drives the equation
    - difficult to store, transport, export
  - Caustic is produced as a liquid in balance with chlorine gas
    - Used in paper, chemicals, alumina, and soaps
    - Easily stored, transported, exported
  
- The shutdown of the dispersion and blending resins business directly impacts the structure of the chlor-alkali business
  - Driving domestic caustic prices higher
  - Reducing caustic exports

## Broader Implications of EPA's Proposed Rule



- PVC resin exports, now over 40% of production will be reduced
- New source limits are incorrect and EPA's approach needs to be modified – a single plant doesn't produce the hundred grades of resin made over a 30 day test period. Without needed flexibility to produce all grades, industry growth will be stifled.
- Direct impact to the industry is estimated to be \$200 million initially with annual increased costs of \$130 million
- IHS Global estimates broader indirect and induced economic impacts mounting to \$1 billion when structural changes, job losses and other factors are considered



## Summary of Problem to OMB



- Final rule could harm the PVC resin business – lost jobs, poorer product quality, reduced exports, constrained growth to no growth, foreign sourced resins, structural changes in chlor-alkali business
- MACT standards assure all facilities perform comparably to best performers of similar product mix, not to put industry in disarray as EPA's proposed rule would
- Even best performers face automatic violation. Industry has an excellent compliance record – no producer wants to be an offender

# What Industry Asks of OMB



- OMB should closely scrutinize the issues defined:
  - Recalculation of MACT floors in accordance with CAA
  - Use industry provided databases
  - Achievable rule by best performers all the time – recommend 99.9 percentile factor for compliance
  - Remove automatic violations
- Provide a correct rule that can serve as a model for future rules

## Closing



- Brief explanation of leave-behind letters indicative of industry customer concern over resin quality and supply
- Provide contact info for any subsequent questions
- Thank Agencies for meeting