

Fact Sheet on Michigan Air Emissions Trading Registry

In 1997 Michigan became the first open market trading program proposed for federal approval. PEER has reviewed trading program registry for the State of Michigan, which is available on the web at: http://www.deq.state.mi.us/aqd/eval/e_trade/etbank.html

Our examination of its limited operation reveals that the Michigan program is neither stimulating "innovative controls" nor achieving any "environmental result more cost-effectively." The program is simply a set of creative bookkeeping practices to paper over what would otherwise plainly be noncompliance with state and federal requirements.

Below are some examples:

- The fourth largest user of volatile organic compound (VOC) credits is Lowell Engineering (28 tons), in the village of Alto, in Kent County, just outside of Grand Rapids. According to state records the facility is located directly across the street from an elementary school. The facility's most recent Toxic Release Inventory report (1998) shows it emitted 79,274 pounds of toluene, 46,361 pounds of methanol and 37,256 pounds of xylene, for a total of 81.4 tons of toxics.
- Health effects most closely associated with toluene, xylenes and methanol include central nervous system disorders, developmental effects, narcosis, depression, toxic effects on cardiovascular, gastrointestinal, immune, respiratory systems, kidneys, and skin disorders. Kent County is in the top 10% in the country in terms of developmental and reproductive toxicants, top 20% for recognized carcinogens, according to Environmental Defense. Only 13 counties in the country have more toluene emissions than Kent. Kent and its neighboring Ottawa County are two of the top three counties in Michigan for airborne reproductive toxicants and two of the top five for developmental toxicants.
- In 1999 Lowell experienced an "unexpected increases in business" and was exceeding the limits in its air permit by 15%, or about 15 tons of volatile organic compounds (VOCs). To compensate for these unpermitted increases Lowell bought 10 tons of credits generated by Steelcase Corporation about 12 miles away in Grand Rapids, and 5 tons generated two years earlier by a lithographic company located 80 miles away in St. Joseph, Michigan. Hazardous air pollutants (HAP) have a much more localized impact area than ozone, for instance, which is the result of a photochemical reaction. Therefore it is extremely unlikely that the traded reductions occurring some 12 to 80 miles away, some of them two years earlier in time, could adequately offset the local effects of the 15 tons of increased emissions at the Lowell facility.
- By the start of the June 1998 ozone season, MDEQ was allowing the use of trading credits to comply with State Implementation Plan (SIP) rules for stationary sources. The largest uses of credits have been for metal and plastic coatings. Many of the credits had been generated in 1996 and 1997, before EPA had even proposed action on the trading program. As in New Jersey, Reasonably Available Control Technology (RACT) noncompliance drove the trading program, the main difference being that EPA relieved Michigan of much of its RACT requirements just when they were due to take hold in the 1995-6 time frame. Nevertheless, several RACT level control requirements remain in the federally enforceable SIP for Michigan, but these SIP rules are being routinely violated.

