

BILL ANALYSIS

H.B. 3268
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Environmental Regulation
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Small natural gas reciprocating engines and combustion turbines are considered to be essential to combined heat and power applications. It has been reported that there is potential for additional economic combined heat and power of more than 10,000 megawatts within the next 15 years and that combined heat and power applications offer numerous benefits, including reductions in fuel consumption and energy costs, deferral of transmission and distribution system upgrades, and reductions in air emissions.

It has been noted by interested parties that an entity applying for a permit for a combined heat and power unit must comply with the criteria for the standard permit for an electric generating unit or go through the full permitting process, which carries a burdensome cost in time and money for a small system. Observers note that large generating plants have a significant technological advantage over a combined heat and power system because the commercially available low nitrogen oxide combustion systems are supplemented with selective catalytic reduction technologies that are not practical for smaller units. It is also noted that in order to achieve a reduction of air emissions using combined heat and power units, legislation is required to provide for a permitting mechanism for air contaminants emitted from stationary natural gas engines used in a combined heat and power project.

H.B. 3268 aims to provide for this mechanism by making statutory changes relating to permits for air contaminant emissions of stationary natural gas engines used in combined heat and power systems.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTIONS 1 and 2 of this bill.

ANALYSIS

H.B. 3268 amends the Health and Safety Code to require the Texas Commission on Environmental Quality (TCEQ) to issue a standard permit or permit by rule for stationary natural gas engines used in a combined heating and power system that establishes emission limits for air contaminants released by the engines and to make its provisions applicable to only such a stationary natural gas engine. The bill authorizes TCEQ, in adopting a standard permit or permit by rule, to consider the following: the geographic location in which a stationary natural gas engine may be used, including the proximity to an area designated as a nonattainment area; the total annual operating hours of a stationary natural gas engine; the technology used by a stationary natural gas engine; the types of fuel used to power a stationary natural gas engine; and other emission control policies of the state. The bill prohibits TCEQ, in adopting a standard permit or permit by rule, from distinguishing between the end-use functions powered by a stationary natural gas engine. The bill requires TCEQ to provide for the emission limits for stationary natural gas engines to be measured in terms of air contaminant emissions per unit of total energy output. The bill requires the commission to consider both the primary and

secondary functions when determining the engine's emissions per unit of energy output. The bill provides for the meaning of "natural gas engine" for purposes of the bill's provisions and specifies that the term does not include a natural gas engine that powers a motor vehicle.

H.B. 3268 requires the Texas Commission on Environmental Quality to adopt any rules required to implement the bill's provisions not later than September 1, 2012.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.