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NEW OTC REPORT SHOWS CONTINUED SUCCESS STORY DURING 2000 IN INNOVATIVE MARKET-BASED AIR POLLUTION PROGRAM

(Washington, DC)-- The Ozone Transport Commission (OTC) today with the U.S. Environmental Protection Agency (EPA) jointly released a report which demonstrates the gains OTC's air pollution trading program continues to make in cleaning up the air of the Northeast and Mid-Atlantic States. The report documents the results of the program during 2000. The trading program, which is generally known as a "cap-and-trade" program, reduces pollution while permitting trading of emission credits known as allowances. In addition to contributing to the effort to meet health-based air quality standards, this approach reduces overall control costs and enhances overall cost effectiveness.

Ground-level ozone is the primary constituent in smog, and a significant public health problem. As a way of reducing ground-level ozone, OTC initiated its efforts to reduce emissions of nitrogen oxides (NOx) from major stationary sources, such as power plants, in a Memorandum of Understanding (MOU) approved in 1994. All States in OTC except Virginia signed this MOU. In addition to specific emission reduction requirements, the MOU also started the process of developing an emissions trading program which provides for trading NOx emission "allowances." Allowances are distributed by States according to individual State rules. Each source gets an emission limit; emission reduction requirements can met by either reducing emissions, purchasing allowances, or both. Some pollution sources can purchase allowances if other pollution sources have reduced their emissions below regulatory requirements. This then allows sources which reduce emissions at less cost to sell allowances to sources for which reducing emissions is more expensive, thereby minimizing the cost of the overall program.

The new 2000 OTC report states that emissions of NOx sources in the program were reduced to just under 175,000 tons over the five-month ozone season which includes the summer of 2000. This is less than half of the emissions documented for these sources in 1990, and very similar to the level of emissions during the summer of 1999. The NOx reduction program was started in 1995, and the second phase of the program, including emissions trading, was fully implemented in 1999. A trading market has developed for NOx allowances. A copy of the full report can be found on OTC's website at www.sso.org/otc.

OTC States plan another cut in NOx emissions in 2003. EPA has developed a similar regional plan, generally referred to as the "NOx SIP call," which affects at least 19 States and the District of Columbia. OTC has supported this broader regional effort. OTC has also supported, and its member States have implemented, a wide array of additional air pollution control measures, included numerous measures reducing pollution from motor vehicles.

OTC was created by the Clean Air Act Amendments of 1990 to coordinate the regional development of control plans for ground-level ozone in the Northeast and Mid-Atlantic States. Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia are represented on OTC.