SÜD-CHEMIE
Creating Performance Technology

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October 27, 2004

Mr. Art Williams
Director
Louisville Metro Air Pollution Control District
850 Barret Avenue
Louisville, KY 40204-1745

Dear Mr. Williams:

SUBJECT: STAR Program Comments

Süd-Chemie Inc. (SCI) has major concerns with the STAR Program as it is currently written and proposed. The capital and operating costs burden of implementing this program will have disastrous consequences for SCI and will not provide any significant or measurable improvement in air quality. Listed below are a number of significant issues that are of the most concern to SCI:

- Air Toxic Contamination levels up to one million times more stringent than current regulations.
- The risk assessment report conclusion is questionable for the inclusion of inorganic chemicals such as chromium, nickel, cadmium, and other metals.
- Huge investment of capital and increased personnel costs for generation and administration of records.
- Lack of de minimus quantities requiring burdensome record-keeping and reporting on small amounts of chemicals.
- Lack of timely review and issuance of air permits.
- No exemption for Laboratory chemicals.

SCI is part of the Süd-Chemie Group, which has manufacturing plants around the world in Germany, Italy, Indonesia, Japan, India, South Africa, and China. SCI has been operating two manufacturing facilities and Research and Development (R&D) laboratories in Louisville and Jefferson County employing about 700 persons for many decades and has intentions to continue these operations. The impact of the STAR Program on SCI's capital requirements and operating costs will cause the SC Group Management to reconsider locating existing, expanded or new manufacturing plants in Jefferson County. The burdensome cost of implementing the proposed regulation will jeopardize the competitiveness of SCI products. This competition among the Süd-Chemie Group companies could result in SCI products being manufactured elsewhere. SCI also has competitors in the marketplace that have manufacturing in other locations across the country and the world. SCI will be at a competitive disadvantage relative to other companies which in turn will result in the loss of sales of SCI products. Ultimately these reasons will result in the loss of SCI as a company providing economic benefit to the community and the loss of employment for 700 persons.

SCI manufactures catalysts using inorganic chemicals such as iron, copper, zinc, nickel, chromium, nitric acid, ammonia, and sulfuric acid. No hazardous organic chemicals are used in the manufacture of our products, and SCI has no hazardous organic emissions of any kind. The West Louisville Air Toxics Study (WLATS) focused on hazardous organic chemicals, and this was the initial emphasis behind the STAR Program. The scope of the STAR Program was broadened

to cover many inorganic chemicals. While it is recognized that the inorganic chemicals used by SCI are hazardous, the existing regulation on these types of materials is adequate. SCI has conducted studies in the past that show no statistical increase in the rate of cancer for our employees. Our employees are exposed to inorganic chemicals at concentrations well below the current requirements. The general population is exposed to levels far below those of our employees. The current regulation of these inorganic chemicals must then be sufficient to protect the health of residents of Jefferson County. Implementing a far more stringent regulation on these inorganic chemicals will result in high costs to SCI with no corresponding increase in the health of Jefferson County residents. This is clearly not in the best interest of SCI, APCD, or Jefferson County residents. This unsupported inclusion of inorganic chemicals is pointed out by the Greater Louisville Inc. (GLI) comments on the STAR program. GLI comments, "Accordingly, the risk assessment report's conclusions leading to the inclusion of arsenic, cadmium, and nickel as chemicals of potential concern are questionable at best." GLI also comments on chromium as, "The chromium results in the risk assessment report do not justify the inclusion of all compounds containing chromium in the Category 1 list without more investigation by the Louisville Metro Air Pollution Control District into the sources of chromium emissions in the community."

SCI has reviewed the comments from other sources. Specifically we support the comments and questions presented by GLI. We also strongly urge APCD to respond to the many questions posed by GLI and incorporate these into the regulation.

Manufacturing

SCI has continued to invest in expanding our facilities, and improved air emissions controls are included in all projects. This has undoubtedly increased the air quality both inside and outside of our manufacturing buildings. SCI supports the improvement of air quality in Jefferson County. The STAR program has great intentions to continue this improvement in air quality, but SCI's concern is that the STAR Program will place overly burdensome regulation and resulting expenses on our industry without providing a corresponding reduction in emission of toxic air contaminants.

The STAR Regulations will require SCI to invest huge dollars into the installation of additional air emission control devices. Listed below is an estimate of the costs for installing these devices:

	Number of units	Cost per unit	Total cost of upgrades
Existing system dust collector upgrades to HEPA	33	$150,000	$4,950,000
New dust collectors to pick up additional sources and "fugitive" emissions	6	$60,000	$360,000
New NOx systems to allow for current operations and expansions	2	$4,000,000	$8,000,000
Ammonia "projects"	4	$300,000	$1,200,000
		Total	$14,510,000

These are just order of magnitude estimates; the actual capital costs may be much higher. SCI is a financially profitable company but an expenditure of this magnitude with no return could jeopardize our financial success. Ongoing operating costs will also significantly increase. The Süd-Chemie Group has facilities all around the world, and in every case when deciding where to locate production (and therefore jobs) manufacturing costs must be and are always considered. Global competition forces us to minimize our manufacturing costs in the Group. There is no doubt that these expenditures that are required above that of other communities and other manufacturing sites will ultimately result in SCI being less competitive. In the end manufacturing will leave Jefferson County.

SCI requests that APCD consider a methodology for establishing limits that are better defined and more easily understood than currently listed in Regulation 5.21 and 5.22. This methodology should consider the conservative nature of the unit risks established in information sources such as the EPA Integrated Risk Information System (IRIS). The current method reduces the Unit Risk Estimate (URE) by a factor of $1X10^{-6}$ (or 1 in 1,000,000). The URE already has a conservative estimate included in the determination of this factor. The result being that the Benchmark Ambient Concentration for a carcinogen (BAC_C) calculated by the regulation can effectively be several orders of magnitude more conservative than 1 in a 1,000,000. While SCI can support a BAC_C of 1 in a 1,000,000 it is not possible to support an even more conservative approach that can result in a factor of $1X10^{-7}$, $1X10^{-8}$ or even higher. This point is clearly called out in the comments by GLI when the comparison is made between the APCD's proposed rule and the current Ohio policy. Limitations that are 10 to 10,000 times more restrictive than necessary will result in SCI investing millions of dollars with no significant improvement in the health of residents. The SCI management must consider these regulations when deciding on locating existing or new business expansions in Jefferson County.

A de minimus quantity should be established for all the air toxic chemicals. This would improve the impact of the regulation by focusing efforts on the chemicals used in greater quantities. SCI would like to use our resources effectively on the chemicals of greater quantity. If no de minimus level exists as is currently written then SCI must use our resources to generate and administer data on small quantities of chemicals. These small quantities would not impact the air quality and in turn not impact the health of residents. SCI strongly suggests that a de-miminis quantity be established for air toxic chemicals below which no regulation is required.

The STAR Program's impact on APCD permits being obtained in a timely manner is also a concern. When a decision is made to install facilities in Louisville the permitting process must not significantly impede the process of construction and operation. We do not think it is APCD's intention to do this. But SCI has recently had permits that have taken in excess of 15 months to obtain. While in some cases, SCI can manage with this timeline, there are cases where a 6-month or less timeframe for obtaining a permit is needed. There is a current $4MM expansion project in Louisville at the SCI facilities on 12th St. This expansion will provide 12 direct production employee jobs. If this permit is not obtained within 6 months the impact will be to slow the project completion and to negatively impact the competitiveness of SCI in the marketplace. And given the STAR proposal, SCI is currently reconsidering the entire project, since the products to be manufactured contain copper and copper is on the list of 38 chemicals.

Research and Development Laboratories

The R&D laboratories are a vital part of SCI as they provide the future for our business. Louisville is the corporate location for these R&D facilities. Many different chemicals are used in small

quantity in developing and testing our new and existing products. The proposed regulation provides for no de minimus quantities of the regulated chemicals. The regulation as currently written would require an estimated 3 employees and/or consultants to administer these regulations for the laboratories. This expense and burden of regulation would provide no measurable beneficial improvement of air quality. As the intent of the STAR Program is to improve the health of residents of Jefferson County and since the R&D laboratories would not impact this health, then R&D laboratories should be excluded. SCI strongly suggests that the regulation be amended to exempt quality testing and new and existing product development in facilities that do not produce commercial quantities of materials.

Conclusion

SCI respectfully requests that APCD consider all of the points brought forth above as well as those brought forward by GLI and other Louisville industries. The STAR Program must be revised to include these concerns so as not to have a disastrous effect on SCI. Again, SCI supports the improvement of air quality and the health of the citizens of Jefferson County. SCI also supports revisions in the STAR Program as stated above so that the jobs and economic contributions provided by SCI can exist in harmony with the desire to improve air quality.

Respectfully Yours,

Dr. John Ray
Executive Vice-President
Süd-Chemie Inc.

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cc: *APCD Board Members*
Dr. Karen A. Cassidy
Mr. Lewis H. Hammond
Mr. Lee Howard
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Ms. Sandra Withers
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Ms. Carolyn Embry

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