

SHELL OFFSHORE, INC. (OCS Permit No. R10OCS-AK-07-01) (Revised)
OCS Appeal Nos. 08-01 thru 08-03

EPA Response Exhibit 1



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
RESEARCH TRIANGLE PARK, NC 27711

OCT 2 2008

OFFICE OF
AIR QUALITY PLANNING
AND STANDARDS

Mr. Bill MacClarence, P.E.
10840 Glazanof Drive
Anchorage Alaska 99507

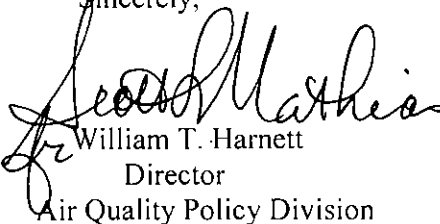
Dear Mr. MacClarence:

The United States Environmental Protection Agency ("EPA") received your petition dated July 13, 2008, entitled "Public Petition of a Title V Air Quality Permit, Shell Offshore Inc.'s Alaska Outer Continental Shelf (OCS) Air Quality Control Minor Permit No. R10OCS-AK-07-01 (Revised)" for Shell Offshore Inc.'s ("SOI") Kulluk Drilling Unit, which Region 10 issued on June 18, 2008. As stated in your letter, the petition requests that the EPA Administrator object to the issuance of the SOI permit pursuant to 40 C.F.R. § 70.8(d).

The part 70 provisions, including 40 C.F.R. § 70.8(d), were promulgated pursuant to Title V of the Clean Air Act ("CAA" or "the Act"), 42 U.S.C. §§ 7661-7661f, CAA §§ 501-507. However, the SOI permit at issue in your petition was not issued pursuant to Title V of the Act. Rather, the SOI permit is an OCS Source Air Quality Control Minor Permit issued by EPA Region 10 under the authority of section 328 of the CAA, 42 U.S.C. § 7627, and 40 C.F.R. Part 55. Thus, I have determined that a petition for review of this OSC permit is not proper under 40 C.F.R. § 70.8, and the Title V portion of your public petition is hereby dismissed as inappropriately filed.

However, I note that your Public Petition was also filed with the Environmental Appeals Board (EAB) under the provisions at 40 C.F.R. § 124.19, which govern OCS permit appeals pursuant to 40 C.F.R. § 55.6 (a)(3). The EAB has assigned Appeal Number OCS 08-01 to your Petition. *See* Shell Off Shore Inc., OCS Appeal Nos. 08-01, 08-02 & 08-03 (EAB Docket No. R10OCS-AK-07-01). Accordingly, further proceeding regarding your challenge to the OCS permit issued to SOI will be handled by the EAB in accordance with the review provisions in 40 C.F.R. Part 124.

Sincerely,


William T. Harnett
Director
Air Quality Policy Division

SHELL OFFSHORE, INC. (OCS Permit No. R10OCS-AK-07-01) (Revised)
OCS Appeal Nos. 08-01 thru 08-03

EPA Response Exhibit 2



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue
Seattle, WA 98101

October 2, 2008

Deborah Rocque
Field Supervisor
U.S. Fish and Wildlife Service
Fairbanks Fish and Wildlife Field Office
101 12th Ave., Rm. 110
Fairbanks, Alaska 99701

Re: Polar Bear ESA Obligations for Permitting of Exploratory Oil and Gas Activities in the Beaufort Sea

Dear Ms. Rocque:

The Department of Interior listed the polar bear (*Ursus maritimus*) as a threatened species under the Endangered Species Act (ESA). On June 18, 2008, the Environmental Protection Agency (EPA or Agency) issued a Clean Air Act (CAA) Outer Continental Shelf permit relating to exploratory oil and gas activities by Shell Offshore, Inc. (Shell) in the Beaufort Sea off the North Slope of Alaska.¹ This letter serves to memorialize conversations EPA staff have had with staff from Region 7 of the U.S. Fish and Wildlife Service (FWS) and to seek your written confirmation that EPA's understanding of the ESA section 7 consultation process for this project, including for EPA's issuance of the CAA permit, is accurate.

In connection with the permit to Shell, EPA has relied on the section 7 consultations undertaken by the U.S. Minerals Management Service (MMS), which was designated as lead agency for ESA consultation relating to this exploratory oil and gas project. 50 C.F.R. § 402.07. As part of its role as lead agency, MMS previously conferred with FWS regarding the proposed project's impacts, including potential impacts associated with EPA's permitting action, on polar bears (which at the time were proposed for listing under the ESA). EPA carefully reviewed MMS' section 7 consultation and conference activities to ensure appropriate coverage of EPA's permitting action.

In early June 2008, EPA contacted MMS to discuss the effect of the polar bear final listing and was informed that MMS had, in its lead agency capacity, re-initiated consultation with FWS regarding the possible effect of the Beaufort Sea exploratory oil and gas activities on the bear. EPA recently contacted

¹ The Shell CAA permit is currently the subject of an administrative appeal before the Agency's Environmental Appeals Board. See *Shell Offshore Inc.'s Alaska Outer Continental Shelf*, EAB docket no. OCS 08-01, 08-02, and 08-03. This administrative appeal will delay the effective date of and final agency action on the permit (and thus preclude the activities authorized by the permit) until the EAB completes its review. 40 U.S.C. § 124.15(b)(2), 124.19(f). In addition, EPA has included a condition in the permit that prohibits Shell from undertaking the activities authorized therein until EPA notifies Shell that EPA has fulfilled any ESA obligations. The condition also explicitly retains authority for EPA to ensure that the permit application or terms are amended as appropriate to address any issues regarding the protection of listed species that may be identified.

MMS regarding the status of those polar bear consultation efforts and was informed that MMS had concluded the consultation, which was documented through an exchange of memoranda with FWS.

Based upon a review of the MMS-FWS memoranda and the underlying documents upon which those memoranda rely, as well as conversations with FWS staff regarding the fulfillment of the Agency's ESA obligations in this matter, EPA believes that EPA's issuance of the CAA permit complies with the process established by the FWS for ESA consultation on oil and gas related activities in the Beaufort Sea. In particular, EPA notes that:

- In listing the polar bear as a threatened species, FWS also issued a rule under ESA section 4(d) concluding that if a particular activity is permissible under Marine Mammal Protection Act (MMPA) standards for polar bear protection, it is also very likely that the activity would be consistent with ESA section 7 requirements and that any entity holding incidental take authorization under the MMPA and in compliance with all mitigation measures under that authorization would not likely be required to implement further measures under the ESA section 7 process. *See* 73 Fed. Reg 28306, 28310-311 (May, 15, 2008); 50 C.F.R. 17.40(q)(2).
- As contemplated in the 4(d) rule, *see* 73 Fed. Reg. at 28311, the Marine Mammal Management Office of FWS consulted under section 7 of the ESA with the FWS Fairbanks Fish and Wildlife Field Office on the possible effect of the existing MMPA Incidental Take Regulations (ITR) for oil and gas exploration, development, and production activities in the Beaufort Sea. As a result of this intra-Service consultation, FWS issued a *Programmatic Biological Opinion For Polar Bears (Ursus maritimus) On Beaufort Sea Incidental Take Regulations* on June 23, 2008 (BO). The BO concluded that the existing MMPA ITR for oil and gas exploration, development, and production activities in the Beaufort Sea would not “appreciably reduce the likelihood of survival and recovery of the polar bear, and therefore are not likely to jeopardize their continued existence” under the ESA. BO at 46. The BO also described an approach integrating polar bear ESA requirements with the letter of authorization (LOA) process authorized under the MMPA ITR. FWS explained that issuance of a combined MMPA LOA and ESA incidental take statement (ITS) for oil and gas exploration, development, and production activities covered in the BO and the underlying MMPA ITR would provide coverage under both the MMPA and the ESA. FWS stated that “[i]ssuance of the LOA/ITS concludes ESA consultation for that action.” *Id.* at 47. Finally, FWS explained that so long as the relevant activities comply with the MMPA ITR, “other Federal agencies involved in permitting the exploration actions covered by the Beaufort Sea Regulations” would be expected to complete their ESA section 7 responsibilities by “linking to” the BO. *Id.*
- In a June 27, 2008, memorandum to FWS, MMS indicated that it was “formally requesting to reinitiate” ESA consultation for MMS-authorized oil and gas activities in the Beaufort Sea. Memorandum from Regional Director to Regional Director, U.S. Fish and Wildlife Service, Region 7 re: “Request for Re-initiation of Section 7 Consultation for Polar Bear – Beaufort Sea” (June 27, 2008) at 2. In that memorandum, MMS sought to confirm that the issuance of an LOA/ITS to an industry applicant conducting oil and gas activities in polar bear habitat “fulfills our [ESA] consultation requirements, as well as those of other agencies permitting the action, as these activities are fully evaluated under the [MMPA Incidental Take Regulations] and the associated BO.” *Id.*
- In a July 15, 2008, memorandum to MMS, FWS confirmed that MMS would meet its ESA consultation obligations by virtue of FWS' issuance of a combined LOA/ITS to relevant applicants. Memorandum from Field Supervisor, Fairbanks Fish and Wildlife Field Office, to Regional Director, Minerals Management Services, Alaska OCS Region re: “Request for Re-initiation of Section 7 Consultation for Polar Bear – Beaufort and Chukchi Seas” (July 15, 2008). FWS stated that the existing BO “extends [ESA] section 7 coverage for proposed activities to other Federal agencies that

also provide permits for the activities” and that “[i]ssuance of the LOA/ITS will fulfill ESA consultation requirements for all federal agencies for that action” addressed in the LOA/ITS. *Id.* at 2.

EPA has reviewed the LOA/ITS that FWS issued to Shell for its oil and gas exploration activities taking place in the Beaufort Sea during 2008 (dated July 10, 2008). EPA has discussed the combined LOA/ITS with FWS, and as confirmed by FWS staff during those discussions, EPA believes EPA’s issuance of the CAA permit for the Shell exploratory drilling activities is in compliance with the ESA section 7 obligations pursuant to the process established in the BO. As explained below (and consistent with the findings made in the exchange of memoranda between MMS, as lead agency, and FWS), any ESA requirements that arise from our issuance of the CAA permit are fulfilled by FWS’ consideration (in the context of section 7 consultation with MMS, the lead agency) of oil and gas exploratory activities in the BO and underlying MMPA ITR, as well as FWS’ consideration of Shell’s specific exploratory drilling activities in the issuance of an LOA/ITS authorizing that activity. As our agencies have further discussed, the current LOA/ITS for Shell’s activities in 2008 does not specifically address exploratory drilling activity. Thus, Shell is not authorized to (and will not) conduct such activities in 2008. Any such activities in future years covered by EPA’s CAA permit would, as described below, require separate authorization through a new LOA/ITS covering those activities and time periods, thus ensuring satisfaction of MMPA and ESA requirements.

In this case, EPA is issuing a CAA permit relating to Shell’s exploratory drilling in multiple locations in the Beaufort Sea over a number of years. FWS addressed the potential impact of exploratory drilling activity on polar bears when issuing the MMPA ITR and found that such activities would have a “negligible impact” on polar bears. 71 Fed. Reg. 43926, 43943 (August 2, 2006). *See also* 50 C.F.R. §§ 18.126(a)(2) (authorizing the issuance of LOAs for “Drilling exploratory wells and associated activities”). FWS also addressed the impact of exploratory drilling on polar bears in the Beaufort Sea in the BO and concluded that such activity was not likely to jeopardize the continued existence of the polar bear for ESA purposes and that MMPA requirements on those activities also protected the polar bear under the ESA. *See* BO at 11 and 44-46. In accordance with the BO, all of Shell’s relevant activities will be conducted in compliance with a combined LOA/ITS, which is the process contemplated in the BO as the means of ensuring appropriate protections for the polar bear under the ESA.

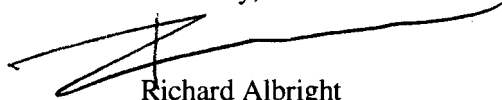
EPA also notes that under the MMPA and ESA, Shell is prohibited from take of the listed polar bear, unless otherwise authorized. *See* 16 U.S.C. 1372(a) and 50 C.F.R. §216.11 (prohibiting unauthorized take of animals protected under the MMPA); 16 U.S.C. § 1538(a)(1)(B), (C) and 50 C.F.R. § 17.31 (prohibiting unauthorized take of a species protected under the ESA); 73 Fed. Reg. 28306 (May 15, 2008) (ESA section 4(d) rule for polar bears). In addition, existing federal regulations require Shell to apply for an LOA (which, consistent with the BO, FWS would issue as a combined LOA/ITS) addressing their activities in the Beaufort Sea covered in EPA’s CAA permit and related MMS authorizations. *See* 50 C.F.R. § 18.124(b) (requiring anyone undertaking “oil and gas exploration, development, or production activity” in the Beaufort Sea to apply for an LOA “at least 90 days prior to the start of the proposed activity” in order to avoid prohibited harm to the polar bear under the MMPA). EPA expects that potential impacts on the polar bears arising from the specific nature of Shell exploratory drilling activity, including the impacts of the primary drill rig and associated icebreakers and other support vessels, will be addressed by FWS in the process of evaluating a request from, and issuing an LOA/ITS to, Shell. *See* 50 C.F.R. §§ 18.126 (a)(2) and (c) (LOAs may be issued for “Drilling exploratory wells and associated activities” and will contain “conditions or methods that are specific to the activity and location” addressed in the LOA request); 50 C.F.R. § 18.125 (FWS will evaluate each LOA request “based on the specific activity and the specific geographic location” and may grant, modify, or deny the LOA requested based on the results of the specific evaluation). Once FWS issues an LOA/ITS addressing Shell’s specific exploratory drilling in the Beaufort Sea, Shell will be prohibited from causing any unauthorized harm to the polar bears from that activity. *See* 50 C.F.R. § 18.127 (prohibiting any take of a polar bear “that fails to comply...with the terms and conditions of your [LOA]”). Moreover, EPA’s issuance of a CAA permit

does not relieve Shell from the MMPA and ESA requirements to possess a valid LOA/ITS before undertaking any of the exploratory drilling activity addressed in that permit. *See* 40 C.F.R. § 55.6(a)(4)(iii) (possession of CAA OCS permit “shall not relieve any owner or operator of the responsibility to comply fully with the applicable provisions of any other requirements under Federal law”).

Accordingly, and after oral confirmation from FWS staff, EPA believes that issuance of the CAA permit for exploratory drilling activities is fully compliant with the process for ESA compliance established in the BO for oil and gas related activities in the Beaufort Sea. Consequently, I have also determined that no changes to the terms of the Shell OCS permit are necessary as a result of this process.

EPA looks forward to FWS’s written confirmation that EPA’s understanding of the ESA section 7 consultation process for this project is accurate. Please contact me if you should have any questions or require additional information regarding our understanding of the FWS’s consultation process for this CAA permit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Albright', with a long horizontal stroke extending to the right.

Richard Albright
EPA Region 10
Director, Office of Air, Waste and Toxics




UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue
Seattle, WA 98101

October 6, 2008

MEMORANDUM

TO: File

FROM: Nancy Helm, Manager 
Federal and Delegated Air Program Unit

RE: Greenhouse Gases and ESA Section 7(a)(2) Compliance for Shell OCS Permit

On June 18, 2008, the Director of the Office of Air, Waste and Toxics for Region 10 of the U.S. Environmental Protection Agency ("EPA") issued an amended Outer Continental Shelf ("OCS") Air Quality Control Minor Permit under the Clean Air Act ("CAA"), 42 U.S.C. § 7401, *et seq.*, to Shell Offshore, Inc. ("Shell"). The OCS permit authorizes Shell to emit certain air pollutants in connection with exploratory oil and gas drilling operations in the Beaufort Sea off the Alaska North Slope. This memo documents EPA's compliance with relevant requirements of the Endangered Species Act ("ESA") in connection with this federal permitting action.¹

Section 7(a)(2) of the ESA requires federal agencies, in consultation with U.S. Fish and Wildlife Service ("FWS") and/or the National Oceanic and Atmospheric Administration Fisheries Service ("NOAA Fisheries," and, with FWS, the "Services"), to ensure that actions they authorize, fund or carry out are not likely to jeopardize the continued existence of federally-listed threatened or endangered species or result in the destruction or adverse modification of designated critical habitat of such species. 16 U.S.C. § 1536(a)(2). Under relevant implementing regulations, consultation is required only for actions that "may affect" listed species or critical habitat. 50 CFR § 402.14. Consultation is not required where the action has "no effect" on listed species or critical habitat.

EPA's permitting action, along with a related action of the U.S. Minerals Management Service ("MMS") in leasing the Beaufort Sea exploration rights to Shell, was the subject of consultation with FWS under section 7(a)(2) of the ESA. MMS was designated the lead federal agency for Section 7(a)(2) compliance for this action. EPA has carefully reviewed MMS' ESA compliance to ensure appropriate coverage of EPA's OCS permitting action and is relying on MMS' consultation activity to comply with section 7(a)(2) of the ESA for that action.

¹ In mid-July 2008, three Petitions for Review of the permit were filed with the EPA Environmental Appeals Board ("EAB"). These Petitions delay the effective date of and final agency action on the permit (and thus preclude the activities authorized by the permit) until the EAB completes its review. 40 U.S.C. § 124.15(b)(2), 124.19(f). In addition, EPA Region 10 included in the OCS permit a condition prohibiting Shell from undertaking the activities authorized therein until EPA notifies the permittee that EPA has fulfilled any ESA obligations. The condition also explicitly retained authority for EPA to ensure that the permit application or terms are amended as appropriate to address any issues regarding the protection of listed species that may be identified.

Various EPA offices are currently evaluating other CAA permits that authorize pollution-emitting activities, including emissions of carbon dioxide (CO₂) and other greenhouse gases (“GHG”). Public comments in some of those actions have alleged that authorization of these activities requires that Federal action agencies address certain species in consultations with the relevant Services under section 7(a)(2) of the ESA due to possible impacts of the GHG emissions from an authorized activity.

In the context of the final listing of the polar bear as a threatened species under the ESA, FWS determined, with supporting analysis provided by the U.S. Geological Survey, that the best currently available scientific data do not support drawing a causal connection between GHG emissions from a particular facility and effects on listed species or their habitats, for ESA purposes. Further, EPA notes that on October 3, 2008, the U.S. Department of Interior (“DOI”) issued a Solicitor’s Opinion in which it detailed why proposed actions that involve the emission of GHGs would not meet the “may affect” threshold set forth in the ESA regulations and therefore would not trigger the consultation requirements under section 7(a)(2) of the ESA.

As an additional analysis to the rationale offered by FWS in the polar bear listing and in DOI’s Solicitor’s Opinion, and considering EPA’s expertise in current global climate change research and substantial experience in utilizing available models to analyze GHG emissions, EPA conducted a general assessment of the anticipated GHG emissions from a large coal-combusting source in relation to two listed coral species under NOAA Fisheries’ jurisdiction and listed polar bears under the jurisdiction of FWS. Notwithstanding the uncertainties associated with modeling single-source emissions and localized regional or sub-regional end-point impacts, EPA assessed a model facility, using emissions estimates that are substantially greater than the emissions estimates from any actual project currently pending before EPA. That assessment is described in the attached letter EPA sent to the Services on October 3, 2008 (attached).

As reflected in the attached letter, EPA’s conclusion based on its additional assessment is that the risk of harm to any listed species, including the listed corals or polar bears, or to the habitat of such species from the anticipated GHG emissions of the model facility – which are much larger than those authorized in the Shell OCS permit – is too uncertain and remote to trigger ESA section 7(a)(2) consultation. *See* Attachment at 8. Since the emissions from the Shell exploratory oil and gas drilling operations – which will involve one drill rig and its associated support vessels operating for only portion of each year – are expected to be much less than the model facility emissions modeled in the analysis described in the attached memorandum, any risk of harm to listed species, including the listed corals or polar bears, or to the habitat of such species from the anticipated GHG emissions of the Shell operations is similarly too uncertain and remote to trigger ESA section 7(a)(2) consultation.

Although EPA has conducted the additional analysis set forth in the attached letter to contribute its expertise to the consideration of listed species issues, MMS remains the lead federal agency for section 7(a)(2) compliance, and nothing in this memorandum is intended to supersede or be contrary to MMS’ lead agency role or analyses it might undertake.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

OCT 03 2008

OFFICE OF
AIR AND RADIATION

Mr. H. Dale Hall
Director
U.S. Fish and Wildlife Service
1849 C Street, NW
Washington, DC 20240

Mr. James Lecky
Director, Office of Protected Resources
National Marine Fisheries Service
1315 East-West Highway, 13th Floor
Silver Spring, MD 20910

Dear Messrs. Hall and Lecky:

Re: Endangered Species Act and GHG Emitting Activities

The U.S. Environmental Protection Agency is currently evaluating several permits under the Clean Air Act for activities that emit various air pollutants, including carbon dioxide (CO₂) and other greenhouse gases (GHG).¹ Public comments on draft permits and the environmental impact statements for related approvals have alleged that authorization of GHG-emitting activities requires that EPA and various lead federal agencies address certain species in consultations with the relevant wildlife Services under section 7(a)(2) of the Endangered Species Act (ESA) due to possible impacts of the GHG emissions from these activities. This letter seeks to confirm your agreement with EPA's determination, based on the following analyses, that issuance of permits under the Clean Air Act for activities that emit GHGs in amounts equal to or less than those analyzed below does not require consultation with NOAA Fisheries or the U.S. Fish and Wildlife Service (FWS) under section 7(a)(2) of the ESA to address the remote potential risks that public commenters suggest GHG emissions from an individual source could present for certain listed species.

¹ These permits are in various stages of the review process within the Agency, including administrative appeals before the Agency's Environmental Appeals Board that delay the effective date of and final agency action on the permit (and thus preclude the construction authorized by the permit) until the EAB completes its review. 40 U.S.C. § 124.15(b)(2), 124.19(f). In addition, EPA has included conditions in some permits that prohibit construction of the facility until EPA notifies the permittee that EPA has fulfilled any ESA obligations. The conditions also explicitly retain authority for EPA to ensure that the permit applications or terms are amended as appropriate to address any issues regarding the protection of listed species that may be identified.

Background regarding ESA Section 7(a)(2) and GHGs

Section 7(a)(2) of the ESA requires federal agencies, in consultation with NOAA Fisheries and/or the FWS (the Services), to ensure that actions they authorize, fund or carry out are not likely to jeopardize the continued existence of federally-listed threatened or endangered species, or result in the destruction or adverse modification of designated critical habitat of such species. 16 U.S.C. § 1536(a)(2). Under relevant implementing regulations, consultation is required only for actions that “may affect” listed species or critical habitat that are present in the action area of the proposed action. 50 C.F.R. § 402.14. Consultation is not required where the action has “no effect” on such listed species or critical habitat. The effects of the action are defined by regulation to include both the direct and indirect effects on species or critical habitat. 50 C.F.R. § 402.02. Indirect effects are those that are caused by the action and are later in time, but still are reasonably certain to occur. *Id.*; *see also* 51 Fed. Reg. 19926, 19932-33 (June 3, 1986) (discussing “reasonably certain to occur” in the context of cumulative effects analysis and noting that only matters that are likely to occur – and not speculative matters – are included within the standard).

Neither the ESA, nor the implementing regulations at 50 C.F.R. Part 402, require a federal agency to obtain the Services’ agreement on a determination that the agency’s action does not trigger the consultation requirements of section 7(a)(2). By seeking the Services’ agreement with our determination on this matter, we do not intend to create any new process for EPA’s compliance with section 7(a)(2) or to otherwise establish new interagency coordination procedures where consultation is not required. However, given the relative novelty of issues relating to GHG emissions from facilities permitted under EPA’s Clean Air Act authorities and certain listed species, we are seeking to confirm that our agencies’ respective understandings of relevant ESA obligations are consistent.

EPA is aware, for instance, that NOAA Fisheries has jurisdiction over two species of coral (elkhorn and staghorn) present in the Caribbean that are listed as threatened under the ESA. 71 Fed. Reg. 26852 (May 9, 2006). EPA understands that NOAA Fisheries has identified elevated sea surface temperature and increased CO₂ concentrations as stresses on the listed coral species. *Id.* at 26854-59. We note, however, that these species are not located in or near the area of the activities covered by permits under review at EPA.

EPA is also aware that the FWS has jurisdiction over polar bears present in Arctic regions that are listed as threatened under the ESA. 73 Fed. Reg. 28212 (May 15, 2008). EPA is currently considering one permitting action for activities in the Arctic, but the polar bear is not located in or near the area of the majority of the activities covered by permits under review at EPA. Nevertheless, EPA understands that FWS has identified loss of sea ice habitat due to rising global temperatures as a stress on the listed polar bear species. *Id.* at 28225-26.

FWS and NOAA Fisheries share responsibility for implementing the ESA. Accordingly, these agencies have primary expertise regarding, and familiarity with, the requirements of the ESA.

Polar Bear Listing

FWS recently considered the issue of GHG emissions from a single source and the triggering of ESA Section 7(a)(2) requirements.

In the context of the final listing of the polar bear as a threatened species under the ESA, FWS determined, with supporting analysis provided by the U.S. Geological Survey, that the best currently available scientific data do not support drawing a causal connection between GHG emissions from a particular facility and effects on listed species or their habitats, for ESA purposes. In addition, FWS explained that it does not believe there is sufficient data to establish that such impacts are reasonably certain to occur, for ESA purposes. Based on these determinations, FWS concluded that action agencies need not consult with respect to any such impacts.²

As FWS explained in the final polar bear listing:

Formal consultation is required for proposed Federal actions that “may affect” a listed species, which requires an examination of whether the direct and indirect effects of a particular action meet this regulatory threshold. GHGs that are projected to be emitted from a facility would not, in and of themselves, trigger formal section 7 consultation for a particular licensure action unless it is established that such emissions constitute an “indirect effect” of the proposed action. To constitute an “indirect effect,” the impact to the species must be later in time, must be caused by the proposed action, and must be “reasonably certain to occur” [T]he best scientific data available today are not sufficient to draw a causal connection between GHG emissions from a facility in the conterminous 48 States to effects posted to polar bears or their habitat in the Arctic, nor are there sufficient data to establish that such impacts are “reasonably certain to occur” to polar bears. Without sufficient data to establish the required causal connection – to the level of “reasonable certainty” – between a new facility’s GHG emissions and impacts to polar bears, section 7 consultation would not be required to address impacts to polar bears.

73 Fed. Reg. at 28300.

Additionally, the U.S. Department of the Interior today is issuing a Solicitor’s Opinion in which it details why proposed actions that involve the emission of GHGs would not meet the “may affect” threshold set forth in the ESA regulations and therefore would not trigger the consultation requirements under section 7(a)(2) of the ESA. The Opinion explains that, for purposes of the ESA “may affect” test, neither direct effects nor indirect effects result from the GHG emissions from a single source. Citing to the U.S. Geological Survey’s analysis and its continuing validity, the Opinion concludes that where the effect at issue is climate change in the

² See Memorandum from H. Dale Hall, Director, U.S. Fish and Wildlife Service re: “Expectations for Consultation on Actions that Would Emit Greenhouse Gases” (May 14, 2008); Memorandum from Mark D. Myers, Director, U.S. Geological Survey re: “The Challenges of Linking Carbon Emissions, Atmospheric Greenhouse Gas Concentrations, Global Warming, and Consequential Impacts” (May 14, 2008).

form of increased temperatures, proposed actions that involve the emission of GHGs cannot pass the “may affect” test and therefore are not subject to ESA consultation.

Accordingly, given the statements by FWS in the polar bear listing and by the DOI Solicitor, EPA believes the FWS would conclude that consultations with FWS under ESA section 7(a)(2) are not required to address the possible impacts of the GHG emissions from the permit activities pending before the EPA.

Modeling Analysis

As an additional basis for considering its ESA section 7(a)(2) obligations, EPA has analyzed whether the GHG emissions from a single source could be modeled to determine whether the risk of harm to any listed species – including the listed corals or polar bears, or to the habitat of such species – from the anticipated emissions of that single source would trigger ESA section 7(a)(2) consultation. As explained below, this additional analysis supports the same conclusion reached by FWS: consultation under ESA section 7(a)(2) would not be required based on GHG emissions from a single source authorized by EPA.

To date, research on how emissions of CO₂ and other GHGs influence global climate change and associated effects has focused on the overall impact of emissions from aggregate regional or global sources. This is primarily because GHG emissions from single sources are small relative to aggregate emissions, and GHGs, once emitted from a given source, become well mixed in the global atmosphere and have a long atmospheric lifetime. The climate change research community has not yet developed tools specifically intended for evaluating or quantifying end-point impacts attributable to the emissions of GHGs from a single source, and we are not aware of any scientific literature to draw from regarding the climate effects of individual, facility-level GHG emissions.

The current tools for simulating climate change generally focus on global and regional-scale modeling. Global and regional-scale models lack the capability to represent explicitly many important small-scale processes. As a result, confidence in regional- and sub-regional-scale projections is lower than at the global scale. There is thus limited scientific capability in assessing, detecting, or measuring the relationship between emissions of GHGs such as CO₂ from a specific single source and any localized impact on a listed species, its habitat, or its members for purposes of ESA considerations. This is consistent with the U.S. Geological Survey’s analysis, which observed:

It is currently beyond the scope of existing science to identify a specific source of CO₂ emissions and designate it as the cause of specific climate impacts at an exact location.³

EPA has developed considerable expertise in current global climate change research and has substantial experience in utilizing the available models to analyze GHG emissions. Notwithstanding the uncertainties associated with modeling single-source emissions and localized regional or sub-regional end-point impacts, EPA has conducted the following analysis

³ See note 2 *supra*.

and considered the anticipated GHG emissions from an individual source with the emissions estimates described above, in relation to the two listed coral species and the polar bears.

The proposed facilities for which Clean Air Act permits are pending vary in size and associated magnitude of GHG emissions. To assess the potential impact of the GHG emissions from EPA-permitted sources – and to help ensure that our analysis covers all such proposed sources that are foreseeable – EPA has conducted an assessment for a model facility using emissions estimates that are substantially greater than the emissions estimates from any actual project currently pending before EPA.⁴ In the analysis that follows, EPA used emissions estimates of 14,132,586 metric tons per year of CO₂, 273.6 metric tons per year of nitrous oxide (N₂O) and 136.8 metric tons per year of methane (CH₄), which are also GHGs.⁵ The following criteria pollutant emissions were used:⁶

- Ozone (O₃) (180.7 metric tons per year of volatile organic compounds)
- Carbon monoxide (CO) (6019 metric tons per year)
- Sulfur dioxide (SO₂) (3609 metric tons per year)
- Nitrogen oxides (NO_x) (3018.5 metric tons for first five years, then 2326.2 annual metric tons for the remaining 45 years)

Furthermore, based on the information we have on several pending facilities, EPA assumed that the model facility would have a useful life of approximately 50 years.

Using the well-established Model for the Assessment of Greenhouse-gas Induced Climate Change (MAGICC),⁷ changes in global CO₂ concentrations, global-mean surface air temperature and sea-level were projected resulting from the model facility's annual emissions of CO₂, N₂O and CH₄, as well as the relevant criteria pollutants (listed above), between 2013 and 2063,⁸ over

⁴ For the model facility, EPA used criteria pollutant and GHG emissions rates that are 20 percent greater than the emissions estimates from one of the largest of the proposed facilities – the Desert Rock Energy Facility. This source is a 1500 MW coal-fired steam electric generating unit to be located on lands of the Navajo Nation near Shiprock, New Mexico.

⁵ The Draft Environmental Impact Statement (EIS) for Desert Rock prepared by the U.S. Bureau of Indian Affairs estimates this facility will emit 12.7 million tons per year of CO₂. EPA calculated the methane and nitrous oxide rates by using AP-42 emissions factors and certain parameters reflected in the calculation of CO₂ emissions in the EIS for Desert Rock. We then converted these estimates to metric units and increased each number by 20 percent.

⁶ Criteria pollutant emissions are based on the Desert Rock permit application and final permit. The model facility emissions are 20 percent greater than these figures and converted to metric units.

⁷ Wigley, T.M.L. 2008. MAGICC/SCENGEN 5.3 (Model for the Assessment of Greenhouse-gas Induced Climate Change/SCENario GENerator): User's Manual. Boulder, Colo.: National Center for Atmospheric Research. <http://www.cgd.ucar.edu/cas/wigley/magicc/>

⁸ We presumed that a large facility receiving a PSD permit in 2008 would not begin operations, and hence emissions, until approximately 2013 due to construction and other activities. If the climate modeling exercises described in this letter were to start a few years before 2013, it is expected that the timing of results would vary only slightly but that the magnitude of results would be essentially the same. If the modeling analysis were to be conducted over a time frame longer than 50 years (i.e., assuming a power plant lifetime of 75 years for example), but with the same amount of annual emissions, the climate effects described in this letter would still be the same over the initial 50-year period, but would then be slightly greater after 50 years, showing greater and longer-lasting climate effects.

which time these annual emissions (with the exception of NO_x) are assumed to remain constant.⁹ The results are relative to one global GHG emissions scenario (A1B) used by the IPCC, but with a range of different climate sensitivities.¹⁰ Going out to 2100, the model estimates that the maximum global atmospheric CO₂ concentration increase resulting from the model facility's emissions occurs approximately 50 years after the facility begins emitting and is approximately 0.06 parts per million, corresponding to approximately 0.01 percent of total global atmospheric CO₂ concentrations projected over this time period. The maximum global mean temperature increase resulting from the emissions occurs approximately 50 years after the facility begins emitting and ranges approximately between 0.00022 to 0.00035 degrees Celsius (°C) (0.00037 to 0.00063°F), corresponding to approximately 0.01 percent of the total global mean temperature increase resulting from the projected global GHG emissions over this time period.

Regarding climate change over the Caribbean and Arctic (habitat for the listed coral and polar bear species, respectively), regional models can project temperature changes resulting from global-scale GHG emissions. A widely-accepted and used regional model is the SCENario GENerator (SCENGEN) model.¹¹ SCENGEN operates in conjunction with MAGICC and projects a warming of 1.4-2.5 °C (2.5-4.5°F) for global emissions (based on scenario A1B) for an area (5 degree by 5 degree grid box) centered over the U.S. Virgin Islands (20 degrees north by 65 degrees west) in 2070 (approximately 50 years after the facility begins emitting, coinciding with the maximum warming in the global mean temperatures analysis).¹² In addition, SCENGEN projects a warming of 3.6-6.3 °C (6.5-11.3°F) for global emissions (based on scenario A1B) for an area (5 degree by 5 degree grid box) centered over the southern Beaufort Sea in the Arctic (off the northern coast of Alaska, 75 degrees north by 145 degrees west) in approximately 50 years after the facility begins emitting, coinciding with the maximum warming in the global mean temperatures analysis.

SCENGEN, however, cannot process the changes due to a single source's emissions. Nonetheless, we note that applying the proportion of the global mean warming potentially due to the model facility as indicated above through use of MAGICC (approximately 0.01 percent) to the Caribbean results gives a maximum projected regional warming of 0.00014-0.00025°C

⁹ As described above, the CO₂ emissions rate for the model facility reflects a rate of CO₂ emissions substantially greater than the rate estimated for any of the proposed facilities currently under review within EPA. With regard to NO_x emissions, the permit for the Desert Rock facility (which formed the basis for the model facility emissions) decreases the NO_x emission limits (and thus associated emissions) over time.

¹⁰ Range accounts for model runs with climate sensitivities varying between 2 and 4.5°C. Climate sensitivity refers to the equilibrium change in global mean surface temperature following a doubling of the atmospheric CO₂ concentration. This value is estimated by the IPCC Fourth Assessment Report as likely to be in the range 2 to 4.5°C with a best estimate of about 3°C.

¹¹ Wigley, T.M.L. 2008. MAGICC/SCENGEN 5.3 (Model for the Assessment of Greenhouse-gas Induced Climate Change/SCENario GENerator): User's Manual. Boulder, Colo.: National Center for Atmospheric Research. <http://www.cgd.ucar.edu/cas/wigley/magicc/>

¹² SCENGEN was only run using the global emissions scenario (A1B). SCENGEN was not run using the emissions estimates described above alone. Instead, the global emissions results were scaled to the single source level according to the proportion of the global mean warming due to the single source computed in MAGICC.

(0.00025-0.00045°F) potentially due to the model facility's GHG emissions.¹³ Applying a similar scaling to the Arctic results (for global-scale emissions) gives a maximum projected regional warming of 0.00036-0.00063°C (0.00065-0.00113°F) potentially due to the GHG emissions analyzed here. Although confidence in regional temperature projections is generally lower than confidence in global average projections, these results are consistent with the well-established notion that warming over the tropical oceans will be less than the global average and that warming over the high latitudes will be significantly more than the global average.

As noted earlier, once CO₂ is emitted it becomes well mixed in the global atmosphere due to its long atmospheric lifetime. Some of the CO₂ emitted, however, is absorbed by land vegetation and the oceans. Since the 1980s, about half of the anthropogenic CO₂ emissions have been taken up by the terrestrial biosphere and the oceans. Uptake of CO₂ can increase the acidic levels of the oceans. The IPCC has noted that ocean acidification due to the direct effects of elevated CO₂ concentrations will impair a wide range of planktonic and other marine organisms that use aragonite to make their shells or skeletons. To project the change in tropical ocean pH that would occur as a result of a change in atmospheric CO₂ from the model facility analyzed above (0.06 ppm), EPA used the Program Developed for CO₂ System Calculations.¹⁴ The program computed a pH reduction of approximately 0.0001 units in 2070 (approximately 50 years after the facility begins emitting, coinciding with the maximum 0.06 ppm CO₂ concentration increase).

Our review of the relevant scientific literature provides no information that would indicate that corals would be sensitive to temperature or pH changes of this magnitude. Furthermore, such changes cannot be physically measured or detected. There are limited tools available for assessing the effects of projected climate changes on listed species. EPA is aware of the COMBO model,¹⁵ used to project the effects of climate changes on corals at regional scales. The COMBO model for coral assessment has only recently been accepted for publication, and its methods have not been widely vetted by the research community, nor its application widely tested by users. The COMBO model may be used to calculate the impacts to Caribbean coral reefs from changes in average sea-surface temperature and CO₂ concentrations due to projected global emissions, such as scenario A1B from IPCC. However, this model cannot process the single-source incremental changes in CO₂ concentrations and temperature discussed above. Moreover, any attempt to scale COMBO results based on the incremental CO₂ concentrations that would be due solely to a single source's emissions would represent a novel and untested application of model results. At this time, EPA does not believe that such a novel application would be consistent with the best available data standard for ESA purposes to assess potential impacts of single-source emissions on the corals at a regional scale. We note, however, that any such scaling would necessarily substantially reduce any projected potential impacts.

¹³ Over the tropical oceans, on average, the surface air temperature is about the same as the sea surface temperature.

¹⁴ Lewis, E., and D. W. R. Wallace. 1998. Program Developed for CO₂ System Calculations. ORNL/CDIAC-105. Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory, U.S. Department of Energy, Oak Ridge, Tennessee.

¹⁵ Buddemeier, R., P. Jokiel, K. Zimmerman, D. Lane, J. Carey, G. Bohling, and J. Martinich, 2008. A modeling tool to evaluate regional coral reef responses to changes in climate and ocean chemistry. *Limnology and Oceanography Methods*: In Press.

Likewise, our review of the relevant scientific literature provides no indication that any specific degree of polar bear sensitivity can be attributed to global or regional temperature changes of the magnitudes described above. EPA is also aware of the extensive analysis performed by the U.S. Department of the Interior (DOI) to support listing the polar bear as a threatened species, using sea ice projections from general circulation models (GCMs), carrying capacity (considering population and habitat) models and a Bayesian¹⁶ network model. EPA is not aware of modeling tools that could be used to analyze the implications of single source emissions on polar bear populations. Any attempt to scale the results of DOI's analysis based on the incremental CO₂ concentrations that would be due solely to a single source's emissions would represent a novel and untested application of model results, and thus would not be consistent with the best available data standard for ESA purposes.

The best available climate change modeling tools predict that a source with GHG emissions in amounts equal to or less than those of the model facility analyzed above will have at most an extremely small impact on average global temperature and global atmospheric CO₂ concentrations over and beyond the anticipated functional lifetime of the proposed source. Regional modeling and any associated downscaling calculations to predict effects at a specific species location introduce untested approaches and additional uncertainties. It is clear that any such temperature and ocean acidification outputs, or any specific impact on the corals or polar bears, would be too small to physically measure or detect in the habitat of these species. Known tools for assessing the impacts of these small climate changes on the two listed coral species and polar bears are presently insufficient for quantifying potential effects. While the foregoing conclusions apply to the listed coral species and polar bears, the MAGICC modeling is not specific to any particular species or its members or any specific location, and the same outputs would constitute the first step in an assessment of impacts on other species. Given the very small global mean climate change magnitudes projected based on the emissions of this type of single source, we believe the outputs of such a single-source impact analysis for other species in other locations would also be of an extremely small magnitude that is too small to physically measure or detect.

In these circumstances, and also in light of the uncertainties in attempting to use the models' outputs to predict impacts at a local level, EPA has determined that the risk of harm to any listed species, including the listed corals or polar bears, or to the habitat of such species based on the anticipated emissions of the model facility as described above, or any facility with lower emissions, is too uncertain and remote to trigger ESA section 7(a)(2) obligations. Section 7(a)(2)'s purpose of ensuring no likely jeopardy to listed species and no destruction or adverse modification of designated critical habitat is not implicated by such remote potential risks. *See, e.g., Ground Zero Center for Non-Violent Action v. U.S. Department of the Navy*, 383 F.3d 1082 (9th Cir. 2004) (where the likelihood of jeopardy to a species is extremely remote, consultation is not required). This reasoning is consistent with the conclusion reached by FWS and DOI that consultation under ESA section 7(a)(2) is not required for GHG emissions from a single source.

¹⁶ Bayesian Network models represent a set of interacting variables that are linked by probabilities. They provide an efficient way to represent and summarize understanding of a system, and can combine empirical data and expert knowledge into the same modeling structure. They are also particularly useful in synthesizing large amounts of quantitative and qualitative information to answer "what if" kinds of questions.

While FWS has already determined that ESA consultation in general would not be required on proposed permits or licenses for individual facilities that emit GHGs, we nonetheless would appreciate a response from each of you regarding our determination at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Meyers", written in a cursive style.

Robert J. Meyers
Principal Deputy Assistant Administrator
Office of Air and Radiation

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