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EPA

Project XL: Metropolitan Chicago Regional Air Quality and Economic Development Strategy

POLICY ECONOMICS INNOVATION

WHAT IS PROJECT XL?

Project XL, which stands for eXcellence and Leadership, is a national initiative that tests innovative ways of achieving better and more cost-effective public health and environmental protection. The information and lessons learned from Project XL are being used to assist the U.S. Environmental Protection Agency (EPA) in redesigning its current regulatory and policy-setting approaches. Project XL encourages testing of cleaner, cheaper, and smarter ways to attain environmental results superior to those achieved under current regulations and policies, in conjunction with greater accountability to stakeholders. It is vital that each project tests new ideas with the potential for wide application and broad environmental benefits. As of December 2000, fifty pilot experiments are being implemented and several additional projects are in various stages of development.

SUMMARY OF THE PROJECT

The Clean Air Act requires a new major source of emissions (such as a factory) which locates in a nonattainment area to purchase offsetting emissions. Offsetting emissions are credits created by another business that reduces its emissions. Currently, in the Chicago nonattainment area, a business must purchase 1.3 tons of offsets for each 1 ton of emissions it will generate. Under this project, businesses that locate in specially designated development zones will be given an alternative method of complying with the offset requirement. Chicago will create a bank of emissions reduction credits through a variety of activities. Businesses locating in development zones can draw on the bank and thus avoid the expense of having to purchase emissions offsets elsewhere. Emissions reductions will be quantified under a structure approved by the U.S. EPA and Illinois EPA. In addition to providing economic benefits for businesses, this project will help rejuvenate city neighborhoods and reduce sprawl with its associated traffic and air pollution. The Metropolitan Chicago Regional Air Quality and Economic Development Strategy, EPA s 50th XL agreement, was signed on December 8, 2000.

SUPERIOR ENVIRONMENTAL PERFORMANCE

Chicago will permanently retire 40 percent of the emissions reductions that it banks. The remaining 60% will be available for businesses that locate in specified development zones. This project is designed to deliver superior environmental performance while allowing flexibility in satisfying regulatory offset requirements. Environmental benefits accrue in a number of ways.

- Before emissions reductions may be used for this project, the state must demonstrate that the designated area meets the one-hour ozone standard.
- Because 40 percent of the emissions reductions generated will be retired, the emissions reduced under this project will be greater than the 1.3 to one reduction currently required.
- Because the city will create incentives to generate emissions reductions, an increased number of these activities will likely be funded and carried

out.

" Participating municipalities in the Chicago metropolitan area will achieve real emissions reductions from mobile and area sources.

FLEXIBILITY

Businesses are given flexibility to use alternative methods of complying with the offset requirement, while Chicago is given the flexibility to use the growth allowance to entice sources to locate in special economic development zones.

STAKEHOLDER INVOLVEMENT

A formal stakeholder outreach process has been developed by the Chicago Department of Environment. Outreach has included public meetings at key points throughout the project. This project will be discussed in meetings of the Campaigns for Clean Air and Development, where representatives from communities, local governments, businesses, and environmental groups will be given an opportunity to comment on the project. There also will be continuing opportunities for public comment and involvement at key points as the project is carried out.

APPROACHES TO BE TESTED

* Does allowing a municipality to quantify and use emissions reductions from a variety of activities as an emissions allowance incentive encourage businesses to locate in targeted urbanized areas?

* Does allowing a municipality to use a percentage of area emissions reductions as a growth allowance incentive increase emissions reduction programs and decrease area emissions?

CONTACTS

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FOR ELECTRONIC INFORMATION

More information about this XL Project, or the Project XL Program, is available on the Internet at http://www.epa.gov/projectxl under Information on Specific XL Projects, or via Project XL s Information Line at (202) 260-5754.