

US EPA ARCHIVE DOCUMENT

Louisiana Department of Environmental Quality

State Innovation Grant Program

2006 Grant Pre-proposal Application

Project Title and Location

2006 State Innovation Grant Program: Multimedia Oil and Gas Production Environmental Results Program – Baton Rouge, Louisiana

Applicant Name

State of Louisiana Department of Environmental Quality (LDEQ), Office of Environmental Services, Permits Division; DUNS Number 782180814

Project Contact

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Other Federal Program Assistance

The project proposal is not executed with or funded by another Federal program

Regulatory Flexibility Needs

The project does not require regulatory flexibility

Approval of the project by the Secretary

The Secretary of LDEQ, Mike D. McDaniel, Ph.D. endorses this proposed innovative permitting effort for grant funding under the State Innovation Program

Pre-Proposal Project Narrative

For both the Air and Water programs at LDEQ, the universe of facilities in the oil and gas production industry outnumbers all other sectors, comprising well over 70% of facilities permitted or otherwise regulated. Louisiana has over 43,000 active wells and thousands of facilities that produce, process and transport oil and natural gas. This large population has presented its share of environmental problems for both permitting and compliance. LDEQ recognizes that there is a need to work more closely with the oil and gas industry because so many of these facilities may be unpermitted and may be operating without proper monitoring, record keeping and best management practices. Concerns have been raised over the resources involved with these facilities and their effectiveness in achieving environmental improvement. Hurricanes Katrina and Rita impacted the state economy such that the department’s resources will decline and continue to do so for the foreseeable future. There is also a strong industry interest in having LDEQ adopt a comprehensive multimedia approach to environmental regulation, and a strong residential community interest in improving facility tracking and regulation. All these circumstances provide a strong incentive for the development of innovative and effective environmental improvement tools.

LDEQ is requesting funding support from EPA for an innovative project that would apply an Environmental Results Program (ERP) across the oil and gas production industry under the Air and Water programs. The goals of this project include reducing the permitting burden while providing regulatory flexibility and improving the environmental stewardship of participants. An important aspect is the collaboration with the Louisiana Department of Natural Resources (LDNR) to develop an information exchange. LDNR regulates many of the same facilities in this sector and maintains similar as well as supporting data. The goals of this collaboration for each agency are reduced administrative burden of data maintenance and the achievement of high data quality. Through the ERP project, the LDEQ will replace the traditional permitting process and incorporate the air and water requirements for the oil and gas industry by consolidating all the permitting and regulatory requirements into a multi-media, self-certification compliance assistance program.

The Oil and Gas ERP project will use LDEQ resources and leverage outside community partners including LDNR, USEPA Region 6, community organizations, local trade organizations and economic development agencies. LDEQ will take a multi-media approach to prepare fact sheets, self-assessment checklists, a workbook for guidance on how to complete the self-assessment checklists, and compliance assistance tools for the industry sector on pollution prevention including release notification. Additional training will be provided through on-site assessments and workshops. These tools will also be available as models for other states.

Key LDEQ staff participating in this project and their relevant knowledge/experience:

Melissa Lantz	Integrated Data Management Systems Coordinator
Michael Defley	Air Permitting Data Systems Manager
Jim Davies	Air Permitting – Oil and Gas Section Supervisor
Cheryl Nolan	Air Permitting Administrator
Debbie Ford	Air Surveillance Technical Expert
Jeff Nolan	Air and Water Enforcement Program Manager
Heather Babin	Water and Waste Permitting Data Systems Manager
Jeff Ratcliffe	Water Permitting
Dwight Bradshaw	Water Surveillance Technical Expert
Yanfu Zhao	Small Business Assistance Program

Chris Mayeaux	Community-Industry Relations (Environmental Justice)
Andrea Jones	Community-Industry Relations (Environmental Justice)

The majority of this sector’s facilities are classified as minor Air and Water sources and operated by small businesses. The experience and presence of LDEQ’s SBAP (Small Business Assistance Program) will be one of our keys to success in improving compliance with air water regulations through an ERP program for these small businesses. LDEQ’s organization is primarily structured by function, i.e., Permitting, Compliance, and Enforcement, rather than by media, thus providing the optimum environment for the development of a multimedia ERP.

Strategic Alignment

This pre-proposal focuses on priority environmental issues by targeting an industry sector that is present statewide with significant potential for environmental releases and emissions. The project is intended to improve compliance within the sector with requirements of three federally-delegated programs: the Clean Air Act (CAA), the Clean Water Act (CWA) and Safe Drinking Water Act.

This project would establish sector-specific, cross-media Environmental Business Practice Indicators (EBPIs) for the oil and gas production sector. A product of these indicators, Best Management Practices (BMPs) would encourage facilities to go "beyond compliance" to reduce pollution and emissions. This project would encourage the regulated community to achieve reduced compliance costs by addressing all compliance and environmental issues at once through cross-media BMPs rather than narrowly focusing on whatever single-media problem was identified during the last regulatory inspection.

Environmental results will likely be achieved by the intended outcomes of: reducing air emissions, reducing the threat of releases of materials to groundwater (a significant source of drinking water in Louisiana) and soils through enhanced compliance with sector-specific BMPs. As minor sources these facilities are not subject to most of state and federal regulatory requirements for pollution reduction measures. Therefore, their implementation of BMP’s would likely produce radical environmental results.

The ERP model will allow for the measurement of annual compliance progress *for the entire sector, with several environmental laws*. This proposed ERP model consists of an initial round of inspections of a statistically valid number of facilities, sector-based multimedia outreach and education, a mandatory multimedia self-certification in a web-based system, and data analysis that would result in statistically valid compliance reports to document project performance. Current environmental programs tend to measure outputs rather than outcomes, whereas this approach would measure environmental results on a holistic cross-media basis.

This project will build on "lessons learned" from the last decade of searching for ways to measure "prevention" efforts by using a mechanism (ERP) that specifically measures results. The project is likely to produce quantifiable improvements in compliance with all prevention programs concerned.

The ERP model will serve as a framework for coordinating the reporting that the various LDEQ regulatory programs require of these facilities. This coordination will enhance the LDEQ's ability to view compliance across programs and will reduce the paperwork burden for both the sector facilities and the LDEQ. The various reporting requirements for this sector are currently program-driven and not coordinated across media. This project would minimize reporting burdens by consolidating as many reporting requirements as

possible (others not currently identified can be added to the project at any time) while also reinforcing, both internally and externally, the notion that facility compliance crosses media and programmatic boundaries. It is anticipated that this coordination, and the automation of the certification report processing, will result in cost savings that will benefit the regulated community and the LDEQ.

This pre-proposal meets the program criterion of establishing goals for innovation, and indicators to measure progress toward those goals, by using the ERP model for the project's structure. The project is designed to demonstrate accountability for environmental results within the sector by measuring progress towards the key project indicators from the various project programs on an annual basis. The information concerning project design, tracking, measurement, and reporting of results will all be maintained on a web page devoted to this project. Results from the project would be generated annually after the first implementation year. Specific goals for the project would include both environmental result goals as well as compliance goals.

This pre-proposal meets the program criterion of transferring innovation by being designed to accommodate: additional regulatory requirements within this sector program; the use of the project model for other industry sectors and regulatory programs within Louisiana; and the use of the project model by other states. The project would be fully documented, modular in design, and tracked on the project's web site. It is anticipated that this project will serve as a model for other sectors where there is overlap between regulatory programs, or pollution prevention opportunities, to communicate with one voice to the regulated community in order to promote multi-media compliance. This proposal is designed to coordinate programs where they overlap naturally rather than force a multi-media model in a situation where it does not belong. This approach may likely be widely used in the future as a successful alternative to the cumbersome multi-media programs of the past. A key feature of this project's transferability to other states is its industry target – no other state has pursued an ERP application aimed at the oil and gas production industry. Implementation of this project will position LDEQ for mentoring other states wishing to adopt similar innovations in this industry sector.

The ERP objectives of improved multi-media compliance and environmental performance are linked to multiple goals of EPA's Strategic Plan. Cleaner air and water goals will be addressed through reductions in air emissions and water discharges that result from improved compliance and utilization of BMPs. Protection of human health, communities and ecosystems from chemical risks and releases will be achieved by improved compliance and management practices at oil and gas facilities. Through data improvements and utilization of GIS tools the project can assist the agency in addressing non-attainment and Environmental Justice issues. Providing compliance assistance tools and incentives for adopting BMPs will assist LDEQ in promoting compliance and environmental stewardship.

Pre-proposal 3-Year Work Plan

Phase I

Phase I, -- estimated to last one year -- will begin with the development of a database for tracking the information gathered during this project followed by the identification of all oil and gas production facilities within the state. This will be done in conjunction with cooperation with the LDNR, state and local economic development agencies, local chambers of commerce, LDEQ regulatory databases, local community groups, and trade associations.

Concurrently, the LDEQ will collaborate with external stakeholders to develop EPBIs and finalize

compliance and environmental results expectations. The outputs include a multi-media inspector check list, multi-media ERP training for inspection staff, industry self-certification information, as well as workbooks, fact sheets, and other compliance assistance tools to be used by the business. Finally, a set of training workshops will be developed to address all applicable federal and state environmental regulations, "beyond the compliance" requirements to include aspects of best management practices, pollution prevention and waste reduction. This effort would continue on into the initial part of Phase II.

LDEQ will work closely with LDNR on data exchange efforts and examine opportunities for cross-agency compliance assistance.

The LDEQ will also update, modify, or establish new enforcement discretion policy and procedures so that it is consistently applied to each facility's environmental media during the ERP pilot project.

Phase II

Phase II would follow Phase I and would last approximately one year. Phase II begins with a regulatory inspection of a cross section of the state's entire universe of oil and gas facilities to establish an initial baseline compliance inspection assessment, to determine the current level of source compliance at the start of the project. During this phase, the LDEQ will clarify that the initial compliance inspection assessment visits are not official enforcement inspections, and that penalties for any violations discovered under this assessment will be considered within the enforcement discretion policy that has been developed under Phase I. At the time the initial compliance inspection assessment is made, the facility owner/operator will receive a copy of the self-certification workbook, compliance forms, and fact sheets. Owners/operators would also be highly encouraged to attend some of the established compliance assistance workshops that are scheduled over a period of time under Phase II.

Throughout the course of Phase I and Phase II, a web-based system will be developed and loaded online to accept and document the submittal of self-certification reports by the state's oil and gas owners and operators.

Phase III

Phase III would be the final implementation phase and would continue for a little more than one year. The web-based system will be ready for implementation. Training materials and workshops will be made available for participants. However, it is anticipated that LDEQ will receive hard copy forms for an initial period. LDEQ staff will review the hardcopies for completeness and enter the information into the central data system.

Final compliance inspection assessment of targeted facilities will be conducted to gather performance measure data. The data will be aggregately compiled, and bench-marked against the pre-determined performance measures selected in Phase I.

The largest component of Phase III will be the review of self-certification reports and the follow-up inspection assessments. The regulatory staff within LDEQ will be responsible for review of this information.

To assess administrative efficiency gains and cost savings within the agency we will capture time and resources needed for compliance and certification before and after implementation. LDEQ participants in

this project will be surveyed to evaluate organizational system changes and the level of culture change to an environment of innovative problem solving.

Customer surveys conducted before and after implementation will be used to assess the impact of this ERP project on the external stakeholders. The customer surveys will include efficiencies and cost savings for the permit holders/regulated entities.

LDEQ will submit quarterly progress reports throughout the project. Reports will include activities conducted, participation in focus/workgroups/workshops, and materials developed, as interim surrogate measures of performance. Following the conclusion of Phase III, there will be a three-month report development period when analysis of the project is completed and a final report on the project will be submitted. The following information will be posted on the LDEQ website and advertised to other states: the final project report, a series of templates for multi-media inspection and compliance assistance tools that can easily be adapted for other states' use, and a detailed process description, including the dos and don'ts, to effectively evaluate and provide a decision-making checklist for future potential ERP approaches to other sectors.

Pre-Proposal Budget Summary

State: Louisiana

Agency: La. Department of Environmental Quality

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Environmental Results Program**

[withheld by EPA]