



The State of New Hampshire ^{MAY 03 '21 PM 2:11}
Department of Environmental Services



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Robert R. Scott, Commissioner

April 29, 2021

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to statute (RSA 125-J:5 IX), authorize the Department of Environmental Services (NHDES) to transfer nine Emissions Reduction Credits (ERCs) to FUJIFILM Dimatix, Inc. at a total price of \$9,000 for compliance with NH DES air regulations (Env-A 1200) at its Etna Road facility in Lebanon, NH, effective upon Governor and Council approval. 100% Other Funds.

In accordance with RSA 125-J:5 XII, funds from the sale of ERCs shall be deposited in a special account within the air resources permit fund (03-44-44-443010-9101) to be used by the Governor and Council for the acquisition of future ERCs that shall be used for the same purpose.

EXPLANATION

Effective August 9, 1994, RSA 125-J:2 established an emissions reduction credits trading program to facilitate compliance with the requirements of the Clean Air Act. One such requirement is the installation of Reasonably Available Control Technology. In cases where installation of such technology is determined not to be technologically feasible, use of ERCs is a viable alternative. Pursuant to statute (RSA 125-J:5, IX), the attached request was submitted on behalf of FUJIFILM Dimatix, Inc. Such requests are extremely rare, and in fact this may be the first ever. Since 2004, the state has amassed an ample supply of ERCs (1,186) that are held by the State and go unused. The proposed transfer is consistent with the following criteria:

- a) the acquisition of the credits will result in job retention;
- b) the use of credits will result in economic development in New Hampshire;
- c) the applicant's company offers prospects for long-term growth and job creation;
- d) the applicant's company is a New Hampshire business;
- e) based on publicly available market data, NHDES has determined that the value of the credits (\$1,000/credit) is appropriate;
- f) an application for an air permit has been submitted to NHDES;
- g) the area where the facility is located is within the Ozone Transport Region;
- h) the manufacturing facility continues to operate in New Hampshire; and
- i) the number of credits requested (9) is small compared to the state supply.

Therefore, NHDES supports this request.

We respectfully request your approval.



Robert R. Scott
Commissioner



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February 24, 2021

Via Email

Joseph T. Fontaine
Technical Programs Manager
New Hampshire Department of Environmental Services
Air Resources Division
29 Hazen Drive
Concord, NH 03302-0095

Re: FUJIFILM Dimatix, Inc. Application for Transfer of Shutdown Emissions Credits Pursuant to RSA 125-J:5, IX

Dear Mr. Fontaine:

Pursuant to RSA 125-J:5, IX, FUJIFILM Dimatix, Inc. (the "Company") is applying for the transfer of State-held VOC shutdown Emission Reduction Credits ("ERCs") for use at its Etna Road facility in Lebanon, New Hampshire. The Company intends to use the credits to aid in compliance with State air requirements implemented through a RACT Order request submitted on February 10, 2021 to the New Hampshire Department of Environmental Services, Air Resources Division ("ARD").

RSA 125-J:5, IX(a-i) identifies criteria for consideration when the State is transferring ERCs. As described below, this proposed transfer is consistent with all the criteria and advances the purposes of this program.

(a) Whether and to what extent the acquisition of the credits will result in job retention.

The Company currently has approximately 421 full-time employees, making it the second largest manufacturer in Lebanon. The Company routinely hires additional employees to respond to rising demand for its products. Currently, the Company has plans to hire approximately 30 more employees and expects such hiring to be complete before April 1, 2021. Please also refer to section (c) below.

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The ERCs are necessary for the Company to continue operating its Lebanon facilities in compliance with applicable air laws while meeting the needs of its customers and preserving its position as a global leader in the design and manufacture of Industrial Ink Jet Products.¹

(b) How use of the credits will result in economic development in New Hampshire.

Please see the response to (a) above and (c) below. The Company has evaluated an alternative expansion to instead utilize available production capacity in a Fujifilm facility in South Carolina. The FDMX desire is to retain operations within New Hampshire. The ERCs will assist in complying with New Hampshire air regulations that are posing a challenge to New Hampshire growth and that are not present in the South Carolina alternative.

(c) Whether the applicant's company offers prospects for long-term growth and job creation.

Please see previous responses. The Company is a global leader in the field of Industrial Ink Jet Products. It retains a majority of the market share for such products in the United States and abroad. As such, the Company is well-positioned economically. In fact, the Company has made several substantial investments in its Lebanon manufacturing facilities and operations in recent years in response to increased demand for its products. Specifically, in 2018, following eighteen (18) months of construction, the Company expanded its primary manufacturing facility in Lebanon by 10,000sf, increasing the facility to 48,000sf, to meet the need for increased production. Further, in 2017 the Company commenced operations at a separate 25,000sf facility located 5 miles away in West Lebanon, NH. The Company's total operating footprint in Lebanon and West Lebanon is approximately 135,000sf.

The Company has grown tenfold since 1999, and is currently assessing opportunities for further development in New Hampshire to address additional planned growth through 2024. The Company expects it will continue to expand its manufacturing operations and employee base at its Lebanon and/or West Lebanon facilities as necessary to respond to increased demand for its products. The Company is also exploring opening satellite facilities elsewhere in New Hampshire, although as of the time of this submittal, such plans remain in development.

(d) Whether the applicant's company is a New Hampshire business or is relocating to New Hampshire.

The Company is a Delaware Corporation with its primary New Hampshire manufacturing facilities located at 101 and 109 Etna Road, Lebanon, NH and the recently added 25,000sf facility, noted above, at 7 Commerce Ave. in West Lebanon. The Company began operations in New Hampshire in the late 1980's. It has remained in New Hampshire and continued to expand its presence in the State to the current date.

¹ The air regulations necessitating the need for these credits are not in effect in other areas that Fujifilm operates. For example, Fujifilm's South Carolina facility is not subject to the same requirements.

(e) The market value of the credits and the information used to make such determination.

The Company proposes to pay the State \$1,000 for each VOC ERC which it believes is an appropriate market-based price. The Company bases this assessment on the following rationale. Publically available information indicates that NOx Discrete Emission Reductions (“DERs”) have recently sold for \$100 per DER. In New Hampshire, NOx and VOC credits have been treated as interchangeable. DERs are temporary credits; ERCs are permanent credits. As such, ERCs are considered more valuable. Further, the company understands from conversations with NHDES that a common approach for valuing ERCs is to consider them as ten (10) times more valuable than DERs. The Company’s price proposal is based on this information.

(f) The date that the applicant submitted or will submit to the department an application for an air permit under RSA 125-C:11, which shall be a prerequisite for the transfer of credits.

The Company submitted a Temporary Permit Application to DES on September 3, 2020. The Company also received a General State Permit from DES for its emergency engines on September 25, 2020.

(g) The air quality classification of the area where the source or device will be located.

Information available on the ARD website indicates that New Hampshire continues to have areas that do not meet the federal ozone standard. Moreover, New Hampshire is within the Ozone Transport Region. As a consequence, the facility remains subject to VOC control measures designed to reduce the emissions of ozone precursors.

(h) The date that the source or device is estimated to commence operation.

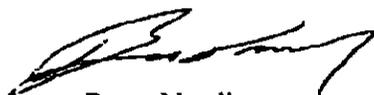
The Company currently operates their Primary manufacturing facilities at 101 and 109 Etna Road, Lebanon, NH. These facilities will utilize the ERC’s within their air compliance scheme. Three additional facilities are also operated in the Lebanon area. These additional facilities are unrelated to current air permitting /ERC discussions.

(i) The number of offsets required to comply with requirements of the Clean Air Act.

The Company seeks to acquire nine (9) tons of VOC ERCs.

If you have any questions, please don’t hesitate to contact me.

Very truly yours,



Barry Needleman