

Draft Nitric Acid Production Protocol Public Comment

Terra Industries Inc.

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Specific comments are hand-written in the margins of the attached document. I also have two general comments which are of critical importance to the U.S. nitric acid industry and to a successful CAR N₂O abatement protocol. I provided these general comments in earlier correspondence with Katie during the workgroup process but they are still pertinent so I include them again here as follows:

1. There is no need for a production (or ammonia flow) limit in the protocol to ensure additionality for U.S. Nitric Acid N₂O abatement projects. There are a number of factors that inherently make “overproduction of HNO₃ to generate excess N₂O credits” impractical and infeasible in the U.S. Most importantly is economics – the current cost to produce nitric acid is approximately \$90 per metric ton of 100% HNO₃ produced at Terra’s most efficient and lowest cost producing nitric acid plant whereas the value of 2.5 metric tons of CO₂e (the estimated amount of N₂O that would result from producing one metric ton of HNO₃) would be less than \$40 even if the price of CO₂e reaches \$15/metric ton. This differential is expected to exist in the future as well because as the value of CO₂e credits rises, the cost of HNO₃ production will also rise due to the increase in natural gas feedstock prices to make ammonia (ammonia is the feedstock for HNO₃ production). In addition to the direct financial disincentive, overproduction of nitric acid is impractical in the U.S because there is no storage capacity for excess production, and if it could not be stored or used it would become a hazardous waste liability under RCRA. The problems and cost associated with storage and disposal of waste HNO₃ would far outweigh the production cost. It is obvious that overproduction to generate N₂O credits will never be a credible concern in the US.
2. The monitoring provisions of the N₂O project protocol should be streamlined and synchronized as much as possible to be consistent with existing EPA standards for CEMS found in 40 CFR Part 60 (NSPS provisions) and only where applicable should 40 CFR Part 75 (Acid Rain provisions) be applied. Nitric acid producers in the U.S. currently follow 40 CFR Part 60 provisions for NO_x CEMS and are already familiar with and prepared to implement the same for N₂O monitoring systems.

Thank you for the opportunity to submit comments. If you are not able to decipher my handwriting or have questions about my comments, please let me know.

Best Regards,

Jim Schellhorn

Director of Environmental, Health & Safety
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