

Proposed Airborne Toxic Control Measure to Reduce Formaldehyde Emissions from Composite Wood Products

April 26, 2007





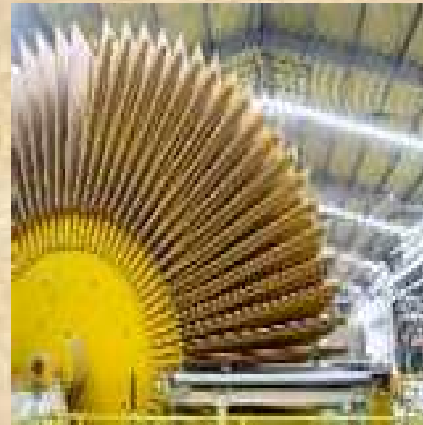
Outline



- Background
- Available Technologies
- Proposed Airborne Toxic Control Measure
- Benefits and Impacts
- Comments
- Proposed Modifications
- Recommendation



Background



California's Air Toxics Program

Identification

Potential Toxic
Substance

ARB/OEHHA Publishes
Draft Report

- Public Workshops
- Comment Periods

SRP Reviews Report

Public Hearing

Risk Management

Evaluates Source
Categories

Investigate Risk
Reduction Options

- Public Workshops

Publish Staff Report/Proposal

- Public Workshops
- Comment Period

Public Hearing



Formaldehyde as a Toxic Air Contaminant

- Identified as a Toxic Air Contaminant in 1992
- No level of exposure considered “safe”
 - Damages DNA
- Inhalation causes cancer in the region of the throat behind the nose
- Non-cancer effects

Carcinogenicity of Formaldehyde

- More evidence since 1992 listing in California
- IARC Group 1 – Known Human Carcinogen (2004)
 - Sufficient evidence in humans for nasopharyngeal cancers: “... improbable that all of the positive findings for nasopharyngeal cancer ... could be explained by bias or unrecognized confounding effects”
 - Strong but not sufficient evidence for leukemia in humans
 - Sufficient evidence in animals

Carcinogenicity (Cont'd)

- IARC considered supporting animal studies, including information on mechanism of action
- Studies demonstrate nasal cavity cancers in rats from inhalation
- Co-carcinogen by multiple routes
- Damages DNA in animals and humans

Non-cancer Health Effects

- Occupational exposures induce asthma in workers
 - Sensitized individuals react at low levels
- Workplace exposures associated with significant decrement in lung function, wheezing, shortness of breath; respiratory, eye, nose and throat irritation, rhinitis
- Persistent irritation and cell damage in the nose from long term workplace exposure (basis of OEHHA chronic REL)

Formaldehyde Exposure: Asthma and Lung Function Responses in Children

Some studies suggest:

- Higher risk of asthma in young children exposed to higher formaldehyde levels in home
- Lung function decrements and increased lung inflammation in kids associated with formaldehyde levels in the home, particularly for asthmatic children
- Increased allergic propensity in children in homes with increasing formaldehyde

Animal Models of Asthma

- In animal models of asthma, formaldehyde causes:
 - Bronchoconstriction and hyperactivity of airways
 - Increased airway resistance
 - Enhanced response to allergens

Formaldehyde's Unit Risk

- Formaldehyde Council's petition to revise OEHHA's URF for formaldehyde in 2002
- OEHHA evaluated petition material
- OEHHA's analysis reviewed by the Scientific Review Panel for Toxic Air Contaminants

Petition to Revisit Formaldehyde Assessment Under TAC Process

- Evidence submitted with the petition does not change determination that formaldehyde is a carcinogen:
 - OEHHA's interpretation remains consistent with IARC, USEPA and earlier OEHHA evaluations
 - No new evidence of a threshold provided
 - Concerns about assumptions in CIIT dose-response model

Scientific Review Panel's Analysis of Petition

- Assumptions strongly affect the inflection point of the “hockey-stick” model
- Allows for large differences in potency estimates at low formaldehyde levels, depending on model inputs
- Additional analysis of assumptions in model is needed
- Recommended petition be denied

Summary

- IARC classification – formaldehyde is carcinogenic to humans
- Strong respiratory irritant – workers show decrement in lung function, damage to nasal lining
- Occupational asthma
- Possible associations with allergy, lung function, and asthma at environmental exposures
- New data indicates health effects are greater than previously documented

Composite Wood Characteristics

- Wood pieces, particles, fibers, bonded with resin
- Resin may contain formaldehyde
- Unreacted formaldehyde is released

Composite Wood Products

- Hardwood Plywood (HWPW)
- Particleboard (PB)
- Medium Density Fiberboard (MDF)

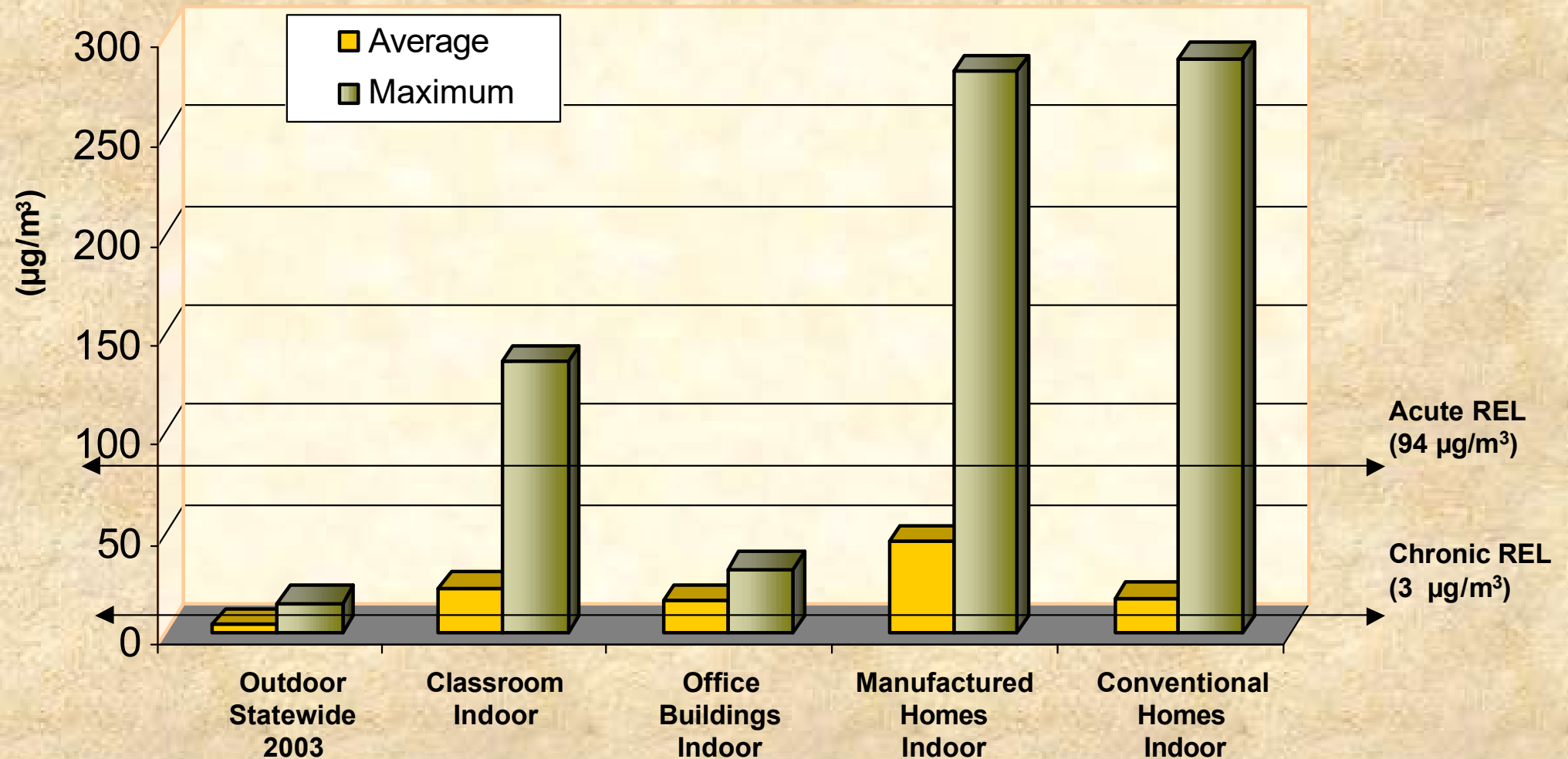
Formaldehyde Emissions from Composite Wood Products

- Hardwood plywood
 - 240 tons per year
- Particleboard
 - 450 tons per year
- Medium density fiberboard
 - 190 tons per year
- Total of about 900 tons per year

Emission Sources

- Manufacturing plants
- Fabrication facilities
- Home construction
- Transport
- Indoor air moving outside

Typical Formaldehyde Levels



70 years at 1 $\mu\text{g}/\text{m}^3$ = 6 lifetime cancers per million

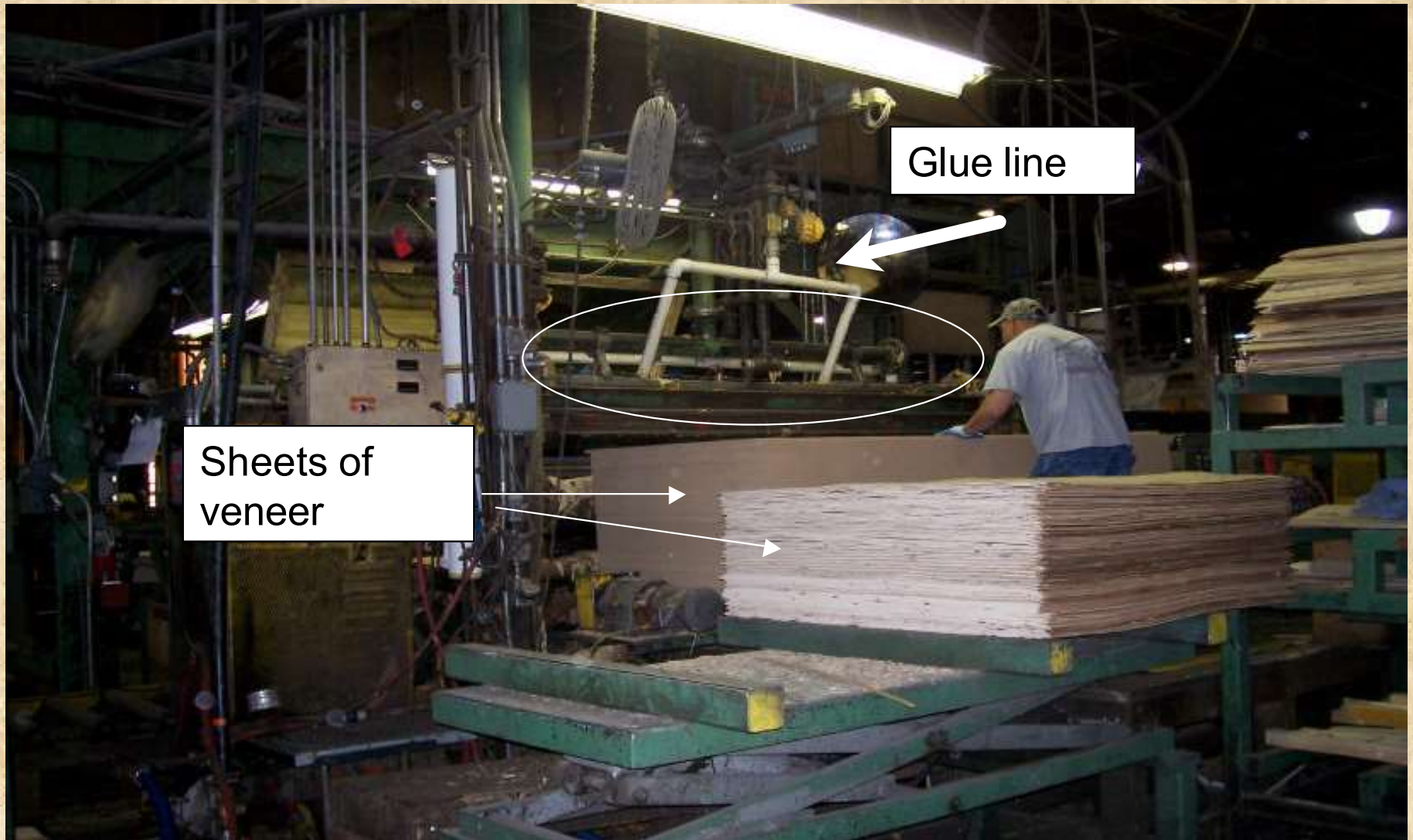
North American Composite Wood Industry

- **HWPW**
 - 2002 U.S. production: ~2.5 billion sq. feet
 - No. of North American mills: 51
- **PB**
 - 2002 U.S. production: ~5.4 billion sq. feet
 - No. of North American mills: 40
- **MDF**
 - 2002 U.S. production: ~2.4 billion sq. feet
 - No. of North American mills: 26

Hardwood Plywood



Hardwood Plywood Manufacturing Process



Hardwood Plywood



Uses

- Non-structural paneling
- Cabinets
- Furniture
- Engineered floors

Particleboard



Particleboard



Particleboard



Uses:

- Cabinets
- Countertop core
- Floor underlayment
- Store fixtures
- Shelving
- Stair treads

MDF



MDF

Uses:

- Cabinets
- Furniture
- Moldings & trim
- Door skins
- Window components
- Shelving
- Engineered floors
- Speaker components



U.S. Emission Standards

- United States
 - Set in 1985 by U.S. Dept. of Housing and Urban Development (HUD)
 - Applies only to PB and HWPW in manufactured homes
 - Limits surface emissions
 - High emission rate compared to Europe, Australia, and Japan

International Emission Standards

- Lower than current U.S. standard
- Programs are fundamentally different; not directly comparable
- Generally not emission caps

Need for Control

- U.S. HUD standard not protective
- Childhood risk (9 years)*: 23-63 cancer cases per million
- Lifetime risk (70 years)*: 86-231 cancer cases per million

* Based on total daily average formaldehyde exposure

Available Technologies



Resin Options

- Common Resins
 - Urea-formaldehyde (UF)
 - Phenol-formaldehyde (PF)
 - Methylene Diisocyanate (MDI)
 - Polyvinyl Acetate (PVA)
 - Soy
- Emerging Resins
 - MDI Hybrids, Tannin-based, other soy blends
 - Modified UF resins – scavengers and blends

Best Available Control Technology Considerations

- Lowest level achievable
- In use and lab-tested alternative resins
- International standards
- Resin technology cost

Proposed Airborne Toxic Control Measure

ATCM Applicability

- Panel manufacturers
- Distributors
- Importers
- Fabricators
- Retailers
- Finished goods

ATCM Provisions

- Applies to products sold, supplied, used, or manufactured for sale in California
- Proposed standards in two phases
- Sell-through
- Exemptions
- Enforcement

Rationale for Phase 1 Standard

- Set an industry cap; over 50% of CWP mfrs. need to lower emissions
- Curtail low-cost, high-emitting imported products

Proposed Phase 1 Standards

Product	Jan 1, 2009	Jul 1, 2009
HWPW-VC	0.08 ppm	-----
HWPW-CC	-----	0.08 ppm
PB	0.18 ppm	-----
MDF	0.21 ppm	-----
Thin MDF	0.21 ppm	-----

Resin Technologies for Phase 1 in 2009

HWPW, PB and MDF:

- UF + 4% Melamine
- Low mole ratio UF co-blend

Rationale for Phase 2 Standards

- Technology forcing
- Defines BACT

Proposed Phase 2 Standards

Product	Jan 1, 2011	Jan 1, 2012	Jul 1, 2012
HWPW-VC	0.05 ppm	-----	-----
HWPW-CC	-----	-----	0.05 ppm
PB	0.09 ppm	-----	-----
MDF	0.11 ppm	-----	-----
Thin MDF	-----	0.13 ppm	-----

BACT for Phase 2 in 2011-12

- **HWPW**
 - UF + 15% Melamine
 - PVA
 - PVA-Soy Blend
- **PB**
 - Low mole ratio UF + 8% Melamine
 - Low mole ratio UF + Scavengers
 - PF
- **MDF**
 - Low mole ratio UF + 12% Melamine
 - Low mole ratio UF + Scavengers
 - Polymeric MDI

Sell-through

- Allows sale of non-compliant products manufactured before standard effective
- Time period limited
- Differing sell-through periods

Exemptions

- Products not for sale in California
- Products subject to HUD standards
- Windows containing <5% composite wood
- Military specification plywood
- Vehicles

Enforcement Provisions

- Third Party Certification
- Statements of Compliance
- Recordkeeping
- Product Labeling
- Facility Inspections
- Compliance Testing

Importance of Enforcement



- Necessary to achieve ATCM benefits
- Fair competition between imports and domestic products
- Essential to viability of industry

Benefits and Impacts



Emissions, Exposure, and Risk Reductions

- **Emission reductions**
 - 180 tons per year - Phase 1
 - 500 tons per year - Phase 2
- **Exposure reductions***
 - 15% - Phase 1
 - 40% - Phase 2
- **Lifetime cancer risk reductions***
 - Baseline 86-231 cases
 - 12-35 cases reduced – Phase 1
 - 35-97 cases reduced – Phase 2

* Based on total daily average formaldehyde exposure

Increase in Panel Production Costs

Product	Phase 1	Phase 2
HWPW	< \$0.20	\$4 to 6
PB	< \$1	\$3 to \$4
MDF	< \$1	\$4 to \$6

Costs to Consumers

- Panel Price Increase in Phase 2
 - \$3 to \$7 per 4' x 8' panel
- Median Priced Home ~2000 ft² (\$574,000)
 - Cabinets, countertops, shelving, and moldings
 - Incremental cost increase ~ \$400
- Bookcase
 - Pre-cut PB in ready-to-assemble kits (\$27)
 - About \$1 more in Phase 1; \$8 in Phase 2

Annual Industry-wide Costs

Product	Phase 1	Phase 2
HWPW	\$6 million	\$17 million
PB	\$5 million	\$61 million
MDF	\$9 million	\$49 million
Total -- All	~\$19 million	\$127 million

Projected Profitability Impacts

- 25 mills nationwide
- Costs per mill
 - HWPW \$0 to \$7 million
 - PB \$120,000 to \$18 million
 - MDF \$0 to \$16 million
- Average change in return on equity = 11.6%

Comments

Comments

- Standards too stringent
- Standards not stringent enough
- Accelerate Phase 2 standards implementation
- Phase 2 incremental production cost underestimated
- Total industry-wide cost underestimated

Comments (Cont'd)

- Exterior and garage door exemptions
- Clarify “architectural plywood” definition
- Performance-based compliance testing flexibility
- Several clarifying suggestions

Proposed Modifications

Proposed Modifications

- Move HWPW-VC implementation up one year
- Exemption for garage and exterior doors
- Performance-based compliance option for low-emitting formaldehyde based resins

Proposed Modifications (Cont'd)

- Sell-through provision dates
- Definition of “architectural plywood”
- Other clarifications

Recommendation

Recommendation

- Adopt the proposed ATCM with modifications suggested by staff