

SETTLEMENT AGREEMENT

The North Carolina Department of Environmental Quality (“DEQ”), Division of Air Quality (“DAQ” or the “Division”) and Enviva Pellets Sampson, LLC (“Enviva”) enter into this Settlement Agreement to resolve matters in controversy between them fully and finally.

WHEREAS:

1. On September 3, 2014, Enviva submitted Air Quality Permit Application No. 8200152.14B for a proposed wood pellet manufacturing facility to be located in Sampson County, North Carolina;
2. Potential hazardous air pollutant emissions from the proposed facility exceed the major source threshold for hazardous air pollutants under Section 112 of the Clean Air Act;
3. Wood pellet manufacturing is not a regulated source category under Section 112(c) of the Clean air Act; therefore, the facility was subject to case-by-case maximum achievable control technology (“MACT”) requirements under section 112(g) of the Clean Air Act;
4. On November 17, 2014, DAQ issued Air Quality Permit No. 10386R00 (“Permit R00”) based in part on the information presented in Enviva’s September 3, 2014 permit application;
5. Permit R00 did not require Enviva to control emissions from its pellet coolers, pellet presses, or dry hammermills as part of the case-by-case MACT requirements;
6. On March 1, 2019, DAQ sent a letter to Enviva stating that the case-by-case MACT analysis contained in the facility’s September 3, 2014 application was not conducted in accordance with 40 CFR 63.43(d);
7. The letter stated that, based on its review of air pollution control devices in place at other wood pellet manufacturing facilities at the time of Enviva’s permit application, DAQ believed that Enviva’s MACT analysis should have included controls on the facility’s pellet coolers and pellet presses;

8. In its March 1, 2019 letter, DAQ directed Enviva to submit a revised case-by-case MACT determination by March 29, 2019;

9. On March 21, 2019, Enviva responded to DAQ's letter disputing DAQ's assertion that Enviva's September 3, 2014 permit application had been deficient; and

10. Since exchanging these letters, the Parties have engaged in settlement discussions to resolve their dispute.

NOW THEREFORE, in order to resolve this dispute and avoid the expense and burden of litigation, the Parties agree:

1. Enviva agrees that within six months of issuance of a permit in response to application 8200152.18A, now pending before DAQ, Enviva shall:

- a. Submit an application to DAQ requesting authorization for the installation of an RCO/RTO to control VOC and HAP emissions from the pellet presses and pellet coolers (ID Nos. ES-CLR-1 through ES-CLR-6). Installation and startup of the control device shall be completed by no later than June 1, 2021, provided that, if a permit authorizing the same is not issued until after June 1, 2020, installation and startup of the control device shall be completed within twelve months of permit issuance. Initial compliance for the RCO/RTO shall be demonstrated in accordance with the issued permit.
- b. Submit an application to DAQ requesting authorization for either (i) the installation of an RCO/RTO to control VOC and HAP emissions from the dry hammermills (ID Nos. ES-HM-1 through ES-HM-8), or (ii) an engineering solution that will result in an equivalent or greater reduction in VOC and HAP emissions from the dry hammermills. Installation and startup of the control device or engineering

solution shall be completed by no later than June 1, 2021, provided that, if a permit authorizing the same is not issued until after June 1, 2020, installation and startup of the control device shall be completed within twelve months of permit issuance. Initial compliance for the RCO/RTO or engineering solution shall be demonstrated in accordance with the issued permit.

2. Enviva shall not object to inclusion of the requirements set forth in paragraph 1 above as case-by-case MACT requirements in the permit.

3. DAQ agrees that, provided Enviva remains in compliance with this Agreement, DAQ shall not pursue enforcement action based upon the allegation in its March 1, 2019 letter that the facility's case-by-case MACT analysis was deficient.

4. By entering into this Agreement, Enviva does not make any admission of liability, violation, or wrongdoing and expressly denies the same.

5. Except as specified in this Agreement, nothing in this Agreement shall limit the rights and duties of DAQ or any other state agency or entity regarding the application or enforcement of any laws or rules of the State to the facility or any part thereof.

6. The Parties agree that each shall bear its own costs related to any disputes covered by this Settlement Agreement. No Party shall apply for attorney fees or costs under any rule or law, and no Party shall be liable for any attorney fees, costs, or expenses incurred by the other.

7. The Parties agree that the consideration for this settlement are the promises contained herein and that this Settlement Agreement contains the whole Agreement between them relating to the subject matter hereof.

8. This Settlement Agreement shall be binding upon the Parties, their successors and assigns, and is entered into knowingly, intelligently, and voluntarily upon execution by the

undersigned, who represent and warrant that they are authorized to enter into this Settlement Agreement on behalf of the Parties hereto.

9. This Agreement may be executed and delivered in counterparts by electronic mail, each of which so executed and delivered counterpart is original, and such counterparts, together, shall constitute but the same instrument. The effective date of this Agreement shall be the date on which all signatures have been delivered to all parties.

[Signature Page to Follow]

**NC DEPARTMENT OF
ENVIRONMENTAL QUALITY,
DIVISION OF AIR QUALITY**

By: Michael A. Abraczynski
Michael Abraczynski, Director
Division of Air Quality

Date: 5/31/19

ENVIVA PELLETS SAMPSON, LLC

By: Yana Kravtsova
Yana Kravtsova
VP, Environmental Affairs and Chief Compliance Officer

Date: May 29, 2019

