

# National Network on Water Quality Trading



**Diving in:**  
**Building a Water Quality Trading Program**  
August 2015

# What is Water Quality Trading?

Cooling Towers

\$60 - \$150  
million

35 miles of restoration  
Additional instream flow

\$6 million

**FROM THIS.**



**...TO THIS**

Source: The Freshwater Trust

**Table i.a States with Active Trading Statute, Rule, Policy, and Guidance Referenced in this Document**

IMPLEMENTING STATE AGENCY (ACRONYM USED)	FORM OF STATEWIDE TRADING AUTHORITY (INCLUDING CHESAPEAKE, AND MULTIPLE WATERSHED RULES FOR NORTH CAROLINA)				PERMITS ISSUED WITH TRADING
	STATUTE	RULE	POLICY	GUIDANCE	
Arkansas Department of Environmental Quality (ADEQ)	X				
Colorado Department of Public Health and the Environment (CDPHE)			X		X
Florida Department of Environmental Protection (FL DEP)	X	X			X
Idaho Department of Environmental Quality (ID DEQ)		X		X	X
Maryland Department of Agriculture (MDA) and Maryland Department of the Environment (MDE)	X		X	X	
Minnesota Pollution Control Agency (MPCA)	X				X
Montana Department of Environmental Quality (MT DEQ)		X	X		
North Carolina Department of Environment and Natural Resources (NC DENR)		X			
Ohio Environmental Protection Agency (OH EPA)		X			X
Oregon Department of Environmental Quality (OR DEQ)	X			X	X
Pennsylvania Department of Environmental Protection (PA DEP)		X		X	X
Utah Department of Environmental Quality (UT DEQ)		X			
Virginia Department of Environmental Quality (VA DEQ)	X	X		X	X
Washington Department of Ecology (WA DOE)				X	
Wisconsin Department of Natural Resources (WI DNR)	X			X	



# Building a Water Quality Trading Program: Options and Considerations

- Need:
  - Lots of diversity in existing programs can generate mistrust
  - High costs to start new programs
- Objectives:
  - Make it easier for new programs to start
  - Provide greater transparency about what trading can accomplish
  - Help trading program developers meet their clean water goals



# National Network on Water Quality Trading



Technical advisor



Coordinators



Funding support provided by USDA and Electric Power Research Institute

The purpose of the Network is to establish a national dialogue on how water quality trading can best contribute to achieving clean water goals. That includes providing options and recommendations to improve consistency, innovation, and integrity in water quality trading

# Vision for a National Network

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*To improve the consistency, integrity, and environmental performance of water quality trading through shared principles, core program elements, and best practices.*






# Building a Water Quality Trading Program: Options and Considerations

- A reference on the elements and decisions inherent in trading
- Focus of this version is on point-nonpoint trading
- Detailed options on 11 elements of trading
- Pros and cons for each option
- Examples with detailed references
- Consistent definitions and language



# *Building a Water Quality Trading Program:* *Options & Considerations* **What's Inside**


## **Vision & Guiding Principles**

- 
- 1. Effectively accomplishes regulatory and environmental goals**
  - 2. Is based on sound science**
  - 3. Provides sufficient accountability, transparency, accessibility, and public participation to ensure that promised water quality improvements are delivered**



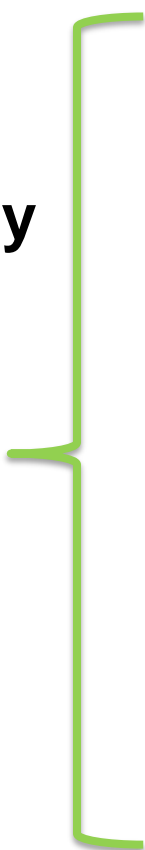
# *Building a Water Quality Trading Program:* *Options & Considerations* **What's Inside**

## **Vision & Guiding Principles**

- 
- 4. Does not produce localized water quality impacts**
  - 5. Is consistent with the CWA regulatory framework**
  - 6. Includes appropriate compliance and enforcement provisions to ensure long-term success**

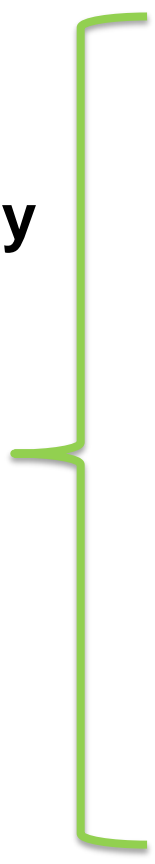
# *Building a Water Quality Trading Program:* *Options & Considerations* **What's Inside?**

## **Elements of a Point-Nonpoint Water Quality Trading Program**

- 
1. Policy & regulatory instruments to support trading
  2. Trading Basics: Who, Where, What, & How
  3. Eligibility
  4. Quantifying water quality benefits
  5. Managing risk and uncertainty
  6. Credit characteristics

# *Building a Water Quality Trading Program:* *Options & Considerations* **What's Inside?**

## **Elements of a Point-Nonpoint Water Quality Trading Program**

- 
7. Project implementation & quality assurance
  8. Project review, certification, and tracking
  9. Compliance and enforcement
  10. Improving programs over time
  11. Roles, responsibilities, transaction models, and stakeholder engagement



# Questions?



Technical advisor



Coordinators



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Download the full publication: [www.willamettepartnership.org/NN-WQT](http://www.willamettepartnership.org/NN-WQT)

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# National Network on Water Quality Trading



## Part I: Who can trade?

Chapters: 1. Regulatory instruments,  
2. Trading basics,  
3. Eligibility

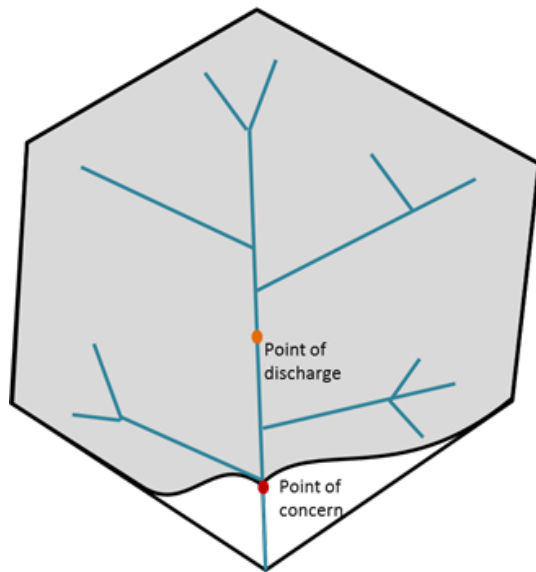
# Trading areas:

## Where can a buyer get their credits?

- A. Upstream of a point of concern (i.e, in a TMDL)
- B. Upstream of a point of discharge (never downstream)
- C. Downstream trading is OK, but only in small watersheds

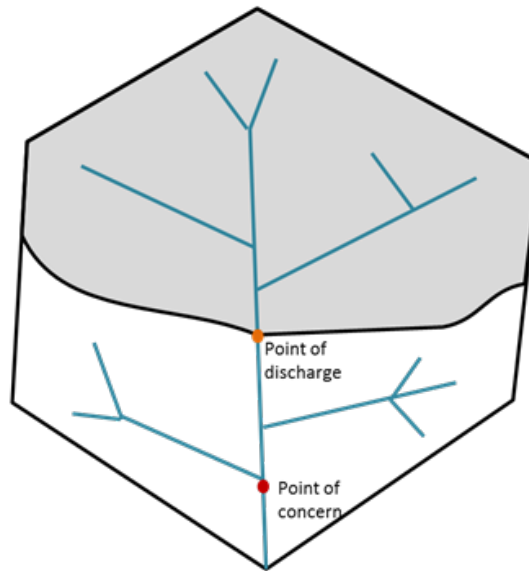


# Trading areas: Where can a buyer get their credits?



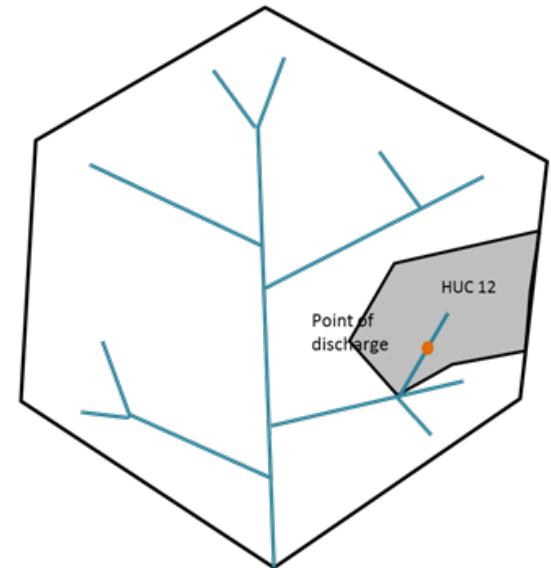
Option A

Point of Concern



Option B

Point of Discharge



Option C

Small watershed



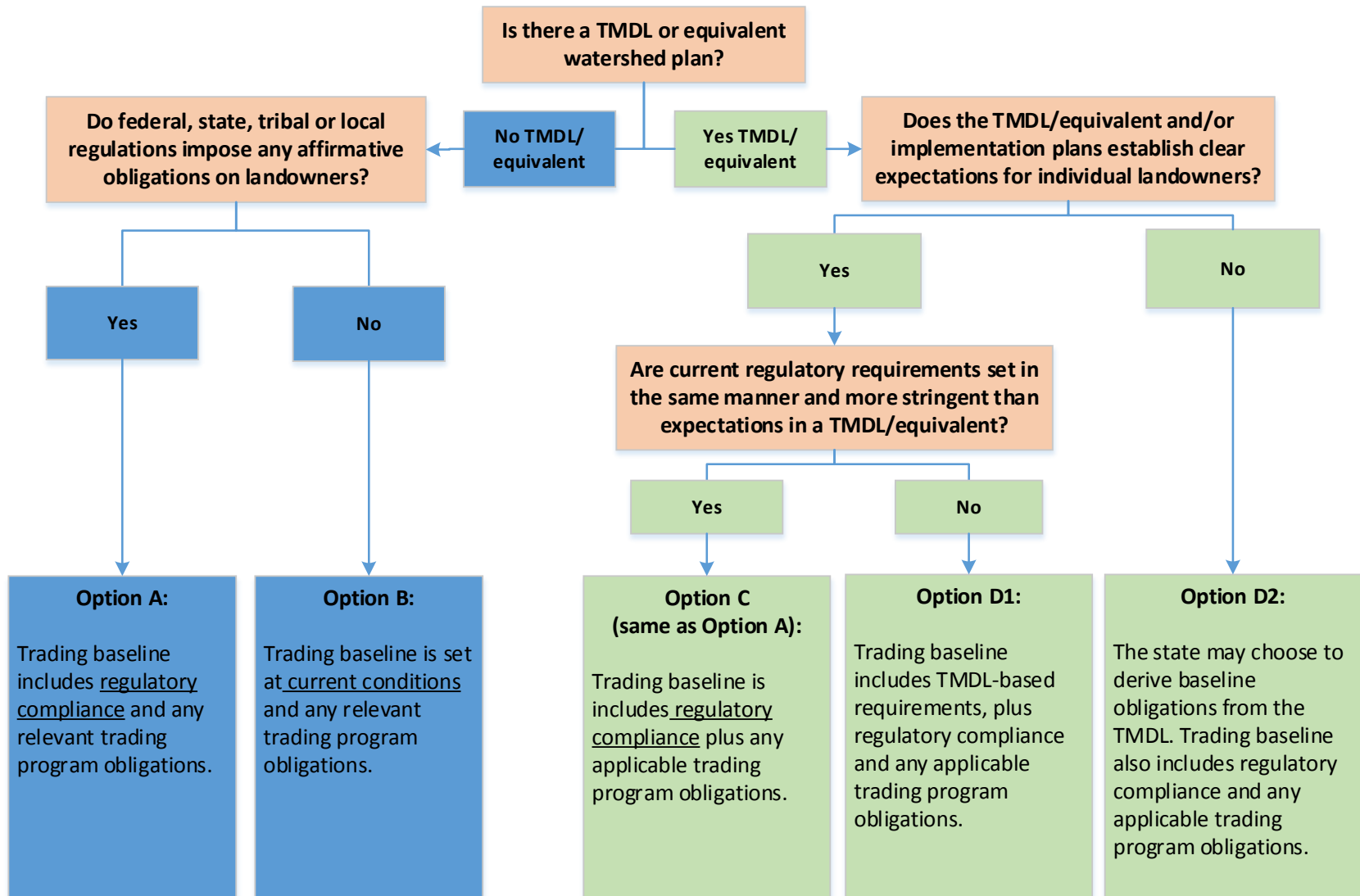
Gray areas represent eligible trading areas under each option

# Ag Baselines

What's expected, what's additional?

- Current conditions?
- In compliance with clear, individual obligations under state, local, and tribal rules?
- Achieving Load Allocations?
- Something else?

# Baseline decision tree





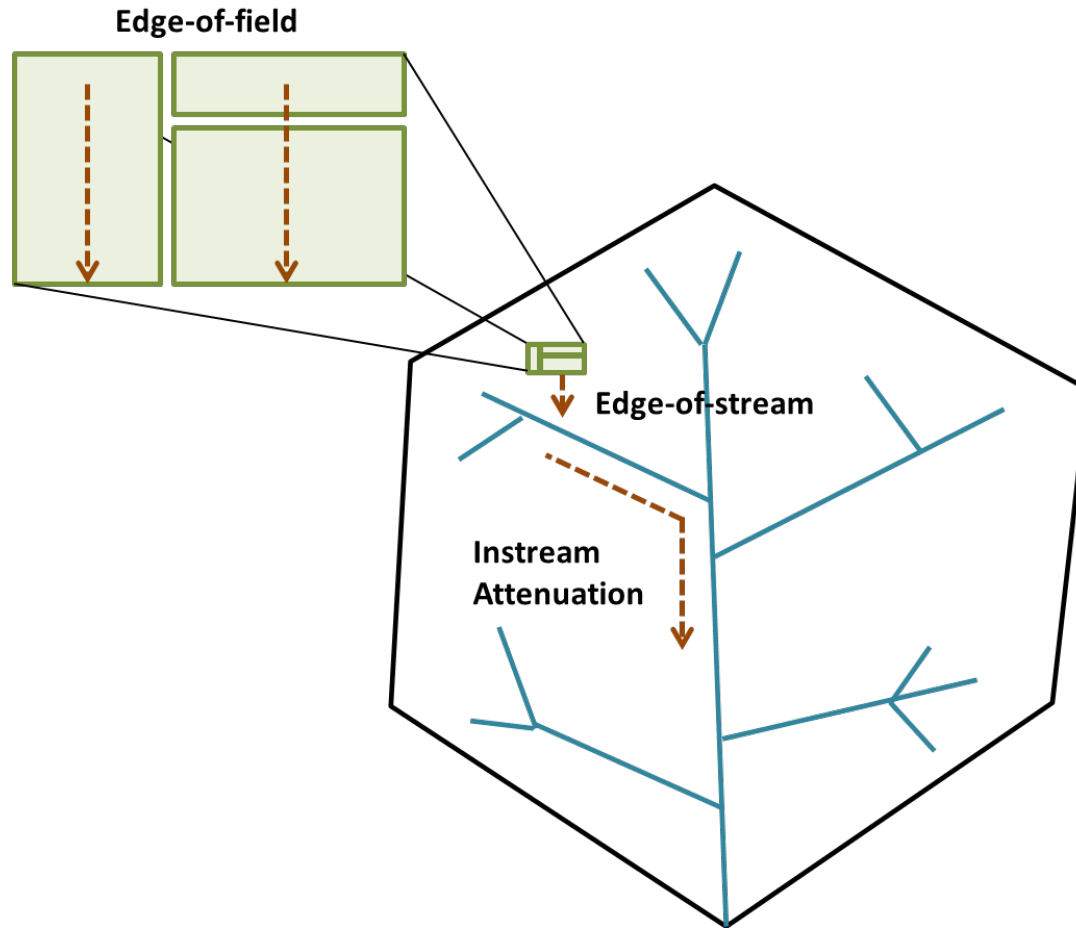
# National Network on Water Quality Trading



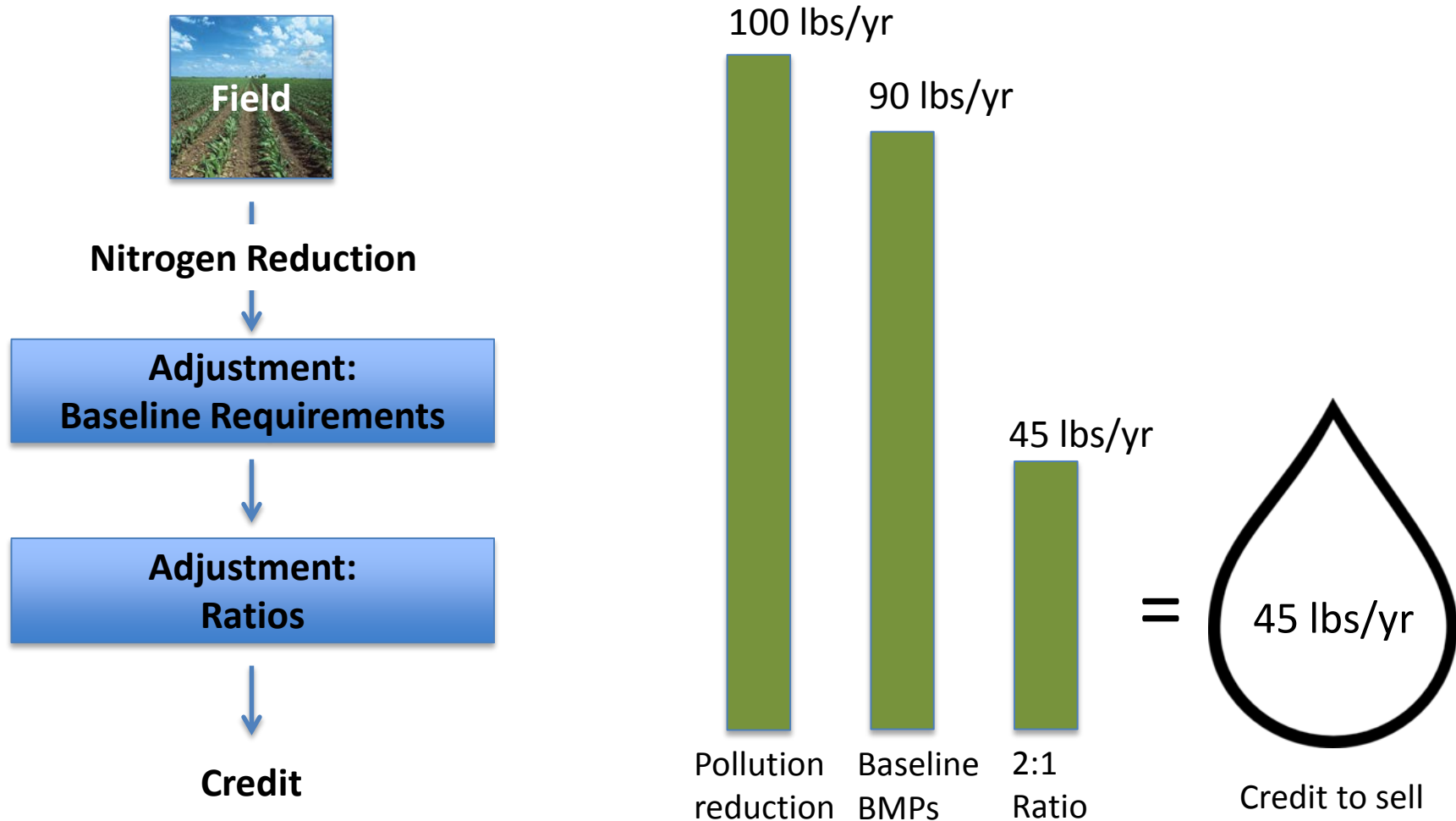
## Part II: What is a credit, really?

Chapters: 4. Quantifying benefits,  
5. Managing risk  
6. Credit characteristics

# What is a water quality credit?



# What is a water quality credit?



# National Network on Water Quality Trading



## Part III: How do you know a credit is real?

- Chapters:
- 7. Project quality assurance
  - 8. Project review and tracking
  - 9. Compliance and enforcement

# Public participation

## What needs public comment?

- Just on a permit?
- On a permit and an incorporated trading plan?
- For all trades too?
- On trades, but only when outside of a publicly noticed trading plan?



# National Network on Water Quality Trading



## Part IV: How to operate a program over time?

Chapters: 10. Improving programs over time

11. Roles, responsibilities, and transaction models

# Who plays which roles?

## Considerations for who does what

- Skills
- Time and cost
- Collaboration
- Access to information and privacy

	Agency staff	Permittees	Third parties
Site screening			
Initial project review			
Ongoing project review			
Credit tracking			
Program improvement			

# Building a Water Quality Trading Program:

## USER TOOLS

- We have
  - Briefing notes written by and for sectors
  - PPT templates that can be adapted and used
- Talk to us about
  - Helping put together a webinar or training for your region
- We are working to build
  - State Trading Toolkit: ACWA and Willamette Partnership are building state templates for rules, permit language, etc.





# Building a Water Quality Trading Program:

## How You Can Help

- The Network wants feedback, comments, and more engagement
  - Provide comments to us on the document
  - We will take that feedback and incorporate into a Version 2.0 in the next 12 months
- Help people feel like they don't need to start from scratch—look to the National Network document
- Tell us what other important issues the Network can convene can provide help with:
  - Stormwater trading
  - **YOUR IDEAS**



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