



Trading and Offsets Workgroup

Conference Call

Wednesday, June 15, 2016

10:00 AM to 11:00 AM

Minutes

Welcome, Introduction and Announcements -- *David Foster, Chair*

St. John's River Trading Program – *Carla Seiwert, EPA Region 4*

Carla provided an overview of the TMDL and trading program established for the St. John's River in Florida.

Discussion:

- Foster: What has been the response, locally, to the trading program?
 - Seiwert: They seem mostly open to the concept but are still waiting to see what load reductions they can achieve before fully committing.
- Bob Rose (EPA): Has there been any additional analysis about the loads from WWTPs compared to MS4s in terms of the impact on local water quality that would impact how and where you could swap permit limits?
 - Seiwert: They are equitable trades using trading ratios. The geography is also taken into account when developing the trades, both pre and post BMAP development.
- Ridge Hall (CLA): Are there particular guidelines EPA has been using to see if all the key elements are in place to ensure the trading programs are in compliance with the Clean Water Act?
 - Rose: There is a lot of focus on the Bay TMDL, but there is a national trading policy that outlines items similar to what you see in our technical memos, though it is relatively vague. So you may want to see how that generalized guidance has weighed in to EPA's evaluation, and any additional language from the permit regulations.

Trading and Offsets Workgroup members asked for additional information on the following questions:

- Foster: One of the driving forces behind the effort was improving cost effectiveness of water quality improvements. What kind of savings you might be able to achieve with this approach?
- Bevin Buchheister (CBC): What are the types of trades being made post-BMAP development?
- Ridge Hall (CLA): Have any trades been generated by the agricultural sector, and how have the credits been calculated?
- Marya Levelev (MDE): Permits were revised for both MS4s and WWTPs. What kind of language were used in the permits to allow for this? Could you please share the permit language with us?
- Levelev: What kind of affidavit would need to be submitted for the cross-sector trades?
- Bevin: We are actively discussing if MS4s should have to revise permits if buying from a nonpoint source credit generator. We would like more information on the rationale behind why they just have to submit an affidavit.
- Emmart: When you follow-up, could you please send us any links that might provide technical descriptions of the credit calculation process. We would also be interested to see how the program handles growth.
- Buchheister: Do you know the permit limits for WWTPs for N and P?
- Buccheister: Are WWTPs selling capacity credits to MS4s? Or is it actual real reductions they are making?

Jurisdiction Roundtable updates -- Pat Gleason, Coordinator

Virginia:

- Allan Brockenbrough (VA DEQ): We have a very active nonpoint source trading market to offset stormwater impacts from new development. There are about 30 banks currently, and we've received applications for about 20 new banks. There is a lot of interest and money in that market, probably in the range of \$10-20 million a year selling very small quantities of permanent P offsets. We hope to be advertising for a nonpoint source nutrient trading coordinator to help with completion of nonpoint source credit certification regulations and to get an online registry up and running. New legislation on July 1 allows for sediment trading, particularly for WWTPs and MS4s. We are wrapping up the trading season for point sources under watershed general permits and we will be posting reports online by end of the month. We are in the process of reissuing our watershed general permit that expires at the end of the year. We had an objection over monitoring frequency that we are working through. It will likely go to the board in late September.
- Foster: You have a number of either potential or proposed nonpoint source trades. What has been the nature of those trades?
 - Brockenbrough: The vast majority have been land conversion from nonproductive Ag to forest. The push going forward has been stream restoration. We haven't approved one yet, but we are working through those issues, particularly regarding credit permanence.
- Hall: Can you send David a link to the Virginia website so we can see a description of the program and its elements? I also had heard there were pending amendments to the regulations, is that still the case?
 - Brockenbrough: The only regulations we have are the watershed general permits, which we've had since 2007 and are preparing to reissue. The VA DEQ website is heavy on the watershed general permits, but includes a listing of the nonpoint source registry with approved banks and a map of locations and trading areas for nonpoint source credits. There is a separate web page through the Virginia town hall for any regulatory actions.
- Levellev: What is status of MS4 trading?
 - Brockenbrough: It is allowed and we are phasing in the Bay TMDL over three permit cycles. MS4s have to achieve 5% reductions in the first permit cycle, 35% in the second and 60% in the third. The reductions are fairly modest in the first permit cycle, so most folks can meet that with their BMPs. We suspect that going forward, there will be significant trading with point sources to meet the increased reduction requirements.
- Levellev: Do you expect to need additional regulations for MS4s to be able to trade with point sources?
 - Brockenbrough: I think it would be a matter of the point sources reflecting those trades with the MS4s in the reports.
- Levellev: Was there legislation regarding interstate trading?
 - Brockenbrough: It is not currently authorized by the code. The only interstate trading partner it recognizes is Blue Plains WWTP. There hasn't been a lot of interest in Virginia in selling reductions out of state. There is also the whole issue of baselines and equivalence.
- Buchheister: Do you sell capacity credits in Virginia?
 - Brockenbrough: Yes. The trading we have between significant point sources now is really small. Mostly 2-3 % of overall allocation being traded.

Maryland:

- Marya Levellev (MDE): We have had five meetings of our Water Quality Trading Advisory Committee. Recent discussions have focused on protecting local water quality, and our new draft manual includes trading for local jurisdictions. They have also discussed capacity credits versus performance credits. We are finalizing and documenting the comments received. There are about a dozen main issues that we would like to address in order to update the manual as much as we

can. We would also like to have a pilot trading program with WWTPs and MS4s, or MS4s and the Ag community. We are planning to reconvene in September and provide an updated draft manual. In the fall we are planning to look at accounting for growth.

- Hall: Will MDE plan to start drafting regulations over the summer?
 - Levelev: I will be working on the manual with MDA. We do envision having regulations, but a lot of work needs to be done prior to working on regulations.

Delaware:

- Pat Gleason (EPA): Delaware is looking at the possibility of developing additional offset credits beyond fee and lieu. I will send out a link to their sediment and stormwater regulations.

Adjourned

List of Call Participants

Member	Affiliation
David Foster (Chair)	Phoenix Initiatives
Pat Gleason (Coordinator)	EPA
David Wood (Staff)	CRC
Bevin Buchheister	CBC
Ridge Hall	CLA
Bob Rose	EPA
Chris Day	EPA
Jen Sincock	EPA
Carla Seiwert	EPA
Paul Emmart	MDE
Marya Levelev	MDE
George Van Houtven	RTI
Allan Brockenbrough	VA DEQ
Chris Pomeroy	VAMWA
Ginny Snead	Louis Berger
Jeff Corbin	Restoration Systems
Rob Boos	PennVest
Kim Snell-Zarcone	Conservation PA