

DRAFT Workplan – Chesapeake Bay Program Trading and Offsets Workgroup  
March 20, 2012

Water quality trading and offset programs are important components of efforts to restore the Chesapeake Bay and its tidal tributaries. Appendix S of the Bay TMDL establishes EPA's expectation that jurisdictions address increased and new loads if Watershed Implementation Plans (WIPs) do not include allocations for growth. In addition, some jurisdictions in the Bay watershed have been evaluating and implementing trading programs to reduce costs and accelerate the pace of point and nonpoint source controls. Programs have been under development since 2003, and some intrastate transactions have occurred.

However, challenges must still be overcome for trading and offset transactions to realize their full potential. Jurisdictions may need to adapt existing trading programs and develop new offset programs. In doing that, additional measures may need to be taken, such as confirming post-construction stormwater regulations, changing verification procedures, reviewing and refining ratios, vetting nutrient-reduction technologies, establishing protections for local water quality, and informing credit and offset sources (i.e., agricultural operations) of trading opportunities. There remains uncertainty in some jurisdictions about the need and process for completing any one of these tasks.

To focus and support trading and offset efforts in Bay jurisdictions, the Chesapeake Bay Program (CBP) in 2011 formalized its Water Quality Trading Forum as a workgroup of the Water Quality Goal Implementation Team (WQGIT). The resulting Trading and Offsets Workgroup (TOWG) has three functions:<sup>1</sup> 1) provide a forum for discussion and information exchange among trading and offsets stakeholders; 2) evaluate and facilitate strategies to exchange loads among affected source sectors; and 3) build consensus on common approaches to some program design elements.

This workplan is intended to guide the TOWG in 2012. Activities are based on feedback from interviews with members, but **actual activities will change to accommodate policy processes and field external requests.**<sup>2</sup> The trading and offset issues in this workplan are complex and additional work by TOWG members, organizations, and regulatory agencies will be necessary to make real progress. Therefore, the Chair will promote, and members are encouraged to establish, subcommittees focused on reaching consensus on contentious issues. Unified recommendations for adoption of needed procedures, practices, or solutions will be elevated for consideration to the WQGIT. In turn, the WQGIT will communicate recommendations to the Chesapeake Bay Partnership, EPA, or individual jurisdictions as necessary and appropriate. The TOWG activities augment efforts by EPA and jurisdictions to demonstrate reasonable assurance under the Bay TMDL; they are not meant to replace them.

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<sup>1</sup> Chesapeake Bay Program. 2012. "Trading and Offsets Workgroup: Scope and Purpose." Available at [http://www.chesapeakebay.net/groups/group/trading\\_and\\_offsets\\_workgroup](http://www.chesapeakebay.net/groups/group/trading_and_offsets_workgroup)

<sup>2</sup> For example, oyster restoration and instream treatment technologies could become major trading issues in the coming year.

**March call, 3/21, 10:00-12:00**

Topic: Stormwater (SW)

Presentations: Present draft workplan for consideration  
SW technical coordinator activities, Tom Scheuler  
Calculation framework for manure conversion, Kurt Stephenson  
Trading Technology Evaluation Team (TTET) proposal, Mindy Selman

Actions: Finalize TTET proposal; submit for consideration to the WQGIT

**April call, 4/18, 10:00-12:00**

Topic: Stormwater

Presentations: Post construction SW regs and offset options, Non-Bay jurisdiction  
How post construction SW regs achieve “no net load increase”, Bay jurisdictions  
Update on WRI interstate platform project, Mindy Selman

Actions: TBD

**May call, 5/16, time TBD (IN-PERSON AT WRI)**

Topic: Economics and MS4 trading

Presentations: Water quality trading economic analysis, RTI or CBC staff  
Financing SW retrofits, TBD  
Using credits to complement SW retrofits, MS4 manager  
Common issues in EPA trading program assessment, Bay jurisdictions

Actions: Charge subcommittee to evaluate potential for using credits to complement MS4 retrofits; propose recommendations

**June call, 6/20, 10:00-12:00**

Topic: Local water quality

Presentations: Trading and local water quality concerns, presenter TBD  
Policies and models to protect local water quality from trades, presenter TBD  
Calculation framework for manure conversion, Kurt Stephenson  
Update on WRI interstate platform project, Mindy Selman

Actions: Charge subcommittee to develop strawman for evaluating trading impact on local water quality

**July call, 7/18, 10:00-12:00**

Topic: Verification

Presentations: CBP verification review, Rich Batiuk  
Howard County (MD) SCD TMDL inventory, Bob Ensor or Dana York  
Role of verification in attracting market participants, Non-Bay jurisdiction  
Summaries of current trading verification procedures, Bay jurisdictions

Actions: Charge subcommittee to consider common verification process among all Bay jurisdictions

**Summer/Fall in-person workshop**

Topic: TBD

Presentations: TBD

Actions: TBD

**August call, 8/15, 10:00-12:00**

Topic: Conservation Innovation Grants (CIG)

Presentations: CIG goals and Bay-related awards, USDA staff  
Overview of a funded project, CIG recipient  
Update on WRI interstate platform project, Mindy Selman  
Common issues in EPA trading program assessment, Bay jurisdictions

Actions: TBD

**September call, 9/19, 10:00-12:00**

Topic: Trading ratios

Presentations: Delivery, edge-of-segment, and uncertainty ratios,<sup>3</sup> Bay jurisdictions  
Ratios in the Bay Model, EPA CBP staff  
Assumptions of Bay model BMP efficiencies, Tom Simpson

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<sup>3</sup> Presentations should explain included ratios, rationale for including them, and their incidence (i.e., responsibility on the buyer or seller).

Actions: Charge subcommittee to develop strawman for determining necessary ratios and potential to harmonize them in trading and offset programs

**October call, 10/17, time TBD (IN-PERSON?)**

Topic: Trading ratios

Presentations: Reserve and retirement ratios,<sup>4</sup> Bay jurisdictions  
Risk management in trading, offset, and in-lieu fee programs, Non-Bay banker  
Update on WRI interstate platform project, Mindy Selman

Actions: Receive update from trading ratio subcommittee

**November call, 11/21, 10:00-12:00**

Topic: Unique demand sources

Presentations: Interest in nutrient/sediment trading, homebuilder or developer representative  
Transportation project offsets, Bay jurisdiction's DOT staff  
Offsets on public lands; not including MS4s, DENREC staff?  
Industrial land offsets, presenter TBD  
Offsets from natural gas well pads, presenter TBD

Actions: TBD

**December call, 12/19, 10:00-12:00**

Topic: TBD

Presentations: TBD  
Update on WRI interstate platform project, Mindy Selman

Actions: TBD

**January call, 1/16, 10:00-12:00**

Topic: TBD

Presentations: TBD

Actions: TBD

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<sup>4</sup> Presentations should explain included ratios, rationale for including them, their incidence, and use of credits generated from ratios.