SUMMARY
Trading and Offsets Workgroup (TOWG)
Conference Call
Wednesday, April 16th, 2014, 10:00AM – 11:15AM
http://www.chesapeakebay.net/calendar/event/21190/

Introductions & Updates

- David Foster (Phoenix Initiatives; TOWG Chair) convened the call and reviewed the agenda.
- Jeremy Hanson (CRC, CBPO; TOWG Staff) verified participants.

STAC workshop on nutrient trading

- Marc Ribaudo (USDA-ERS) introduced the goals and objectives of the workshop and reviewed the major issues and highlights from the May 2013 STAC workshop.
    - View his presentation and the STAC report for more details

Questions and discussion

- Abel Russ (Environmental Integrity Project): The reason for baselines is to ensure we meet the TMDL goals. A baseline of current practices may promote more credits, but does not result in progress toward TMDL goals. Wondering how we find a balance.
    - Ribaudo: Trading is not the only mechanism for making progress to TMDL goals. Agriculture is a large sector and trading is only a small piece. The primary goal of trading is to reduce the cost for the regulated sector.
    - Susan Payne (MDA) noted the trading program in Maryland does not currently allow for trading for compliance, so the driver is growth and development.
        - Ribaudo: Understood, but the same arguments hold in that context. There is a tradeoff in selecting a baseline in terms of who benefits and who can trade. If trades are not occurring, the baseline is one thing to consider.
- Jim George (MDE) asked for clarification on the far right column of the table on slide 8. Are there values that show the total load? If doing
    - Ribaudo: We used CEAP survey data, so we only have nonpoint source data in this analysis and it is not comparable to the Bay Watershed Model or the WIP loads. So you cannot compare the table to the official progress data.
    - George: would be interesting to include point source data in the analysis as a way to compare total loads.
    - Ribaudo noted that looking at the table on slide 8, there is additional nonpoint source abatement depending on the baseline.
- Russ Baxter (VA Deputy Secretary of Natural Resources for the Chesapeake Bay): The most robust trading in Virginia has been point-point and nonpoint-nonpoint.
    - Ribaudo: Right, and there were a lot of examples of point-to-point success.
    - Baxter: nonpoint-to-nonpoint trades is a growing and viable market, especially considering the costs.
    - Ribaudo: We did not have that data but is definitely an interesting area for future research.
- Foster: one continuing issue is lack of trust among stakeholders. Economists and environmentalist often speak a different language so framing it in terms of mutual goals then there seems to be more success in places such as Lycoming County PA.

- Ribaudo noted the report is also available on the STAC website.
- Ribaudo clarified slides 7 and 8 for participants noting that 15 is the most stringent baseline, which sets 15 lbs N/acre as the goal for nitrogen runoff from a field before credits could be generated. The equilibrium quantity is the amount of credits that are sold. The second to last column is the amount of abatement achieved by farmers that had to meet the baseline to sell the credits. The final column is the sum of columns 3 and 4. The least stringent baseline in the analysis (65 lbs N/ac) has the greatest total abatement. The equilibrium price is set as the intersection of the supply and demand curves on slide 7.
- Ridge Hall (Chesapeake Legal Alliance) asked for clarification about the data sources.
    - Ribaudo: The market it hypothetical, but the practice data is based on the CEAP survey. The demand data is based on the largest POTW's in the watershed, based on what their costs would be to install the upgrades themselves. We had the raw CEAP data for the analysis. The World Resource Institute (WRI) estimated the demand curve.
- Bevin Bucheister (Chesapeake Bay Commission) asked about major caveats to the analysis.
    - Ribaudo: We did not consolidate the analysis with the Bay Model. We were interested in the relationship about the baseline and abatement. The relationship should be the same regardless of the model.
- Hall: The baseline are really based on the Watershed Model and the TMDL targets. As expected, the more stringent baseline results in fewer total credits. Would this be viable given all the factors in reality?
    - Ribaudo: We could maybe factor in the cost of not participating. There are a lot of other factors that we could include and make it much more complex, but for this we strictly looked at the basic financial aspect.
- Ribaudo revisited slide 8 and noted there is no net water quality gain from the credits themselves, the benefit is from the abatement load the load allocation. The increasing trend in the fourth column is of interest.

Upcoming agenda topics and updates

- Hall asked about the status of the technical memoranda
    - Pat Gleason (EPA Region 3; TOWG Coordinator): Perhaps by the next conference call we could discuss the credit permanence technical memorandum.
    - Andra Popa (EPA CBPO): we hope to finalize the credit calculation memo soon.
- Bucheister asked which memoranda the TOWG will see next.
    - Gleason: Representative sampling will be finalized soon. The next draft for TOWG feedback will most likely be credit permanence.

Adjourned

Participants

Name	Affiliation
David Foster (Chair)	Chester River Association
Pat Gleason (Coordinator)	EPA Region III
Jeremy Hanson (Staff)	Chesapeake Research Consortium
Eric Aschenbach	VA Dept. of Health
Russ Baxter	VA, Deputy Secretary of Natural Resources for the Chesapeake Bay
Robert Boos	PENNVEST
Allen Brockenbrough	VA DEQ
Bevin Buchheister	Chesapeake Bay Commission
Chris Brosch	Virginia Tech, VA DCR
Sally Claggett	U.S. Forest Service, CBPO
James Davis-Martin	VA DEQ
Olivia Devereux	Devereux Environmental Consulting
Paul Emmart	MDE
Ron Entringer	NYDEC
Patrick Fanning	AquaLaw
Nicholai Francis-Lau	MDE
Jim George	MDE
Ridge Hall	Chesapeake Legal Alliance, Inc.
Michael Helfrich	Lower Susquehanna Riverkeeper
Marya Levelev	MDE
Nicki Kasi	PA DEP
Jeff Noland	
Rick Parrish	Southern Environmental Center
Susan Payne	MDA
Andra Popa	EPA CBPO
Elizabeth Price	UMCES
Marc Ribaudo	USDA ERS
Bob Rose	EPA
Abel Russ	Environmental Integrity Project
David Sample	Virginia Tech
Ginny Snead	Louis Berger Group
George van Houtven	RTI
Jen Walls	DE DNREC