



Trading and Offsets Workgroup

Conference Call

Wednesday, May 18, 2016

10:00 AM to 12:00 PM

Minutes

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

Missouri Trading Forum Overview – *Jessica Fox, EPRI*

Jessica provided an overview of topics that will be discussed during the upcoming trading forum titled, “Missouri Conversation as to What Constitutes a Successful Trading program”.

Discussion:

- Fox: This forum is part of national network on that deals with water quality trading and is moderated by the Willamette Partnership. This meeting is focused on taking a deeper dive on the transparency of water quality trading programs, and seeing if specific metrics could be used to evaluate how they are performing. There will be presentations, as well as round table discussions on potentially appropriate metrics. We will also look at the burden of reporting those metrics, and whether there is a need to be able to compare between different trading programs that would require the metrics to have a normalizing component.
- Pat Gleason (Coordinator, EPA): If our members are not able to attend in person, is there a way to keep tabs on this discussion and to provide input?
 - Fox: Yes, that was an original vision of the national network. EPRI is interested in having everyone at the table, so if you can't attend, right now the best way to provide input is to reach out to the steering committee via email, or contact me directly. We're particular interested in your thoughts on useful metrics. There will be notes from all of the meetings, and those will be posted.
- Fox: We just finished an audit cycle on the Ohio River Basin project on where the money has come from to fund the program and where it was moved. That audit helps inform the price of credits and the burden of getting everything on the ground. We track all hours of every state staff member as well as other expenses. That report will be released in June, along with a survey of stakeholders on their trust in the program. We are also tracking the impact of the program in metrics like how often the technical reports have been downloaded, as well as in nutrient and sediment pound reductions.

ACTION: Jessica will distribute the survey link to TOWG members if they would like to participate.

The Economic Benefits of Cleaning up the Chesapeake – *Beth McGee, CBF*

Beth provided an overview of the Chesapeake Bay Foundation's economics report that was recently published in the Journal of Coastal Management.

Discussion:

- Russ Baxter (VA Secretary of Natural Resources Office): What scale did you use for this analysis? Were you doing it by land-river segment in the Model and aggregating based on those land units? Was analysis showing that you were seeing most benefits closer to the Bay?
 - McGee: That is true, closer to the water, you do see some more benefits. We did the loads at the land-river segment scale. We debated drilling down to a more local scale, but as you drill down, the Model gets less reliable. Plus, there will be winners and losers. Some

counties will be paying more than what they are seeing in benefits, and we were honestly concerned that people would use that as a negative interpretation of the results.

- Baxter: That question will be asked at the local level and I wanted to see if this study could be used to tell a certain county how they might actually benefit from restoration efforts.
 - McGee: We can certainly pull out some of that information if it is helpful. The downside is that it is not equal across the landscape and you run the risk of showing that some counties will be paying more than they will be getting back.
- Bob Rose (EPA): You could argue that in the future, there would be more informed decision making to select projects more strategically in order to maximize the benefits. The key is to not to just take this report as static, but use it as an opportunity to optimize the benefits.
- Paul Emmart (MDE): How did this analysis handle restoration as it goes through time?
 - McGee: We assumed that everything was on the ground and that dissolved oxygen came back. We know in reality it won't bounce back in 2025, but it would, based just on implementation. There is no extrapolation beyond that into the future.

Jurisdiction Roundtable updates -- Pat Gleason, Coordinator

- Maryland: There was a slight delay in the submitted regulations for adoption. Revisions to the regulations will be published on May 27th, followed by a 30 day comment period. We also have a Water Quality Trading Advisory Committee meeting on Thursday to hash out some remaining issues. Most issues center on local water quality and capacity credits vs. performance credits. We will also talk about what items will go into regulation for trading. There was a proposal by MDE to use the Bay Restoration Fund to purchase credits, but it was not adopted. The Advisory Committee will review that. It is also anticipated the group will take up issues related to accounting for growth. We hope to do some pilot projects and conduct some trades over the summer. We will use an adaptive management approach, and if something doesn't work, we will try a different avenue.
 - Baxter: Is there a geographic element to regulations, where you are confining trades within basins or other geographic areas?
 - Susan Payne (MDA): We have three trading zones: the Patuxent, the Potomac, and the remainder of the western shore, eastern shore and Susquehanna. Those are expected to be the same trading regions in this program. We allow the possibility for interstate trading, but the general consensus of members is that it is hard to do interstate trading until you have robust trading in the state.
 - Rose: Maryland was financing upgrades to BNR or ENR. Are those complete, and if so are those communities getting close to capacity?
 - Major upgrades will be complete by the end of 2017. When that is completed, it is my understanding there would be 20 years of capacity, on average, within the state.
- Virginia: We are working on reissuance of our watershed general permit. It was delayed due to an EPA objection that we are working through. We will be publishing our annual nutrient trade report on July 1. We just published updates to our nonpoint source credit registry website. We have approximately 30 approved credit banks. We are working on regulations for a nonpoint source trading verification program.

Adjourn

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June 15, 2016