



EPA WATER QUALITY TRADING NEWS

August 2006

2nd National Water Quality Trading Conference

May 23–25 2006 • Pittsburgh, Pennsylvania

Implementing Water Quality Trading at the Watershed Scale



The 2nd National Water Quality Trading conference, held in Pittsburgh, PA, was a successful and well attended two and a half day conference of presentations and facilitated discussions. There were 295 attendants representing over 25 states, 40 non government organizations, 20 universities, 4 federal agencies and 5 countries.

At the conference, Benjamin Grumbles, Assistant Administrator in the Office of Water announced an upcoming trading Memorandum of Understanding between EPA and USDA's Natural Resources Conservation Service. Grumbles also announced plans to create an awards program to recognize successful trading projects.

SUMMARIES OF FACILITATED DISCUSSIONS

ROLE OF GOVERNMENT

During the facilitated discussion of the role of government in trading, participants comments focused around three themes: improving communication, researching BMPs, and providing administrative resources.

A participant noted that trading is built on trust. Improving communication and collaboration is key in developing this trust. To improve communication, participants suggested the government should provide training and information and simplify trading. Also, the government should identify a mechanism to reach out to the agricultural community and collaborate with them. Aggregators and third parties (e.g. universities) can assist in disseminating knowledge and establishing trust among partners.

Participants identified the need for government assistance in determining BMP effectiveness. In particular, urban and suburban BMP research was requested.

One perspective expressed with regard to administrative resources was that states lack funds and personnel to implement new programs due budget cuts. On the other hand it was mentioned that water quality based permitting may lead to administrative efficiencies. In addition it was stated that there is a need to facilitate the concept of trading within all levels of government in order to gain the support of management for market-based concepts.

BARRIERS AND SOLUTIONS IN THE MARKET

Major themes from the Barriers and Solutions session included the uncertainty of nonpoint source credits, diversity of stakeholder involvement, establishment of the appropriate geographic scale for trading programs, and regulatory barriers.

To reduce uncertainty, participants suggested that institutional mechanisms be developed for credit verification. In addition, participants wanted more accessible information on the effectiveness of BMPs in reducing pollutants, including any partial effectiveness estimates of BMPs that are not yet fully functional.

Participants voiced that communicating with stakeholder groups that are currently not involved in trading, such as environmental organizations and homebuilders, can help get them engaged. Communications should focus on the benefits of water quality trading, particularly in meeting the stakeholder's specific goals and priorities.

For trading programs that have markets which are too small to be viable, participants suggested creating large scale pilot programs in which nonpoint source credits could be aggregated.

On the regulatory barriers front, participants identified the need for numeric criteria for nitrogen and phosphorus to advance trading. They also cited the NPDES point source liability as a barrier.

Participants also thought trading was too complicated.

SUMMARIES CONTINUE ON THE NEXT PAGE

Continue these discussions on the Environmental Trading Network's Online Discussion Board: <http://www.envtn.org>



SUMMARIES OF FACILITATED DISCUSSIONS (CONTINUED)

MEASURING SUCCESS OF THE TRADING PROGRAM

A reoccurring theme in this session was that a trading program should be compared to what is expected to occur in its absence. This allows for measuring the overall cost savings and for comparing potential environmental outcomes such as whether the trading program accelerated progress toward the water quality goal, created additional environmental benefits, or resulted in any localized impacts. An additional suggested measure of success was a comparison between the actual and potential number of trades; however, it was also pointed out that a program could be considered successful if it led to positive behavioral change by stakeholders regardless of the actual number of trades. The continuing viability and sustainability of trades was also suggested as an important indicator of the long-term success of a trading program.

Participants suggested that it was difficult to measure the success of a young trading program, but incorporating certain factors in the design could improve a new program's ability to succeed. Two key factors mentioned were: integration with larger regulatory programs, and the creation of a sense of equity amongst stakeholders at the outset. Other ideas mentioned were the importance of using lessons learned from pilot studies, designing flexibility into the program, developing contingency plans, and ensuring that adequate resources were available for enforcement and assessment.

Another theme was that measuring the success of a program should be an ongoing process and part of an adaptive management strategy that includes ambient monitoring and periodic program evaluations.

ANNOUNCEMENTS

- ✦ **DISCUSSION BOARD:** The Environmental Trading Network has a discussion board on their website, which includes topics ranging from 'Credit Quantification Issues' to 'Basics of Water Quality Trading'. Access the board on the Environmental Trading Network's website at <http://www.envtn.org>—Click 'Discussion Board' on left side. Detailed summaries of the discussion sessions from the 2nd National Water Quality Trading Conference are also available on the discussion board.
- ✦ **EPA GRANT SOLICITATION:** EPA's Targeted Watersheds Grant Program is now soliciting proposals for both implementation and capacity building projects to receive grants and cooperative agreements. Proposals must reach EPA by **October 16, 2006, for capacity-building grants and November 15, 2006, for project-implementation grants**. Under the Targeted Watersheds Grant Program, EPA has awarded close to \$40 million to 46 watershed organizations since 2003. Several past grants have been awarded for implementing market-based strategies for improving water quality. EPA is planning to award up to \$19 million in grants this year. Please visit <http://www.epa.gov/twg> for more information.
- ✦ **WEBCAST:** A webcast is planned for Fall 2006 to explain criteria for applying for the Targeted Watershed Grants program. If you would like more information about the webcast, please email to molloy.aileen@epa.gov indicating that you would like to receive more information. This webcast, along with previous webcasts, is available at <http://www.epa.gov/owow/watershed/wacademy/webcasts>.
- ✦ **TOOL:** The NPDES Permit Writers Toolkit is expected to be available for public comment in late fall—Check <http://www.epa.gov/npdes> for updated information and directions for posting comments.
- ✦ **PUBLICATION:** The Conservation Technology Information Center (CTIC), through a cooperative agreement with EPA, has released a manual, entitled *Getting Paid for Stewardship: Agricultural Community Water Quality Trading Guide*. This manual is available on the CTIC website—