

Fact Sheet on Water Quality Trading Toolkit for Permit Writers

The Water Quality Trading Toolkit for Permit Writers provides NPDES permitting authorities with the tools to incorporate trading provisions into permits. The Toolkit is a “how-to” manual for designing and implementing trading programs consistent with EPA’s 2003 National Water Quality Trading Policy. The Toolkit aids in improving the quality and consistency of trading programs across the nation.

Background

EPA issued the National Water Quality Trading Policy in January 2003, in support for this innovative, market-based approach to improving water quality. Water quality trading is a voluntary option that regulated point sources can use to meet their NPDES permit limits. In certain watersheds, trading can provide significant economic and environmental benefits. For example, full scale implementation of trading could save \$1 billion in wastewater treatment costs in the Chesapeake Bay (Chesapeake Bay Blue Ribbon Finance Panel Report, October 2004).

In 2004, EPA issued the Water Quality Trading Assessment Handbook which provides guidance on how stakeholders can environmentally and economically determine whether trading is feasible in their watershed.

The Water Quality Trading Toolkit for Permit Writers is the next step in EPA’s support for trading. Through the May 2006 Second National Water Quality Trading Conference, co-sponsored by EPA and the U.S. Department of Agriculture, National Resources Conservation Service, stakeholders expressed the need for guidance on how to design and implement trading programs. The Toolkit responds to this need by expanding on EPA’s Trading Policy and featuring real-life examples. By providing guidance on design and implementation, EPA hopes to kick-start the creation of successful water quality trading programs.

About this Guidance Document

The Water Quality Trading Toolkit for Permit Writers provides NPDES permit writers with guidance on incorporating trading provisions into permits. While the Toolkit is geared toward state and regional permitting authorities, all stakeholders including permitted entities, agriculture and other nonpoint sources, watershed groups, and other parties interested in trading, will use the Toolkit.

The Toolkit discusses the relationship between pollutant trading and NPDES permits. To be implementable and enforceable under the Clean Water Act (CWA), trading provisions involving permitted point sources should be incorporated into NPDES permits.

The Toolkit provides guidance and sample permit language for states to consider when creating and implementing a CWA-based pollutant trading program, and detailed case studies of existing trading programs.

The Toolkit provides detailed guidance on the important issues to be considered in a trading program. Summarized in five keys to success, every water quality trading program should strive to be:

- **Transparent,**
- **Real (reductions),**
- **Accountable,**
- **Defensible, and**
- **Enforceable.**