

Notes from Secretary McGinty's Speech
at the
2nd National Water Quality Trading Conference

Introduction:

- Pittsburgh home of national champion football team
- Pittsburgh also home of environmental champions as well.
 - Green certified buildings
 - Creative leadership
 - Promoting market mechanisms
- As it was stated before me, the stem of the word credit is trust and would agree with that and refer to Reagan's statement on trust but verify.

Meeting Chesapeake Bay obligations- How do we do it, what are the key ingredients specifically with respect to the Chesapeake Bay:

1. Legal obligations as a result of August 2005 new water quality standards
 - a. Maryland forced our hand.
2. Cap/ real limit/incentives
 - a. Size of our obligations huge, need 59% reductions in Nitrogen and 80% reductions in Phosphorous
 - b. Can't do it with site specific controls
 - c. Need for Nitrogen and Phosphorous reductions
 - i. 3 roads to get here
 1. Put it all on point sources -- too expensive
 2. Put it all on the farmers --to much uncertainty
 3. Try to make it proportional to contributions
 - d. Trading program initially thought of as the icing on the cake, but trading is not just an option it is more the meat and potatoes to get us to our goal.

Nutrient Trading Policy:

1. Allow variety enable point source to point source
 - a. Point source to nonpoint source
 - b. Nonpoint source to nonpoint source
2. Integrity, accountability, reliability – specify
 - a. Don't want to mix species because it confuses legal obligation.
3. No Hotspots- TMDL is King and there is no out of basin transfer/trades
4. Public Finds- USDA statement reference, mentioned a company looking to aggregate credits

Regulatory Side of Things:

1. NPDES
 - a. Original allocation strategy was to cap existing sources at 8mg/l of N and 1mg/l of P at projected 2010 flows.
 - b. There is a different allocation strategy being reviewed. This would be 6 mg/l of N and .8 mg/l of P at design flow.
2. ACRE

- a. While point sources felt target they no longer need to because now some nonpoint sources in PA now face regulations.
 - i. In PA went from roughly 100 farms being regulated to now with almost 6000 farms. These farms being CAFOs and CAOs.
 - ii. Regulations for farms include new requirements for set backs and revisions to the nutrient balance plans.
3. Developers
 - a. Developers now face a zero net discharge which means they would need to have complete treatment of new or expanding systems or they need to amass credits.

Key Issues:

- Levels of reduction on players
- Puzzle pieces shifting- stakeholders
- Selling capacity
- Ag- tricky business
- Ag baseline- defined as 35ft or 100 ft to trade and 20% beyond
- Final agreement by Friday

Making it go:

- Money
 - Pennvest Investments of \$50 million
 - Market Makers on NPS- \$2 million investment
- Several company's are now welcoming trading into their plans
- NutrientNet – trading program and platform, 1-1.5 years until self executing