



DRAFT
April 2004 Conference Call
(April 21, 2004)

Representatives from the following organizations participated in the conference call: Gun Lake Band of Pottawatomi Indians (Mike Tenenbaum); Idaho Department of Environmental Quality (Susan Burke); Kieser & Associates (Mark Kieser and Andrew Fang); Miami Conservancy District (Dusty Hall and Sarah Hippensteel); Michigan Department of Environmental Quality (Rick Hobrla); Queensland Environmental Protection Agency, Australia (Dan O’Sullivan); Texas A&M University (Richard Woodward); US EPA-Office of Water (Lynda Hall and Eric Raffini); US EPA-Region 10 (Claire Schary); US EPA-National Risk Management Research Laboratory (Hale Thurston); Virginia Colonial Soil and Water Conservation District (Jim Wallace); Washington Suburban Sanitary Commission (Cy Jones); World Resources Institute (Mindy Selman); and consultant Jerry Talbert.

Mark Kieser chaired the call.

USDA Conservation Innovation Grants (CIG)

Mark Kieser reminded the call participants of the CIG program, which came out in late March and the proposals for funding are due May 28. Fifteen million dollars have been allocated this year for the program, which promotes innovative conservation practices and approaches. The program also emphasizes the application of water quality trading and carbon sequestration as innovative approaches. This year’s funding level for the program is lower than what had been expected. Next year, when the portion of state-led effort is also funded, the allocation will hopefully be higher.

Mindy Selman from WRI indicated that comments for the Interim Rule of the CIG program are also due May 28. WRI has made comments on the funding level and the “lost” in the Interim Rule of the language “market-based” that is part of the Farm Bill authorization of the CIG program. Lynda Hall asked how the \$15 million allocation is divided: all for market-based approaches or only part of it? Mindy said that there was no clear division in the RFP.

In responding to Mike Tenenbaum’s request for ETN to post the Interim Rule and WRI’s comments on the website, Mark indicated that ETN will post the link to the Interim Rule and WRI’s comments as soon as Mindy sends them to him.



Trading in Australia

Mark welcomed Dan O'Sullivan from Queensland Environmental Protection Agency, Australia. Dan indicated that water quality trading is still in its early days in Australia. There are several offsetting projects near Sydney in New South Wales. Australia wants to learn more about water quality trading from the U.S. experience.

Rich Woodward mentioned that there is a salinity trading program in the Hunter River region in Australia. Links to the program can be found on the website www.hits.nsw.gov.au.

Trading in the Great Miami River Watershed

Dusty Hall from the Miami Conservancy District (MCD) introduced to the call participants a developing trading program in the Great Miami River Watershed in Ohio. The MCD was established in 1915 as a flood control agency. It still operates 5 large dry dams for flood control in the Great Miami River Watershed. As the steward of water resources in the watershed, MCD also oversees about 900 conservation easements and works in cooperation with 50 jurisdictions and watershed organizations in the watershed to protect surface and ground water resources. MCD is also a recipient of the 2003 EPA Watershed Initiative Grants.

The Great Miami River Watershed covers an area of over 5,700 square miles. Among the assessed river miles in the watershed, about 40% are in full attainment of their designated uses and 27% are non-attainment. Phosphorus and hydraulic modification are the two leading causes of non-attainment. Depending on different estimates, the Great Miami River delivers 135,000-235,000 lbs of nitrogen to the Ohio River everyday, making it the second largest nitrogen contributor in the Ohio River Basin. Eighty percent of the land in the watershed is agricultural while 70% of the population lives in urban areas. There are about 450 NPDES permittees in the watershed, of which about 150 are Phase II communities.

The trading program under development has been in the making for about two years. MCD has a large outreach effort for the program. They have discussed with Ohio EPA, US EPA Region 5, and US EPA headquarters about the program. Meetings have been held with local SWCD boards, NRCS offices, the State Conservationist, the Ohio Farm Bureau, and other relevant organizations. It will be a 10-year pilot program spanning over two NPDES permit terms. It's a point-nonpoint source trading program and point sources can buy credits from upstream nonpoint sources only. The driver of the program is a set of nutrient criteria scheduled to be applied in the watershed in 2007.

Initially, an out-come (biological indicator scores) based program was considered, which would allow cross-pollutant trading. However, it was decided that at to start, the program will trade phosphorus on a pound-for-pound basis (with trading ratios). To avoid trading by contracts, MCD will play the role of trade broker. Two types of credits are envisioned: final credits and predicted credits. Final credits are credits generated with nutrient management projects that have already been completed and verified. Credits generated with projects that are on-going during the term of the NPDES permit are predicted credits. For use in a trade, predicted credits must be

backed up by predicted credits from an escrow account/project. This escrow serves as an “insurance policy” in case there is a failure to produce the predicated credits. Credit estimation will be done by NRCS or SWCD professionals according to BMP standards. Trading ratios are also applied based on the receiving water’s attainment status. If it’s an attaining water, the ratio is 1:1; otherwise, 2:1.

The following are questions, comments, and answers from the ensuing discussion on Dusty’s presentation. Except specified otherwise, questions and comments were raised by various conference call participants and the answers were all from Dusty.

Q: Do escrow credits need to be verified?

A: Not necessary. Predicted credits from other projects can serve as the escrow.

Q: Who funds the program and credit-generating projects?

A: Projects will be funded by point sources (buyers). Programmatic costs will be funded via a trading membership scheme (like a country club). Point sources pay a membership fee to become eligible for trading. Programmatic costs include analytical cost for the monitoring component of the program and it can range from \$300,000 to \$500,000 per year. If Ohio EPA requires a bioassessment component of the monitoring, this cost can go up to \$1 million per year.

Q: Is there a written document about the program available to the call participants?

A: A draft Q&A style document is available on a “Do not cite; do not quote” basis. If you need a copy, you can request it individually through ETN (Mark Kieser). The document is expected to finalize in June and become public then.

Q: What’s the role of TMDL in this trading program?

A: TMDLs are being developed in the Stillwater River and Mad River subwatersheds in the Great Miami. The Upper and Lower Great Miami River Subwatersheds are due TMDL development in 2008 and 2010, respectively. However, this program is primarily driven by the pending nutrient criteria.

Q: What’s the role of ORSANCO in the program?

A: MCD and ORSANCO have a very good work relationship. This trading program could become a model for ORSANCO’s trading effort in the Ohio River Basin.

Q: Is trading restricted to the Great Miami River main stem or does it include its tributaries?

A: Point sources can trade with upstream nonpoint sources anywhere in the watershed.

ETN’s Great Lakes Protection Fund Final Report

Due to time constrain, Mark Kieser gave a brief introduction of the final report. This report is now available on ETN's website. It covers the following major topics:

- ?? The status of water quality trading in the Great Lakes states
- ?? ETN non-profit incorporation
- ?? Drivers and barriers to trading
- ?? Ecosystem multiple markets white paper (a work in progress due to the rapid development of trading recently)
- ?? Three areas of funding request: continued funding for ETN, initial funding for trading projects in the Great Lakes, and funding for planning large-scale multiple markets demonstration projects.

Lynda Hall commented that the monthly ETN conference calls are an excellent opportunity for people from different organizations to come together regularly discussing trading issues.

Next Call

The next call is scheduled for 11:00 am EST, Wednesday, May 19, 2004.