



### **January 22, 2003 Conference Call**

Representatives from the following organizations participated in the conference call: US EPA Office of Water (Lynda Hall Wynn and Dave Bachelor), Ohio EPA (Gail Hesse), Resource Strategies Inc. (Joe Kramer), Texas Water Commission (Clyde Baunfield), US EPA Region 10 (Claire Schary), ECT (Sanjiv Sinha, Jim Ridgway), Massachusetts Department of Environmental Protection (Marcia Sherman), Kieser & Associates (Mark Kieser and Andrew Fang). Mark Kieser chaired the call.

#### **EPA Water Quality Trading Policy**

Lynda Hall Wynn briefed the call participants of the press release of the new EPA Water Quality Trading Policy in the National Press Club on January 13, 2003. The press release received good media coverage with reporters from the Wall Street Journal, the Washington Post, and the beltway trade press, etc. Paul Morrissey from Connecticut DEP, Buddy Morgan from AMSA, Bruce Knight, Chief of the USDA-NRCS, Paul Faeth (World Resources Institute) all spoke at the press conference.

Mainstream environmental groups remain divided on trading. The Natural Resources Defense Council (NRCD) distributed its own press release on the same day to oppose the new policy. Lynda indicated that NRCD's press release was largely on issues that have been discussed for years. Overall, one of the issues most opposed by environmental groups (e.g., the Sierra Club, the Clean Water Network, Center for Progressive Regulation) was for trading of Persistent Bioaccumulative Toxics. The final trading policy narrowed the scope significantly from the proposed policy but it remains to be a "hotly" debated issue. The policy has received support from most states.

EPA is pleased with the strong presence from USDA in the trading policy development and release. While working closely with USDA in the implementation of the rules, EPA intends to work directly with agricultural communities at the local level to understand the impact of the trading policy. Lynda indicated that EPA wants to hear feedback from ETN on policy implementation approaches. Mark Kieser also pointed out that USDA was talking how to make trading work at the local level.



## **EPA Supported 11 Trading Projects**

Lynda Hall Wynn provided a rundown for the 11 EPA supported water quality trading pilot projects. A list of these projects is available on EPA's website and Lynda will also send Mark Kieser an electronic version to be posted on ETN's website. Major points of Lynda's summary are as follows.

- In the Chesapeake Bay area, trading is being studied to be part of the Conestoga River, PA nitrogen TMDL. Adaptation of WRI's NutrientNet for application in the Chesapeake Bay and the East Coast is another EPA-supported project. Dave Bachelor mentioned that NutrientNet also has the potential to be used in the Upper Mississippi River to deal with the hypoxia problem in Gulf of Mexico via nitrogen trading.
- National Association of Conservation Districts is working on educating extension agents on trading.
- Fox River Basin, WI is developing a state-wide trading framework based on a pilot project.
- A trading framework is being developed in the Lower Colorado River to reduce selenium levels. A major source of selenium in the area is the return of agricultural irrigation water.
- A study will be conducted to evaluate and document the point source N trading in Long Island Sound. This project has generated more reduction credits than expected in the first year of its implementation.
- In Montgomery, Alabama, trading is being considered for sediment TMDLs.
- In the Sacramento River, CA, an NPDES permit requires the Sacramento Regional Wastewater Treatment Plant to develop a proposal for mercury load reduction. Three options were proposed: point source control with trading, nonpoint source control with trading, and disrupting the mercury methylation pathway via means such as reservoir oxygenation.
- The Upper Charles River is an interesting/innovative case of trading as it focuses on storm water runoff reduction and groundwater recharge upstream of wastewater inflow to increase base flow and reduce pollutant loads.
- In the Cheat River, WV, trading is being developed for acid mine drainage. Ecological assessment is also part of the project.
- In the Neuse River Basin, NC, support is given to further advance trading as a way to meet a nitrogen TMDL.

Dave Bachelor suggested that the network invite leaders from the 11 projects to participate in the conference call and give summaries of the projects. Mark Kieser agreed to make the necessary arrangements.

## **Stormwater Phase II Permits and Trading**

Dave Bachelor pointed out that Phase II stormwater NPDES permits will be considered part of the waste load allocations in a TMDL. This will not affect trading because as long as Phase II stormwater treatment facilities go beyond MEP, they can generate credits. The issue is with whom stormwater sources can trade, point sources or nonpoint sources. Jim Ridgeway

commented that on the Rouge River (Oakland County, MI), WWTPs generally have low loads, but without a phosphorus TMDL, impoundments on the river still have nutrient problems. Stormwater drainage areas in the Rouge River Basin can increase phosphorus retention via stormwater pond outlet modifications. Thus, there are opportunities for trading between these stormwater sources and WWTPs in the basin upon the approval of Phase II permits.

### **Trading Conference in 2003**

Dave Bachelor said that EPA is looking at sometime in the summer or fall as the feasible time for a national trading conference. A multi-day conference is being considered:

Day 1: policy level discussion with speakers from high ranks at EPA and USDA and other outside sources.

Days 2&3: how to trade—topics can include implementation, permitting, TMDL applications, NPS quantification, trading infrastructures etc.

Dave informed the call participants that water quality trading has been designated with “program” status. As a result, open competitive procedures for all grants for trading are now required. EPA is looking for an organization to “put on” the conference. ETN, as a non-profit organization, could simply co-sponsor the conference in forms of in-kind help, providing speakers from the network, and selecting a project representative of ETN projects to illustrate trading at the conference.

Dave indicated that EPA intends to have two in-house trading groups to facilitate policy implementation: one small group for office management and one group consisting of people from regional programs that meets and exchanges information internally for issues and resolutions (internal clearinghouse).

### **Other**

Mark Kieser mentioned a senate bill by John McCain (R-AZ) that proposes cap-and-trade program for greenhouse gas (GHG) emissions.

Mark also mentioned the progress made by the Chicago Climate Exchange (CCX) that features the signing of binding agreements among some top industry corporations for GHGs. The press release will be posted on the ETN webpage.

Mark indicated that ETN is filing with IRS for not-for-profit status. The ETN Board is in the process of being finalized.

Dave Bachelor mentioned that the network’s feedback on trading would be valuable to the implementation of the Farm Bill’s Conservation Innovation Grants in the Upper Mississippi River.

## **Next Call**

The next call will be at 10:30 EST, February 19, 2003. Tentative topics include:

- ETN transition
- EMMs white paper
- Presentations from some of the 11 EPA supported trading projects
- Possible call participant from USDA on Conservation Innovation Grants