



Environmental Trading Network

January 2004 Conference Call

(January 21, 2004)

Representatives from the following organizations participated in the conference call: CDM (Sean Blaklock); Gun Lake Band of Potawatomi Indians (Mike Tenenbaum); Idaho Department of Environmental Quality (Susan Burke); Jones Day (Brent Fewell); Kieser & Associates (Mark Kieser and Andrew Fang); Massachusetts Department of Environmental Protection (Claire Barker); Michigan Department of Environmental Quality (Rick Hobrla); Resource Strategies, Inc. (Joe Kramer); South Nation Conservation, Canada (Dennis O'Grady); US EPA-National Risk Management Research Laboratory-Sustainable Environments Branch (Hale Thurston); US EPA-Region 10 (Claire Schary); University of Maryland and King & Associates (Dennis King); Virginia Colonial Soil and Water Conservation District (Brian Noyes and Jim Wallace); and Consultant (Jerry Talbert).

Mark Kieser chaired the call.

Recent ETN Activities

Participation in Proposals to EPA Watershed Initiative Grants 2004

Mark Kieser informed the conference call that ETN was invited to be a partner on two Watershed Initiative 2004 proposals: Friends of the Potomac (Dan Nees) for the Cacapon and Lost River Watershed in West Virginia, and the Gun Lake Tribe (Mike Tenenbaum) for the Kalamazoo River in Michigan. ETN's role in the projects are mostly program outreach and communication through the network.

ETN Connections Outside the Country

ETN has been contacted by Australian officials regarding their interest in water quality trading in the Great Barrier Reef. The Australian government just started to consider trading and will look to ETN for information.

Mark Kieser will also go to Japan in late January to give speeches in a conference/workshop. Japan authorities are interested in using point source-point source trading to protect waters such

as the Tokyo Bay. They want to learn from the U.S. experience. Mark has prepared a paper for the conference and it will be posted on the ETN website soon.

Retirements

Mark informed the conference call that both Dave Batchelor and Mahesh Podar have retired from EPA. Assistant Administrator Tracy Mehan has also retired. They all played a key role in promoting water quality trading in EPA. It's unclear if their departure will have any impact on EPA's water quality trading policy. Claire Schary indicated that as far as she knows, EPA Region 10 is still committed to trading.

EPA Region 10 Trading Activities

Claire also indicated that EPA Region 10 received 18 Watershed Initiative 2004 proposal submittals. Claire will be on the initial regional review team to evaluate these proposals. Recommendations will then be forwarded to a national review panel. Because last year's nominations did not receive their funding until recently, Claire expects funding for this round of nominations will not be available until early next year. In addition, since the FY 2004 budget is still not passed, it is not clear how many projects will eventually be funded (**Note by ETN:** As of March 2004, the FY2004 budget has cleared the Congress. There will be \$21 million for the Watershed Initiative grants. The announcement of the grant winners will be in May or June). More information on the Watershed Initiative grants program (now called Targeted Watersheds grants program) can be found at www.epa.gov/owow/watershed/initiative).

On another note, Claire said that EPA Region 10 is updating its water quality trading assessment handbook. A nitrogen analysis is being added and one to two more examples will also be included. The goal is to make the handbook more applicable to a national audience than just Region 10. After updating, the report will be available on EPA's website. However, the current version is available through the Region 10 website and the ETN website also has a link (www.envtn.org → Resources → U.S. EPA Region 10 Water Quality Trading Assessment Handbook).

Trading Conferences

Dennis O'Grady mentioned that there will be two conferences in 2004 that have trading components:

- WEF Watershed 2004, Hyatt Regency Dearborn, Dearborn, Michigan, July 11-14.
- River Symposium 2004, Brisbane, Australia, Aug. 27-Sept. 5.

Mark Kieser indicated that WERF, through CH2M Hill, is currently funding a project to build tools for water quality trading program development. Its targeted users are WERF subscribers, most of which are municipal wastewater treatment plants. This project will have a workshop during WEF Watershed 2004 in Dearborn.

ETN 2003 Activity Synopsis

Mark Kieser gave a synopsis on ETN's 2003 activities. ETN has been officially incorporated as a non-profit in Michigan. The next steps to organizationally establish and run ETN are to:

- Finalize Board of Directors
- Approve Articles of Incorporation
- Submit 501c3 application to IRS
- Pursue GLPF Phase II funding to:
 - Finalize the multiple markets paper
 - Finalize GLPF Phase I funding report
 - Request Phase II Funding

There were 8 monthly conference calls in 2003. Main topics in these calls were the EPA-funded trading projects announced in conjunction with EPA's release of its final water quality trading policy in January. Representatives from the following projects introduced their projects on the calls:

- Trading to reduce nitrogen loads in the Chesapeake Bay watershed - Conestoga River, PA. (*Allison Weideman*)
- Create an electronic marketplace for nutrient trading in the Chesapeake Bay; outreach on trading to the agricultural community. (*Allison Weideman*)
- First-year assessment of nitrogen trading in Connecticut. (*Gary Johnson*)
- Outreach on trading to the agricultural community. (*Jerry Talbert*)
- Pilot feasibility assessment of trading to reduce mercury loads to the Sacramento River. (*Steven McCord*)
- Increasing in-stream flow in the Upper Charles River watershed, MA. (*Bob Zimmerman, Kathy Baskin*)
- Pilot trading framework for the State of Wisconsin. (*Joe Kramer*)

Other topics covered in 2003 were:

- EPA's January 2003 trading policy
- Wetland mitigation banking and water quality trading parallels (*Dennis King*)
- PA's multi-credit trading registry (*Andy Zemba*)
- Illinois American Water Company - sediment trading in Illinois (*Brent Gregory*)
- Dennis King article discussion: "Will Nutrient Trading Ever Work?"
- Tar-Pamlico program discussion (*Barrett Lassater*)
- EPA trading forum agenda and panel discussions (*Lynda Hall Wynn*)
- Phase II stormwater permits, TMDLs and trading (*Dave Batchelor*)

ETN was invited by EPA to participate in EPA's trading Forum in Chicago in July. ETN set up an information and outreach booth at the conference and Mark Kiser was the facilitator of the Forum's Round Table discussion. The ETN website also hosted the electronic discussion board for the Round Table discussion follow-up questions (<http://www.envtn.org/cgi-bin/dcforum/dcboard.cg>).

Mark Kieser gave 2 presentations on behalf of the ETN in 2003:

- “Market Opportunities to Achieve Water Quality Goals through Watershed Commodities,” Presented to the Colonial Soil & Water Conservation District Stakeholder Workshop, Williamsburg, VA, April 30, 2003.
- “Ecosystem Multiple Markets: The Next Generation of Ecological Restoration and Management,” 6th National Mitigation & Conservation Banking Conference, San Diego, CA, April 23-25, 2003.

ETN also participated in writing 4 funding proposals (with ETN reference/participation):

- Great Lakes market analysis – Joyce Foundation
- Trading bibliography (with Joe Kramer from Resource Strategies, Inc.) – Great Lakes National Program office
- Cacapon/Lost River, West Virginia (with Friends of the Potomac) – Watershed Initiative 2004
- Registry and other trading infrastructure (with the Gun Lake Tribe) – Watershed Initiative 2004

ETN in 2004

Mark Kieser initiated discussion and asked call participants to suggest improvements or strategic changes the ETN should make on the following topics in 2004 to strengthen the role that ETN will play in supporting and promoting trading in the nation.

ETN Conference Calls

Dennis O’Grady commented that in its current format the monthly conference calls have many topics of interest but the participation does not seem to be great and he thought resources could be better spent on the website. Brent Fewell stated that the calls are extremely informative to him and he wanted them to be continued. He suggested that better defining conference call content prior to the calls would help the participation. Mark acknowledged the importance of forecasting the scope of calls. Mike Tenenbaum believed the calls should be continued because the Network needs to have a place for direct dialog. Web surfing alone is not sufficient.

On conference call topics, Mark indicated that most of EPA’s 11 trading projects announced with the release of the final EPA trading policy have been presented on the conference calls last year. He asked if the conference callers want to hear from the remaining three projects (Neuse River, Acid Mine Drainage in West Virginia, and Selenium trading in the Lower Colorado River) and/or follow-ups from previous presentations. Jerry Talbert believed that follow-ups would be great but should be limited to those with significant changes since we heard from them last time. Mike Tenenbaum thought it would be nice to have these project’s quarterly reports (or equivalents) posted on the ETN website before the call for people to review.

Dennis O'Grady suggested the conference calls to have web-based PowerPoint interactive presentation capability. Claire Barker indicated that a company called ITRC can do this and she will check with them for availability. She also suggested that the call summary to be posted as soon as possible after each call. Dennis suggested shorter call time (1 hr) and Claire Schary requested a later starting time to accommodate west coast call participants.

The final conclusion is that we will continue the monthly conference calls. The new starting time will be 11:00 am EST and the call should last about 1 hr. EPA-supported projects, new or follow-ups, will be presented on the calls in 2004. We will also integrate other suggestions where possible.

ETN Trading Conference

Brent Fewell suggested that ETN should have its own annual trading conference, just like the 2000 GLTN conference in Chicago. Claire Schary indicated that EPA also wants to have another trading conference this year or next year. A subcommittee of ETN might help EPA organize the conference. Technical training provided to field managers can be part of the conference and USDA may also be interested in participating.

ETN Website

Brent Fewell indicated that he would like to see more recent trading papers and publications to be available on or via the ETN website. Mike Tenenbaum suggested links to current projects. Joe Kramer explained his proposal to the Great Lakes Program in late 2002 for an electronic trading bibliography to be hosted by the ETN website. The database would be searchable by trading programs, different aspects of implementing trading, and other searchable categories.

EPA 2003 Trading Forum Questions Electronic Discussion Board

Mark Kieser indicated that there have been very few activities on the discussion board hosted by the ETN website. The question was asked whether we remove the board or there are other ways to increase the discussion volume. Occasional email reminders (e.g., quarterly) to ETN participants may be effective in engaging people. Activities around a particular question could also suggest a monthly phone conference topic. Dennis O'Grady suggested that the discussion board can be expanded to include other trading related questions. Mike Tenenbaum said that a summary paragraph that includes the link to the discussion board can be written and call participants can then distribute it to a wider range of interested people. Basically, we need to publicize the discussion board more to have more people aware of the board and participate in discussions.

Interactions with EPA on Trading

Claire Schary suggested that ETN identify trading implementation issues that EPA should address, synthesize local needs, and examine how different regions can play a role in the national progress in water quality trading applications. She also indicated that EPA has an internal trading

network that holds its own monthly conference calls. She stated that she would discuss with this other network on how ETN can interact. A possibility is to have Mark Kieser periodically participate in the network conference calls.

Other Items

Claire Barker from MA DEP indicated that Massachusetts submitted a Watershed Initiative 2004 proposal for a watershed permit incorporating phosphorus trading. She further suggested, if available, this year's Watershed Initiative proposals to be shared on the ETN website. However, call participants indicated that it is unlikely that these proposals can be disclosed before nominations are finalized by EPA.

Next Call

The next call is scheduled for 11:00 am EST, Wednesday, February 25, 2004.

Main topic will continue to be ETN's 2004 activities and development strategies.