



Environmental Trading Network

DRAFT
May 2004 Conference Call
(May 19, 2004)

Representatives from the following organizations participated in the conference call: Abt Associates (Mark Landry); Environmental Consulting & Technology (Roy Schrameck and Sanjiv Sinha); Idaho Department of Environmental Quality (Susan Burke); Kieser & Associates (Mark Kieser and Andrew Fang); Massachusetts Department of Environmental Protection (Claire Barker); Minnesota Pollution Control Agency (Jim Klang); Resource Strategies, Inc. (Joe Kramer); South Nation Conservation, Canada (Dennis O'Grady); US EPA (Lynn Tudor); US EPA-Office of Water (Ginny Kibler); US EPA-Region 10 (Claire Schary); US EPA-National Risk Management Research Laboratory (Hale Thurston); Virginia Colonial Soil and Water Conservation District (Brian Noyes and Jim Wallace); and consultant Jerry Talbert. Mark Kieser chaired the call.

USDA Conservation Innovation Grants (CIG)

Conference call participants discussed the 50% matching fund requirement (25% in cash) of the CIG and agreed that it is potentially an impediment to applications to the program. Comments on the Interim Final Rule by the World Resources Institute (WRI) state that CIG needs to be fully funded at \$100M (currently at \$15M this year). Paul Faeth (WRI) worries that if there are not enough proposals submitted this year for the grant, USDA may take it as an indication that the CIG program does not need to be fully funded. However, Jim Wallace indicated that the USDA was expecting about 400 proposals for this round of funding.

EPA Assessment and Watershed Protection Program Grants (AWPPGs)

Mark Kieser indicated this EPA grant program has a total available fund of \$900,000. Proposals can request funding from \$5,000 to \$100,000. There are no cost-sharing nor matching requirements. A successful grant application will demonstrate that the project outcomes are transferable to other watersheds. ETN is planning to apply for a grant to host a national trading conference.

ETN's Great Lakes Protection Fund Final Report

Mark Kieser reminded the participants of the availability of the final report on the ETN website (www.envtn.org). For the next stage of ETN development, the final report recommends a request for continued funding from the Great Lakes Protection Fund (GLPF) to support the network. The report also includes ETN's plan to become a grant administering organization for distributing funds for trading projects. Research funding for trading market studies is also sought by ETN from GLPF. If these funding requests are approved, funds will be available in the fall of this year. Dennis O'Grady indicated that if the GLPF has Canadian directors, he is willing to talk to them on behalf of the network. Claire Barker also indicated that if support from state agencies is needed for funding applications, she can help.

ETN's Proposed National Conference on Trading

Mark Kieser proposed an outline for the conference, which is available on the ETN website (http://www.envtn.org/docs/may_19_04ConferenceOutline.pdf). The focus of the conference will be the technical elements of water quality trading programs. The following suggestions for conference topics were made:

Jim Klang: MPCA is currently negotiating watershed-based permits (including point/point source trading) with an environmental law firm representing cities. Firms like this one need education on the technical aspects of trading. Also, methods to set effluent limits for point sources both before and after a permit is an issue worth discussing. In Minnesota, point sources are expected to achieve a 35% load reduction, but the variability of effluent flow and concentration makes it difficult to enforce.

Mark Landry: Watershed-level (watershed specific) trading tools. Such tools are also needed on the state level (e.g., trading registry). These tools can include guidance on where to find effective water quality trading programs and how to make them work.

Claire Barker: Discussion on trading framework guiding states' involvement in trading programs, for example, what state legislations need to be modified and how to incorporate trading into TMDLs. Jim Klang commented that the current EPA guidance (40 CFR 122.4 (i)) seems to prohibit new dischargers in 303(d) listed impaired waters. This has the potential to stifle trading program development in these waters. Ginny Kibler at EPA indicated that she will check with EPA Office of Water to clear the interpretation.

Dennis O'Grady: Structure of management that takes into account the multiple stakeholders typically involved in a trading program and the many technical issues the management staff is often faced. Also, discussions should be conducted on how to get around road blocks (e.g., old legislations, people against trading) to implement a trading program (tactics and polices).

Susan Burke: Development of trading ratios that take into account actual movement of pollutants in water bodies (not just a universal ratio such as 2:1). This is related to the issues of compliance points and how to get equivalent load reduction units for credits.

Hale Thurston: A panel discussion can be organized to include opinions from policy makers and economists (practices vs. theories). This panel discussion may lead to reconciliation of the differences between these two groups.

Claire Barker: Discussion on what types of trading (offsetting or commodity markets) work for what situations.

(A discussion on watershed-based permitting was ensued. Ginny Kibler indicated that the permit office at EPA is working on the technical guidance for watershed-based permits that will include a section on trading. Jim Klang suggested a curriculum outlining key points will be helpful.)

Brian Noyes: Introducing opportunities of agricultural BMPs to generate credits and credit quantification methods (including monitoring protocols). For the latter, Jim Klang commented that statistical methods are more attractive to state agencies in solving questions such as how much BMP adoption is needed for an average efficiency value to work in a watershed. Joe Kramer suggested discussions on tools and guidance needed to use these methods in different states and watersheds. Mark Landry suggested separate workshops to elaborate the details of these methods.

On the potential audience of the conference, Claire Barker suggested the inclusion of private groups and foundations. Susan Burke mentioned environmental groups. Regarding the possible location of the conference, suggestions included Atlanta, GA; Chicago, IL, and; Washington D.C. As for timing, Spring (April-May) 2005 was agreed upon by the call participants to be most probable considering funding availability, preparation time, and the timing of other major annual conferences.

In terms of sponsors, suggestions can be made by sending email messages to Mark Kieser at mkieser@kieser-associates.com. Call participants also discussed the possibility of subsidizing some conference attendants.

Next Call

The next call is scheduled for 11:00 am EST, Wednesday, June 16, 2004.