

THE CHESAPEAKE BAY PROGRAM'S NUTRIENT TRADING ACTIVITIES

September 23, 1998

BACKGROUND: The Chesapeake Bay Program was initiated in 1983 by the signing of the *Chesapeake Bay Agreement* which acknowledged the decline in the living resources of the Bay and that a cooperative approach was needed to restore the Bay. The signatories to that agreement were the governors of MD, PA, VA, the Mayor of the District of Columbia, the Administrator of the EPA, and the Chairman of a tri-state legislative body known as the Chesapeake Bay Commission.

The 1987 Chesapeake Bay Agreement established the goal to attain the water quality necessary to support the living resources of the Bay. As part of that agreement, the jurisdictions committed to reduce nitrogen and phosphorus loadings to the Bay from controllable sources by 40 percent by 2000, using 1985 as a base year. In 1992, the jurisdictions reaffirmed this goal and committed to attain it through the use of individual tributary strategies to meet nutrient reduction loading levels established for all major tributaries. Maintaining these reduced loadings levels beyond 2000 was also committed to. To date, tributary strategies have been developed for all areas of MD, VA, DC, and PA, except for the lower tributaries of VA.

In 1997 the Bay Program conducted an in-depth evaluation of this goal and determined that for the whole watershed, they would be short of meeting the goal by some 20 million pounds per year for total nitrogen. However, for the areas with tributary strategies in place, it was determined that while they would be less than 5 million pounds per year short of meeting the goal in 2000, it would be met by approximately 2003.

The Bay Program's focus is now shifting to accelerating efforts where possible to meet the goal by 2000, to completing the tributary strategies for the VA lower tributaries, and to determining ways to maintain the cap in spite of a 14% projected population growth by 2020. Nutrient trading is viewed as one of the tools to maintain the cap.

DRIVER FOR NUTRIENT REDUCTIONS: The driver for reducing nutrients has been the above described agreements which committed the jurisdictions to doing everything they could to achieving those goals. However, because the TMDL issue has surfaced so strongly, not only in the Bay, but nationally, nutrient reduction may also be affected by this program as it develops.

NUTRIENT TRADING: Nutrient trading programs have evolved in two of the Chesapeake Bay jurisdictions independently: 1) The Virginia Department of Environmental Quality will be investigating the possibility of a nitrogen trading

program for point sources in the Potomac River, and 2) the MD Department of the Environment has drafted a trading regulatory framework in 1996 and had distributed it to a few select groups for informal review.

The Chesapeake Bay Program convened a meeting on June 15, 1998 of stakeholders in the entire Bay watershed, to educate others on these emerging trading activities in the Bay area. During this meeting, it was determined that interest existed in moving forward with developing a nutrient trading program for the watershed as a whole on a coordinated basis, and that a workshop would be a preferred activity to initiate this process. An Organizing Committee was formed at this meeting to plan such a workshop.

The workshop is scheduled for December 15, 1998. The purpose of this workshop will be to initiate a process to develop a nutrient trading policy and guidelines to achieve and maintain the nutrient cap in the Chesapeake Bay Watershed. Participants, asked by invitation, will be stakeholders around the watershed including state and federal regulators, agricultural, municipal, and industrial representatives, and environmental groups. The workshop will focus on two major areas: 1) the development of a negotiation process, and 2) discussion on major trading issues. The negotiation process will be the procedures that stakeholders will use to actually devise a trading program. Background information, developed on major issues covering the technical, regulatory, and marketing aspects of trading will be developed during this process and fed into the negotiations.

The conclusion of the negotiation process will result in the development of a watershed applicable nutrient trading policy and guidelines. It is hoped that this can be accomplished approximately one year after the workshop in December. This document would possibly be promoted by the Chesapeake Bay Program via a signed agreement similar to those described above, but which would commit the signatories to developing effluent trading programs where applicable. It would then be left up to the individual jurisdictions to implement nutrient trading programs.