

Great Lakes Trading Network

Summary of the December 18, 2001 Conference Call

Participants:

Mark Scott (National Institute for Chemical Studies), Gordon Hester (EPRI), Joe Kramer, Sarah Forbes (DOE, National Energy Technology Laboratories), Clyde Bohmfalk (Texas Natural Resources Conservation Commission, TNRC), Mark Kieser, KIESER & ASSOCIATES (K&A), Michael Tenenbaum, (K&A).

The call was initiated by Mark Kieser. David Batchelor, US EPA Office of Water, was unable to join us due to unexpected circumstances. Final October minutes are posed at <http://www.gltm.org>.

The agenda for this conference call included updates to:

- the proposed 2002 National Trading Conference
- the multiple markets project funded by the Great Lakes Protection Fund (GLPF)
- the status of Incorporation of the Great Lakes Trading Network (GLTN), and,
- projects involving call participants

Mark Kieser provided a brief background of the GLTN for new participants. This included the funding received from the Great Lakes Protection Fund to maintain the GLTN through 2002, incorporation of the GLTN as a nonprofit organization and an effort to examine the concept of Multiple Markets. An update for the multiple markets project is being deferred to a future conference call. Incorporation has been targeted for early 2002 to allow both Mark and Dave to complete their search for Board of Director members for the GLTN. The make-up of the Board is to be comprised of representatives from municipalities, regulatory agencies, industry, agriculture, economics, environmental groups and other groups

In November 2001, Dave expressed the potential desire of U. S. EPA to assume a larger role in sponsoring and conducting a National Trading Conference in the Spring/Summer of 2002, most likely in Washington, D.C. The proposed conference would then provide the opportunity to:

- target ongoing projects and initiatives nationally
- provide a venue for examples of different trading approaches from around the country
- kickoff the new EPA trading policy, and
- feature the incorporation of the GLTN

Sarah Forbes stated that the National Energy Technical Laboratories was willing to co-sponsor this Trading Conference. She explained that this lab, located in Morgantown, West Virginia, addresses fossil energy programs. Water programs are somewhat new to her laboratory. However, they do see a need to develop a closer link between water and energy interdependence. As a research arm of DOE, they recently turned toward how water policy impacts electrical utilities and energy industries. In particular, they are exploring mined areas and reclamation of

mine areas to reduce/eliminate acid mine drainage impacts to waterways. They are looking at these aspects through solicitations now out for two current projects. One case examines how credits could be generated from reclamation of abandoned mine lands within the context of a TMDL. In another case, they are working with Craig Diamond, of EPRI, in the reclamation of mine lands. A solicitation for pre-applications can be found at the web site <http://www.netl.doe.gov/business/solicit/main.html#41422>. The pre-application due date is February 28, 2002.

Mark Scott noted his high interest for such a conference in terms of learning more about those who are applying trading concepts to water quality issues right now. Much of their work is done with state environmental agencies. Of particular interest is how skeptical stakeholders have been brought into the process in past/existing demonstration projects. Mark Kieser noted that Mark Scott might be interested in attending the WERF Watershed 2002 Conference, scheduled for Ft. Lauderdale, Florida in February 2002 (More information is available on the WEF web site). Several GLTN participants and other "traders" from around the country will give presentations.

Mark Scott next provided some insight into his activities. (Mark noted that he can be reached at msscott@nicsinfo.org.) He runs a nonprofit organization, the National Institute for Chemical Studies, located in Charleston, W. Virginia, with a primary focus related to chemical risk issues. He helped create a stakeholders group that made recommendations to the West Virginia Department of Environmental Protection (DEP) Director for implementation issues related to TMDLs. In the process, market-based approaches (trading) were proposed. Dave Batchelor had been invited to come in for one day and provide insight into Michigan and other experiences. Rick Heard, Allegheny Energy, has been one of the primary drivers for this approach in West Virginia. The final report/recommendation to the DEP director included TMDL trading approaches. In the middle of this, a new DEP director came on board who strongly endorses this approach. The need now exists to try and establish a trading program. There is opposition to the trading approach. Clear evidence must be demonstrated that trading will be conducted within the same watershed (no cross-watershed trading) and produce a net environmental benefit. While there is a basic mistrust of trading, there is at the same time, cautious optimism from all parties that this approach could work in West Virginia.

The TMDL issues in West Virginia are typically related to:

- acid mine drainage
- untreated sewage discharges (the issue of agricultural and industrial discharge would appear to be greater than their actual presence in the state; combined sewer overflows and direct residential discharge to surface waters due to lack of sewage treatment facilities remain as problems)
- industrial dischargers to the Ohio River

There is interest in EPA and other funding sources to pursue demonstration projects.

Clyde Bohmfalk, Texas Natural Resources Commission, noted that for him, the issue raised within trading in a TMDL is on state responsibility. Texas is one of those states where lawsuits have been brought to force the TMDLs. The State of Texas is evaluating how they are going to

write Implementation Plans. Knowing whether U. S. EPA is allowing demonstration projects and flexibility within specific plans will be of significance to the TNRC. Among the questions that have been raised are:

- Does the TMDL need to be modified when a trade is made between point and non-point sources?
No. It is expected that the U. S. EPA revisions for TMDLs should account for this concern.
- Are there rewrites of the Clean Water Act needed to allow for trading?
No. There is no anticipation of a rewrite; trading is allowable in its current form

No further discussions ensued. The next call was established for Tuesday, January 22, at 11:00 p.m. EST to noon.