

Great Lakes Trading Network

Summary of the May 8, 2001 Conference Call

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Representatives from Kieser Associates, Fox Wolf Basin 2000, the World Resources Institute, the Minnesota Pollution Control Agency and Environmental Defense participated on the call. Dave Batchelor (Michigan Department of Environmental Quality) chaired the call.

The revised draft of the April 10 call summary was approved. The revised final version is attached.

Mark Kieser (Kieser & Associates) reported on the status of the final proposal that has been submitted to the Great Lakes Protection Fund (GLPF) on behalf of the GLTN. The two-phase proposal requests funding to complete 3 tasks over a 6 month period. The tasks that would be completed under the first phase include maintaining the monthly conference calls and GLTN website, incorporating the GLTN as a not for profit organization, conducting research and working with collaborators to develop a multiple market trading plan. Articles of incorporation and the multiple market trading plan would be submitted to the GLPF for funding of the second phase of the project. This would involve development of the design elements and infra-structure necessary to implement multiple market trades, methods to quantify and track trades, a marketing plan for credits generated under the project and actual brokering of transactions. The GLTN website and conference calls will be used to disseminate information from the project. The results of the project will benefit a selected ecosystem(s) in the Great Lakes Region and will be highly transferable to other regions of the country. Multiple markets have the potential to provide a greater return on investment; de-fragment regulatory-based water quality markets and achieve early reductions of atmospheric emissions. Partners on the project include the Wetlands Initiative, the World Resources Institute, Environmental Financial Products, Ltd. and a local law firm.

Paul Faeth (WRI) summarized the findings of a paper that he and Suzie Greenhalgh presented at The Hague last November (A Climate and Environmental Strategy for U.S. Agriculture). This paper can be viewed by going to http://www.wri.org/sustag/break_green.html.

The model used to compare various policy scenarios ranging from conservation subsidies, carbon sequestration and trading agricultural reductions of nitrogen oxide included modules of US agriculture and the environment. About 85% of the US agricultural land use, soil and erosion data and green house gas emissions were built into the model.

The model found that approximately a 25% reduction of nitrogen loading to water could be achieved at a cost of around \$1 to 4 per pound. Nitrous oxide is a potent green house gas that is volatilized from agricultural soils and fertilizers. Reducing nitrogen loss to water by implementing tillage and fertilizer management practices also achieves a reduction of nitrogen oxide to the atmosphere.

Paul made an important distinction between carbon sequestration and nitrogen management. Sequestered carbon can be released to the atmosphere when agricultural land is taken out of conservation reserves. Nitrogen reductions are permanent.

There was some discussion as to how administrative costs and the costs of soil testing and accounting could be addressed under a green house gas/water trading program. Multiple markets provide greater cost recovery, greater environmental benefit and greater cost competitiveness.

Linda Stoll provided the group with an update on the Fox Wolf Basin 2000 program. Trading has not progressed as quickly as envisioned. Point sources are reluctant to participate without guidelines and some assurances that trades would be accepted by regulatory officials. On the other hand, it is hard to develop guidelines without first having information and experience to know what works best. Several possible solutions to this situation were discussed. The importance of getting support from the Wisconsin DNR is considered vital.

FWB 2000 is looking at the 3 demonstration projects (Cedar River, Rock River and the Fox Wolf River) to prepare a white paper on "how to trade". They also plan to seek funding to conduct a Nutrient Net trading day to demonstrate the environmental and economic benefits that trading can provide.

A very interesting observation was made. The Wisconsin DNR is willing to issue variances that grant an alternate discharge limit, but does not support trading. Rules allow a small point source discharger to apply for an alternate limit upon a showing of economic hardship. The FWB is asking the DNR to consider implementing a provision that trading should be considered in the showing of economic hardship. This would allow trading to occur with a water quality benefit at a reduced cost, rather than just allowing an increased discharge.

The next conference call is scheduled for 11:00 am DST on Tuesday, June 5.

