

Great Lakes Trading Network

Summary of the June 5, 2001 Conference Call

DRAFT

Representatives from Kieser Associates, Fox Wolf Basin 2000, the Minnesota Pollution Control Agency and EPA's Office of Water and National Risk Management Research Laboratory participated on the call. Dave Batchelor (Michigan Department of Environmental Quality) chaired the call.

The May 8 conference call summary was approved. The final version is attached.

Linda Stoll, Executive Director of the Fox Wolf Basin 2000, provided an update on the program. A sit-down meeting with the two other trading projects in Wisconsin has been scheduled in July. The purpose is to compare approaches and share lessons that have been learned with representatives from the Wisconsin Department of Natural Resources. It is hoped that this will lead to increased support for trading and facilitate progress for each of the programs.

The FWB is also working with the World Resources Institute to do a Nutrient Net trading day's demonstration for participants in the FWB program. It is hoped this will be of interest to a group of industrial dischargers that are interested in how trading may occur. It will provide some perspectives on the relative cost of point and nonpoint source controls and show the environmental benefits that can be achieved through trading.

The participants on this call discussed the attached list of "frequently asked questions" that was prepared for the Fox Wolf Basin 2000 program. The group shared experiences and approaches in dealing with some of the issues that are on the list and offered suggestions for some additions to the list. It is hoped that this list will facilitate an understanding of trading, identify issues and how they have been addressed and lead to increased support for trading in the Fox Wolf program. The list will also be helpful to others who are developing trading programs. The participants on the call discussed the list in the order of categories presented.

Legal and Regulatory Issues

Whether pre-TMDL trading can or should occur and how trading could be conducted in the context of a TMDL were suggested as additional questions that other projects have encountered.

Jim Klang (MPCA) commented that in the two trades that have occurred in Minnesota (Rahr Malting Company and the Sugar Beet Co-Operative), neither point source permit has had to be enforced. The point sources have tended to buy excess credits to cover instances where climatic conditions might cause a failure of nonpoint source (NPS) management practice performance. This is one example of how NPS incentives can be achieved.

Economic Issues

Linda pointed out that total suspended solids, phosphorus, dissolved oxygen and biochemical oxygen demand (BOD) are of concern in the Fox Wolf. There is a 1 mg P / liter limit that point sources are now meeting.

Jim Klang commented that "citizens" in the Minnesota River watershed had raised the issue of "Aren't the point sources just buying their way out of treatment?" He went on to show how this was addressed in part by showing how trading may provide additional benefits such as increased habitat.

The group discussed how "multiple benefits" provide greater (environmental) value and economic (benefit) incentives than those achieved just through trading discharge or load reduction credits.

Jim also explained how NPS contracts for management practice implementation are coming up as the point source NPDES permits are just 1 year away from re-issuance. The NPS management practices are now being looked at for a long term of around 20 years.

Administrative and Institutional Issues

In Minnesota, phosphorus is considered a "persistent pollutant", unlike BOD that is time and location dependent. The trades that have occurred in Minnesota address the effects that impoundments have on phosphorus and limit BOD trading to benefit the point of impairment.

Linda asked the group how NPS reductions could be measured, monitored or verified. Jim Klang and Mike Tennenbaum provided examples of how this was done in Minnesota and Michigan for streambank erosion sites. Mike explained how baselines can be set by monitoring and how contracts can include provisions for monitoring. In Minnesota, the MPCA conducts annual audits of management practice performance along with point source compliance reviews.

Some additional questions were raised for consideration in the context of administering a trading program and the infrastructure needed for a market-based program to function.

How can trading information (sources, pollutant reductions, credits traded and price paid) be made publicly available?

How can watershed boundaries be delineated and the relative locations of sources be identified?

How can the availability and value of credits be provided for a market to operate?

It was explained how this will be done in Michigan through a water quality trading registry with Internet access.

Other Questions

The approach that was used in the Kalamazoo Project was explained. In the first watershed meeting held in the community four basic questions were asked that helped establish a common foundation for further progress. These were:

- What are the objectives that everyone wants to achieve?
- What issues are involved?
- What contribution can each person or organization provide?
- What consideration would each person or organization like to receive?

Working through a discussion of these points by everyone involved or affected by the project early on was important. Consensus was reached through open and direct communication. Although this was difficult, it created an atmosphere of mutual respect and trust that led to a highly successful project, the key to which was partnerships.

Next Call

The next call was scheduled for 11:00 am on Tuesday, July 24, 2001. Agenda items are welcome.