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April 10, 2002 Conference Call Summary

The following individuals participated in the conference call: Joe Kramer (RSI), Sarah Forbes (DOE National Energy Technology Laboratories), Mark Landry (Abt Associates Inc.), Jim Klang (Minnesota PCA), Cy Jones (WSSC), Paul Faeth (WRI), Rhonda Sandquist (Baker Law), Mark Scott (National Institute for Chemical Studies), Claire Schery (U.S. EPA), Gail Hess (Ohio EPA), Dave Batchelor (U.S. EPA), Mahesh Podar (U.S. EPA), Lynda Hall Wynn (U.S. EPA), Mark Kieser (K&A), Mike Tenenbaum (K&A), Nicole Ott (K&A).

Mark Kieser, acting chair of the GLTN, opened the call with greetings and attendance. He asked participants to use the previously distributed electronic form to provide project updates to the Network so that the web site can be updated. The form is located at www.gltm.org/gltm_form.htm.

Mark Kieser gave a summary on the Multiple Markets project funded by the Great Lakes Protection Fund. The collaborators (Mark Landry and Paul Faeth, World Resources Institute, Donald Hey, The Wetlands Initiative and Michael Walsh, Environmental Financial Products) have submitted white papers which have been incorporated into a broader white paper. When completed, the paper will be reviewed by the collaborators and then sent to the Network for comment. An executive summary will be developed to capture the major themes of the paper. Mark also indicated that many groups at a recent Wetlands Mitigation Banking Conference in Washington, D.C. were receptive to the multiple markets concept. (A copy of this presentation can be found at <http://www.gltm.org>.)

Paul Faeth updated the GLTN on the Farm Bill. Versions of the bill have passed both the House and the Senate, and it is now in Conference Committee. A provision to support greenhouse gas trading was in the Senate version. The Conservation Innovation Grants Program title, if included in the Bill, will provide \$100 million/year, for 5 years, to agricultural conservation and trading programs. However, there is discussion of increasing the reauthorization period of the bill to 7 years. The amount of available funds would not increase. Therefore, a half-billion dollars would be available for a 7-year period.

A 50% cost share match will be required for all grants, which may make distribution of funds problematic. The funds can be used for grants to kick start markets, for software to be developed, for rules and infrastructure to be developed or possibly for the government to purchase credits. It was mentioned that the USDA will not have sufficient staffing to administer these grant monies nor to develop rules on how the monies are to be utilized. Therefore, it was suggested that the GLTN offer to help develop rules and ultimately, administer grant funds related to trading projects. The U.S. EPA may be able to communicate to the USDA that the Network has the expertise and experience to perform these functions. Claire Schery communicated this sentiment to Lynda Hall Wynn.

Sarah Forbes also mentioned that industry could play a large role in this Conservation Title due to its involvement in carbon sequestration. Paul Faeth suggested that everybody contact their representatives in the House to urge that the Title be passed.

Hale Thurston asked the Network if anybody was aware of a trading paper published in Resources for the Future by Newell and Stabins. He said that the paper, by focusing primarily on air, highlighted the cost savings realized through trading.

Discussion of the U.S. EPA Draft Trading Policy began shortly before Dave Batchelor, Mahesh Podar and Lynda Hall Wynn joined the call. Hale Thurston would like the language to specifically allow for flow and habitat quality. Claire Schery indicated that mentioning flow would have political ramifications in the Pacific Northwest, due to the water rights issues. Temperature trading is important in the Northwest. Jim Clancy mentioned that flow should be considered in the context of habitat quality and bank destabilization. In the Midwest it's important to use infiltration

to maintain baseflows. Dave Batchelor indicated that the draft policy is meant to focus on nutrients with flexibility to allow trading of other parameters. He and Mahesh just recently discussed nutrient trading with the American Farm Bureau which expressed support for the Draft. The U.S. EPA is also working on pilot projects, one in Massachusetts for example, involving trading of other parameters.

A dual liability scheme was included in the new Draft Policy. Comments were made that this might dissuade point sources from trading if they are responsible for non-point sources maintaining their BMPs. However, the authors were concerned with a loss of federal enforceability. It was mentioned that investors would not see this as a problem due to the market mechanisms available (e.g., private contracts). They would diversify their investments to reduce risk and could purchase insurance. The authors will work on clarifying the text surrounding the dual liability scheme.

Dave Batchelor indicated that Michigan's "blueprint" was used to guide the policy. Other ways to address liability concerns are to allow for a reconciliation period, encourage point sources to rent farmland and manage the BMPs themselves, brokerages, risk management and performance contracts.

There was some concern expressed over the trading ratio of 1:1 for waters with approved TMDL plans. The Margin of Safety built into the TMDL should alleviate these concerns. However, a 1:1 ratio could make it difficult to get support for the policy from environmental groups. Discussion of the preliminary draft language pertaining to this item revealed that clarifications would be beneficial in the final draft. This would also be more clearly defined in the pending TMDL rule revisions.

The question was asked why ratios of 1:1.1 and 1:2 were specified for pre-TMDL or non-impaired waters. Dave indicated this was done so that states and tribes will not have to calculate their own ratios if they do not have the funding to perform the detailed studies necessary to develop these. Thus, the draft ratios are minimums. States can develop more strict ratios if they choose.

The U.S. EPA Administrator was briefed on the policy on March 13. She allowed it to be released. The policy may be released in the Federal Register for official public comments in 4-6 weeks. Members of the Network were invited to send comments on "show stopper issues" regarding the preliminary draft. These should be sent immediately to Lynda, Dave or Mahesh. However, the release of the draft policy to the public is not waiting on these comments from the GLTN. The policy will be released when it is ready. An official public comment period will follow. A collective GLTN comment could be developed and submitted to the U.S. EPA during the official comment period if so expressed by the network.

Lynda Hall Wynn indicated she would provide a synopsis of the newly funded trading projects (by the U.S. EPA) to the network to be posted on the website.

The next GLTN conference call was scheduled for Wednesday, May 15.