

DRAFT work plan – Chesapeake Bay Program Trading and Offsets Workgroup
May 16, 2012

Water quality trading and offset programs are important components of efforts to restore the Chesapeake Bay and its tidal tributaries. Appendix S of the Bay TMDL establishes EPA's expectation that jurisdictions address increased and new loads through effective offset programs if Watershed Implementation Plans (WIPs) do not include allocations for growth. In addition, some jurisdictions in the Bay watershed have been evaluating and implementing trading programs to reduce costs and accelerate the pace of point and nonpoint source controls. Programs have been under development since 2003 with some intrastate and one interstate transaction occurring within them.

However, challenges must still be overcome for trading and offset transactions to realize their full potential. Jurisdictions may need to adapt existing trading programs and develop new offset programs. In doing that, additional measures may need to be taken, such as changing verification procedures, reviewing and refining ratios, vetting nutrient-reduction technologies, establishing protections for local water quality, and informing credit and offset sources (i.e., agricultural operations) of trading opportunities. Several jurisdictions are seeking guidance and assistance in completing these tasks and developing specific work plans to meet recent Assessment Reports completed by EPA.

To focus and support trading and offset efforts in Bay jurisdictions, the Chesapeake Bay Program (CBP) in 2011 formalized its Water Quality Trading Forum as a workgroup of the Water Quality Goal Implementation Team (WQGIT). The resulting Trading and Offsets Workgroup (TOWG) has three functions:¹ 1) provide a forum for discussion and information exchange among trading and offsets stakeholders; 2) evaluate and facilitate strategies to exchange loads among affected source sectors; and 3) build consensus on common approaches to some program design elements.

This work plan is intended to guide the TOWG in 2012. Activities are based on feedback from interviews with members, but **actual activities will change to accommodate policy processes and field external requests.**² The trading and offset issues in this work plan are complex and additional work by TOWG members, organizations, and regulatory agencies will be necessary to make real progress. Therefore, the Chair will promote, and members are encouraged to establish, subcommittees focused on reaching consensus on contentious issues. Unified recommendations for adoption of needed procedures, practices, or solutions will be elevated for consideration to the WQGIT. In turn, the WQGIT will communicate recommendations to the Chesapeake Bay Partnership, EPA, or individual jurisdictions as necessary and appropriate. The TOWG activities augment efforts by EPA and jurisdictions to demonstrate reasonable assurance under the Bay TMDL; they are not meant to replace them.

¹ Chesapeake Bay Program. 2012. "Trading and Offsets Workgroup: Scope and Purpose." Available at http://www.chesapeakebay.net/groups/group/trading_and_offsets_workgroup

² For example, oyster restoration and instream treatment technologies could become major trading issues in the coming year.

March call, 3/21, 10:00-12:00

Topic: Stormwater (SW)

Presentations: Present draft workplan for consideration
SW technical coordinator activities, Tom Scheuler
Calculation framework for manure conversion, Kurt Stephenson
Trading Technology Evaluation Team (TTET) proposal, Mindy Selman

Actions: Finalize TTET proposal; submit for consideration to the WQGIT

April call, 4/18, 10:00-12:00

Topic: Stormwater

Presentations: Process for addressing state-specific trading recommendations, EPA
Post construction SW regs and offset options, Non-Bay jurisdiction
How SW regs, where applicable, achieve no load increase, Bay jurisdictions³
Update on multistate trading tool, Mindy Selman⁴

Actions: TBD

May call, 5/16, time 9:30-12:30 (IN-PERSON AT WRI)

Topic: Economics and MS4 trading

Presentations: Water quality trading economic analysis, RTI or CBC staff
CAST/MAST/VAST model, Olivia Devereux
Reporting offsets to state authorities, EPA, Bay jurisdictions

Actions: Brainstorm TOWG next steps on stormwater and trading

June call, 6/20, 10:00-12:00

Topic: Offset permanence

Presentations: CWA wetland mitigation rules (i.e., permanent easements), TBD
Permanence liability in the Virginia SW offset program, TBD
Update on multistate trading tool, Mindy Selman

³ Need to check if Tom Scheuler has looked at the performance of state stormwater programs in managing sediment, nitrogen, and phosphorus from new development.

⁴ This is a standing update on the ongoing WRI Conservation Innovation Grant project.

Actions: TBD

July call, 7/18, 10:00-12:00 (IN-PERSON)

Topic: Local water quality

Presentations: Trading and local water quality concerns, TBD
Policies and models to protect local water quality from trades, TBD
Calculation framework for manure conversion, Kurt Stephenson

Actions: Request EPA guidance for evaluating trading impact on local water quality

Summer/Fall in-person workshop

Topic: TBD

Presentations: TBD

Actions: TBD

August call, 8/15, 10:00-12:00

Topic: Conservation Innovation Grants (CIG)

Presentations: CIG goals and Bay-related awards, USDA staff
Overview of a funded project, CIG recipient
Update on multistate trading tool, Mindy Selman
Common issues in EPA trading program assessment, Bay jurisdictions

Actions: TBD

September call, 9/19, 10:00-12:00

Topic: Trading ratios

Presentations: Delivery, edge-of-segment, and uncertainty ratios,⁵ Bay jurisdictions
Ratios in the Bay Model, Olivia Devereux
Assumptions of Bay model BMP efficiencies, Tom Simpson

Actions: TBD

⁵ Presentations should explain included ratios, rationale for including them, and their incidence (i.e., responsibility on the buyer or seller).

October call, 10/17, time TBD (IN-PERSON)

Topic: Trading ratios

Presentations: Reserve and retirement ratios,⁶ Bay jurisdictions
Risk management in trading, offset, and in-lieu fee programs, Non-Bay banker
Update on multistate trading tool, Mindy Selman

Actions: Identify steps to develop an understanding of needed trading ratios in Bay jurisdiction trading programs

November call, 11/21, 10:00-12:00

Topic: Verification

Presentations: CBP verification review, Rich Batiuk
Howard County (MD) SCD TMDL inventory, Bob Ensor or Dana York
Role of verification in attracting market participants, Non-Bay jurisdiction
Summaries of current trading verification procedures, Bay jurisdictions
Update on multistate trading tool, Mindy Selman

Actions: Provide CBP with information/feedback on verification review; consider ways to work with stormwater workgroup

December call, 12/19, 10:00-12:00

Topic: Unique demand sources

Presentations: Interest in nutrient/sediment trading, homebuilder or developer representative
Transportation project offsets, Bay jurisdiction's DOT staff
Offsets on public lands; not including MS4s, DENREC staff?
Industrial land offsets, TBD
Offsets from natural gas well pads, TBD

Actions: TBD

⁶ Presentations should explain included ratios, rationale for including them, their incidence, and use of credits generated from ratios.