



## Trading and Offsets Workgroup

Conference Call

Wednesday, June 21, 2017

10:00 AM to 11:00 AM

Conference Line- 866.299.3188 code- 267.5715

Adobe Connect- <http://epawebconferencing.acms.com/towg/>

Calendar page - <http://www.chesapeakebay.net/calendar/event/24974/>

**Welcome, Introduction and Announcements** -- *David Foster, Chair*

**Verify participants** – *Michelle Williams (CRC)*

**Presentation: “Overview of Draft Virginia Nonpoint Source Credit Regulation”**—*Allan Brockenbrough, VADEQ*

### *Discussion*

- Brockenbrough: The amount of activity has doubled in the last year under this program. These credits sell for around \$20/pound of phosphorus, that's \$35-36 million in the market this last year. Within the regulations for trading, we have to make sure we have room for innovative projects as well. This program began in the Bay watershed, but has begun to expand into the southern parts of VA. This program established baseline requirements for different sectors for trading—urban, agriculture, and inside vs outside the Bay watershed.
- Brockenbrough: We are currently processing comments on the draft regulations.
- Brockenbrough: We think that working through this project on the ground, working through issues, make the regulations much better.
- John Rustin, Environmental Integrity Project: Are you still applying the 2:1 uncertainty ratio for the point and nonpoint source credits, if you're trading nonpoint with nonpoint?
- Brockenbrough: No, we would assume they both have the same uncertainty. However, we are certifying delivered credits, and they are offsetting edge-of-property/edge-of site loads, so there's no trading ratio, but there is significant uplift there.
- Ridge Hall: I would think that NPS-NPS would double uncertainty rather than cancel out?
- Brockenbrough: That uncertainty can go either way. For each individual, you have uncertainty on each end, so your error can be anywhere from 1-4. In aggregate, hundreds of trades, those uncertainties cancel out. You have equivalent uncertainty on each side.
- Hall: Do you have a method to ground-truth that to see if BMPs are actually delivering the reductions submitted?
- Brockenbrough: We are always improving the science of the loads and efficiencies in the Bay model and watershed model. That changes the numbers in the guidance. The credits generated are updated as the science advances. We don't go back and do site specific measurements, we use the most recent data in the model.
- David Foster: Some communities like the concept and some oppose, right? Do you have examples?
- Brockenbrough: Across the state there's a lot of variability in development between one county and another. The approaches vary based on development, political interest, etc. Northern VA has a lot of money and interest to participate in these programs, and more rural counties in the south and west don't have as robust programs.
- Foster: Can we get a copy of the draft regulations? That would be very useful.
- Brockenbrough: Certainly, I was talking with the EPA reps this morning about getting out a final draft of these regulations. We are providing the draft regulations to our board next Monday, and send it out publicly after we get comments from our board. That will go out maybe midweek next Monday.

- Gleason: Thank you for taking the time today to let us know about your progress. If anyone has any further questions, we can send out your contact info for further comments and questions.

**Presentation: “Discussion Paper: Considerations for Interstate Trading and Offsets in the Chesapeake Bay Watershed” – Bob Rose, EPA CBPO**

- Pat: We will be sending out a final draft of this paper later in August.
- Bob: I want to emphasize that this is not a technical memo—there wasn’t much demand for that. We have a more general discussion paper instead that goes over major points and implications. We will revise based on comments from states. It’s for anyone involved in TOWG or interested in interstate trading. We’d like feedback by July 15. Any comments would be good.
- Ridge Hall: I will share that with the Choose Clean Water folks and get you comments by July 15.
- Bob: We start off with definitions on page one. We are looking at intra-basin, inter-basin, and interstate. It is possible to trade across major rivers in the TMDL, there are some stipulations but it is possible. Susquehanna, Potomac and Eastern Shore all have interstate basins. We note which of those basins might have the most potential for interstate trading. We also talk about pros and cons of interstate trading. There needs to be a demand or a need to start up such programs as well. We have separate state programs for one way and bilateral trading arrangements, as well as multilateral approaches. We talk on page 6 about implications for trading policies. Decisions on trading rules to use in interstate trading, for instance home rule or external recognition or a combined approach. Page 7 lays out how baselines are set, and there’s a table in there. The table asks the question of whether the buyers’ and sellers’ TMDL or permit goals are satisfied. There’s also discussion on harmonization. On page 10, the last section reminds readers of the CBNTT tool.
- Bob: Please let us know if there’s anything you think is missing, and we can add it in.
- Pat: Thanks Bob, and we appreciate any comments that folks are willing to send us.

**Action:** TOWG members will send in comments on the draft paper: “Considerations for Interstate Trading and Offsets in the Chesapeake Bay Watershed” to Bob Rose ([rose.bob@epa.gov](mailto:rose.bob@epa.gov)) by COB July 15. A final draft will be sent out to TOWG members in August.

**Status: Queen Anne’s County RFP for the purchase of credits. – Susan Payne, MDDA**

- Susan: The RFP issued by QA county is grounded in report done by World Resources Institute. They investigated potential for SW trading in Queen Anne’s county and Montgomery County in MD, and Arlington County in VA. What they found is that there is a great deal of interest, as SW BMPs are very expensive and these counties have significant restoration requirements. They found that the farms were managed well and the farms were good stewards so there weren’t a lot of extra credits that could be gotten on the farms. However, annual practices weren’t investigated. The RFP issued came out on May 31. Rob Gunter is the QA planning department contact. The turnaround is very tight—July 31 for locating farms and doing assessments and reviews for credits. This is a pilot project that tests proof of concept, so it’s a small study. If you have any questions, I would say that you should send them to Rob.
- Pat: Bottom line, QA county is looking to buy some credits. We will share Rob’s contact information, and we will send out a link to that RFP.

**Action:** A link to the Queen Anne’s County credits study RFP will be sent to TOWG via email.

**Adjourned**

Call Participants:

David Foster, Chair

Pat Gleason, Coordinator

Michelle Williams, CRC staff

Abe Rustin, Environmental Integrity Project

Chris Pupke, Biophilia Foundation

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Susan Payne, MDA

Michelle Crawford, MD

Allan Brockenbrough, VA DEQ

Ridge Hall

Bob Rose, EPA

George Onyullo, DOEE

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