

**Chesapeake Bay Program
Trading and Offsets Workgroup (TOWG) conference call
October 17th, 2012**

<http://www.chesapeakebay.net/calendar/event/18573/>

ACTION ITEMS

MINUTES

1. Welcome and introductions

- Evan Branosky (WRI; Chair, Trading and Offsets workgroup) welcomed participants and convened the call at 10:00AM.

2. Update on EPA Technical Memoranda

- Darrell Brown (EPA): Released EPA workplan last summer. Still in process of developing internal drafts of technical memoranda on baseline demonstration, septic growth and offsets demonstration, starting trading ratios and uncertainty. Delay as a result of white paper on interstate trading that was requested by Executive Council, been focusing on that paper due to timeline.
- Bob Rose (EPA): EPA Office of Water will be hosting a November 28th national webinar on water quality trading; WRI has agreed to host the webinar at their office. NACWA has also expressed interest in sponsoring; WEF will have a water quality webinar on the 29th.
 - Branosky: working to develop an agenda
- Chris Day (EPA, Region 3): complaint filed against EPA on October 3rd by Food & Water Watch and Friends of the Earth, challenging Bay TMDL's alleged approval of water quality trading. They also argue that trading/offsets provisions violate Administrative Procedure Act and Clean Water Act. The suit will likely be kept separate from the Farm Bureau suit.
 - George Kelly (EBX): thoughts on current state trading programs? Does suit include any kind of injunction on state programs?
 - Day: No injunction filed at this point, likely difficult to pursue through suit of EPA. Personal thought is for states to proceed with their programs until they hear otherwise.

3. Review of programs' design elements to address uncertainty

- Branosky described sources of uncertainty in trading programs and options for addressing them. View his presentation [here](#).
- Russ Baxter (VA Dept. of Environmental Quality: VADEQ doesn't call it a ratio, but HB176/SB77 does require 5% retirement of credits for water quality improvement purposes.
 - Abel Russ (Environmental Integrity Project): Maryland's retirement ratio also seems intended for WQ improvement, not uncertainty.

4. Uncertainty in the Bay model BMP efficiencies

- Tom Simpson's (Water Stewardship) presentation on understanding uncertainty in effectiveness estimates for Best Management Practices (BMPs) is available [here](#).

- Simpson explained that “BMP effectiveness estimates” is interchangeable with “BMP efficiencies”
- Andra Popa (EPA): are lag-times considered as a source of uncertainty?
 - Simpson: Lag-times are not considered in the effectiveness estimates. Would be difficult to incorporate lag-times. Perhaps lag-times could be considered in how long it’s expected to realize the impact of a BMP in a specific location.
- Beth McGee (Chesapeake Bay Foundation): recall that Simpson and his team fought against making the efficiencies too optimistic and had tried to change the estimates accordingly. She asked Simpson to speak to that experience.
 - Simpson: the panel was unable to make unilateral changes, so not all recommended changes were adopted in some cases.
 - Abel Russ (EIP): were recommendations to use median estimate or lower implemented?
 - Simpson: For most BMPs they were, but there were cases where it was felt the data was sufficient to use a value closer to the average rather than median.
- Branosky: if model is updated with latest effectiveness estimates, wouldn’t trading programs also include the latest estimates?
 - Simpson: Yes, in and out of trading you have to be incorporating new knowledge at some planned stage
- Joe Maroon (Maroon Consulting): even if model incorporates latest efficiencies, uncertainty remains
- Popa: given all our uncertainty, does someone want to speak to what they think the uncertainty trading ratio should be? Something less than 1:1? Anything greater than 1:1 would eliminate incentive
 - Darrell Brown: Jim Shortle is an economist who, approaching from market efficiencies standpoint, feels it would be better to have less than 1:1 ratio to eliminate noise for nonpoint sources. This would entice nonpoint sources to participate in trading program.
 - Simpson: such a ratio certainly offers more incentive to increase market participation. However, having low uncertainty ratios in the face of uncertainty leaves room for criticism that water pollution is being allowed.
 - McGee: the point of trading isn’t to enhance participation alone, but to improve water quality. We have more confidence in some practices than others, so an across the board 2:1 ratio doesn’t make sense. Could set different ratios as a policy to incentivize implementation of practices we have more confidence in.
 - Simpson: a range could be adequate; for example, 1.5:1, 2:1, or 3:1 depending on uncertainty associated with the practice. He emphasized the numbers were purely for example. The concept deserves discussion, but could be difficult to reach consensus across sectors.
 - Carl Lucero (U.S. Dept. of Agriculture, Office of Environmental Markets): doesn’t uncertainty cut both ways? If effectiveness estimates are averages, then a conservative ratio is more stringent than necessary
 - Simpson: they’re medians and not averages. But for some, the median could be conservative. It’s worth noting that even when we use our best estimate, we don’t typically see greater-than-anticipated reductions.

5. Updates

- New York and West Virginia: no updates at this time
- PA: PA continues work on its offset strategy
- MD: Dan Baldwin: MD released draft regulations earlier this month, beginning to draft regulations for release in December based on the comments they are receiving
- DC: Branosky: DC stormwater rulemaking public comment period is open until November 8th. It contains the DC stormwater retention credit trading program.
- VA: VA started its study of trading ratios, as Branosky pointed out; hope to have it wrapped up by March 2013; comment period on new law closed October 10th; kick off mid-November (1:54-)
- Lucero: OEM is funding the second phase of an economics study on costs of TMDL to agriculture (with Penn State, led by Jim Shortle)
 - McGee: how will that be similar/different to CBC/RPI?
- Branosky: next Monday/Tuesday is face-to-face meeting of WQGIT; if any points/questions to raise, email/contact Evan Branosky

6. Next steps on LWQ, uncertainty discussions

- Branosky: Members should consider whether they want to form subcommittees on some of the major issues

Participants

Name	Affiliation
Evan Branosky (Chair)	WRI
Pat Gleason (Coordinator)	EPA
Jeremy Hanson (Staff)	Chesapeake Research Consortium
Dan Baldwin	MDP
Tom Ballentine	NAIOP-Maryland
Russ Baxter	VA DEQ
Allen Brockenbough	VA DEQ
Peter Brooks	
Darrell Brown	EPA
Rick Colbert	EPA
Scott Crofton	VA DCR
Chris Day	EPA
Olivia Devereux	Devereux Environmental Consulting
Paul Emmert	MDE
Ron Entringer	NYDEC
Drew Fleeter	
Steve Gladding	NYDEC
Shana Jones	Center for Progressive Reform
Nicki Kasi	PA DEP
George Kelly	EBX
Teresa Koon	WV DEP
Marya Levelev	MDE
Carl Lucero	USDA, OEM
Joe Maroon	Maroon Consulting
Beth McGee	CBF

Susan Payne	MDA
Andra Popa	EPA, CBPO
Jacob Powell	VA Conservation Network
Bob Rose	EPA
Nicole Rovner	The Nature Conservancy
Abel Russ	Environmental Integrity Project
Kevin Schneider	Greenvest
Tom Simpson	Water Stewardship
Lana Sindler	
Eric Sprague	Alliance for the Chesapeake Bay
Cabell Vest	MD/VA Associations of Municipal Wastewater Agencies