



PA Nutrient Credit Trading Program

Proposed Program Enhancements

Trading & Offsets Workgroup

December 19, 2012

Overview

- **Proposed Enhancements**
 - Through Policy or Guidance
 - Through Regulation
- **Solicitation of Input**
 - Stakeholder Group Meetings (May – Nov 2012)
 - Regulatory Process
- **Proposed Timeline for Implementation**

CAVEAT: What is being proposed could change

Goals to Define Enhancements

- Reduce current level of uncertainty and risk
- Maximize use of available resources:
 - Technical/financial resources of buyers and sellers
 - DEP/PENNVEST resources to manage/implement the program and the auction
- Enhance program transparency
- Provide opportunity for public participation where appropriate
- Compliance with EPA Requirements
 - Technical Memoranda Under Development

Adjustments to Threshold – NPS

- **Formula for credit generation:**
 - Between now and Sept. 30, 2015 = **NO** Change
 - After Sept. 30, 2015 = Trading Ratio*
 - 2016-2017 = Performance Based + Ratio
 - **Credit certifications:**
 - Existing = Expire September 30, 2015
 - Between now & Sept. 30, 2015
 - Expire September 30, 2015 or
 - Apply adjustments as defined in draft regulations
 - After Sept. 30, 2015 = Follow new business process, if changed
 - **Phase Out of Manure Hauling as Credit Generator**
- * **Trading Ratio Based on EPA Technical Memoranda**



Adjustments to Threshold -- PS

- **NPS Treatment Technologies with a Permit**

- Credits generated based on sampling results as defined in verification plan

- **WWTFs – Phase in of a Threshold ***

- Compliance Year 2013 – No change
- Compliance Year 2014 -- Must achieve a treatment capacity of 8 mg/L TN and 1 mg/L TP.
- Compliance Year 2015 -- Must achieve a treatment capacity of 6 mg/L TN and 0.8 mg/L TP



- **No Trading Ratio**

***This would only impact the ability to trade. No change to the assigned cap load for a WWTF is proposed.**



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DEPARTMENT OF ENVIRONMENTAL PROTECTION

Adjustments to Threshold

- As soon as possible, but no later than October 1 2017, load reduction goals will be either:
 - Defined by watershed
 - Basin-wide average by sector
- Selection of practices to achieve the threshold and generate credits will be left up to the credit generator and based on site specific conditions.
- The trading ratio for nonpoint source practices will stay in effect.

▶ Edge of Stream / Delivery Ratios

- Using Model Version “4” Numbers
 - Delivery Ratios are in WWTF permits
- Finer Segmentation for Version “5”
 - Possibly incorporate the EOS figures into the Performance Based approach for credit calculation at a later date
- Ensure long-term certainty for the program

Interim Strategy

- Recognize that Regulations Take Time
- Begin to Address Needed Adjustments
 - Point Sources -- Credits Calculated Based on Concentration in accordance to schedule described
 - Nonpoint Sources -- Implementation of adjustments before September 30, 2015 if generator wants to forward sell credits now.
 - Nonpoint Source Technology with a Permit – No change, but might need to submit new paperwork after September 30, 2015.

> Credit Availability

Updated November 30, 2012

| Activity | Compliance Year 2012 | | Compliance Year 2016 | |
|---------------------------------------|----------------------|------------|----------------------|------------|
| | Nitrogen | Phosphorus | Nitrogen | Phosphorus |
| Credits Certified | 4,338,919 | 327,810 | | |
| Credits Verified | | | | |
| WWTFs with New Concentration Criteria | 298,345 | 28,068 | 298,345 | 28,068 |
| WWTFs Under Cap Load | 811,584 | 47,448 | 0 | 0 |
| Nonpoint Source Practices | 22,494 | 433 | * | * |
| Manure Hauling | 176,845 | 21,138 | 0 | 0 |
| NPS Treatment w/Permit | | | 1,720,454 | 54,315 |
| Total Verified | 1,309,268 | 97,087 | ? | ? |
| Credits Registered | 623,703 | 33,203 | ? | ? |

* Contingent Upon Final Trading Ratio

Credit Certification Summary

As of November 30, 2012

| Activity | Certified | | Sold | | # Registered Trades to NPDES Permits | |
|---------------------------------------|------------------|----------------|----------------|---------------|--------------------------------------|-----------|
| | TN | TP | TN | TP | TN | TP |
| WWTFs with New Concentration Criteria | 300,229 | 28,391 | 212,518 | 10,041 | 17 | 13 |
| WWTF Under Cap Load | 873,913 | 75,313 | 222,787 | 16,520 | - | - |
| Nonpoint Source Ag BMP | 68,743 | 221 | 26,472 | 0 | 9 | 0 |
| Nonpoint Source Manure | 1,357,580 | 167,370 | 161,804 | 6,510 | 14 | 8 |
| NPS Treatment w/Permit | 1,720,454 | 54,315 | 0 | 0 | 0 | 0 |
| TOTALS | 4,338,919 | 327,810 | 623,703 | 33,203 | 38* | 21 |
| TOTAL TRADES | | | | | 50 | |

* One trade consisted of NPS Manure and NPS Ag BMP; another consisted of PS and NPS Manure

➤ Revisions to Business Processes

- Want to Begin Implementation by October 1, 2015
- Develop as part of regulation development
- Options
 - Apply for certification by location (current program)
 - Apply for certification by pollutant reduction activity
 - Orient program around creation of a “Generator Approval” Program
 - Tailored Review Based on “Forward” or “Spot” Sale
 - Other?
- Need further discussion, analysis

Audit Program

- Release a RFP or ITB for a private contractor to implement
 - Entity can not be a buyer or seller of nutrient credits
- Looking at a combination of various funding sources
- Priority for inspections and audits will be comment driven
- Additional audits and inspections will be done, based on availability of resources

➤ Inter-basin or Inter-state Trading

- Credit calculation, verification process consistent with other states
- Questions:
 - Define Smaller Watershed Scale?
 - HUC-12
 - Additional Credit Reserve
 - 5% now being piloted

Other

- **Extension of “True-Up” Period to 90 Days**
 - Changes to Permit Language
 - Starting Compliance Year 2015
- **Protocols for Use of Credit Reserve**
 - Further discussion is needed to define
- **Eligibility of Practices**
 - Depending on Business Process Chosen:
 - Standardize application process for credit calculation for:
 1. Agriculture Practices, including Cover Crops
 2. Point Sources
 - New technologies
 - Phase out of Manure Hauling

Other

- No PA Independent Review Team
- Policy for use of public funds will not change
- No averaging of credits over a period of time
- Use of Markit Clearinghouse Data System to track the registration of credits
- Revisions to the auction process

➤ Solicitation of Input

- **Regulation Development**
 - Advisory Committees
 - Specific outreach upfront before regulations are drafted
 - Public Comment Period
 - Might create workgroups to provide input to DEP in developing some program components and guidelines

PROPOSED Key Dates

- **Regulation Development**

- **December, 2013** -- EQB Approves Draft Regulations
- **March-April, 2014** -- Public Comment Period
- **January, 2015**-- EQB Approves Final Regulations
- **May, 2015** -- Regulations Published in Pennsylvania Bulletin

- **Credit Generation**

- **October 1, 2015** -- Start Implementation of revisions to process, if any
- **October 1, 2013** – Threshold for PS Adjustments
- **October 1, 2015** -- Threshold for NPS Adjustments



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