



Trading and Offsets Workgroup

Conference Call

Wednesday, September 17th, 2014

10:00 AM to 12 Noon

Meeting Summary

Welcome, Introduction and Announcements

- David Foster (Phoenix Initiatives, Chair) convened the call and reviewed the agenda. He introduced David Wood (CRC, CBPO), the new staffer for the TOWG, and thanked previous staffer Jeremy Hanson.
- David Wood verified participants.

USDA Chesapeake Bay Environmental markets workshop

- Chris Hartley (USDA) reviewed the USDA Chesapeake Bay Environmental Markets Workshop. It is a two day workshop, primarily for federal and state agency employees, sponsored by the Chesapeake Bay Environmental Markets Team and coordinated by the Conservation Fund. Goals are to improve coordination of environmental markets, and to help improve awareness of trading opportunities and available resources.
 - Please see the event [flyer](#) and draft [agenda](#) for more information.
 - Contact Margarita Carey (mcarey@conservationfund.org / 304-876-7924) if you are not a member of one of the federal agencies and would like to attend.
 - Anyone on the call is welcome to attend but there is a limited amount of space.
- Glynn Rountree (National Association of Homebuilders): Is something similar being planned for private entities or MS4s?
 - Chris: We would be happy to facilitate something like this.

Technical memoranda and updates from the workgroup

- Bob Rose (EPA) reviewed updates on the technical memoranda. The EPA has finalized the credit permanence memo, and it is available on the TOWG website. They have also shared a draft version of the verification and certification technical memo, which could be up for review as early as next week. The EPA is also considering putting together a compendium to summarize the six finalized memos.
- Glynn: Is there a memo that will cover how credits will be incorporated into permits and how often the permit would have to be open?
 - Bob: The certification and verification memo will address that question directly.
- Susan Payne (MDA): When can we expect to discuss with you our questions and concerns regarding the verification and certification memo?
 - **ACTION:** Bob will contact Susan shortly to discuss feedback on the memo.

Technical memorandum on certification and verification

- Bob Rose reviewed the new verification and certification technical memorandum.
 - For more details, please see his [presentation](#).
- Russ Baxter (VA Secretary of Natural Resources Office): What would be considered a “description of how risk of failure of the pollutant reduction activity will be managed”?
 - Bob: It may be reserves, or insurance tools that you may have in place.
- Concerns were raised regarding the duration of credits and how often permits would need to be reopened.

- Russ Baxter: I don't know if you want to have the certification length of credits set at only 5 years.
 - Bob: We can't rely on a certification that is longer than the permit itself. If there are any changes in load reductions in the Bay model, those calculations would need to be renewed at 5 year markers.
- Russ: We have gone under the assumption that you play by the rules of that time. The idea of having to go back and recalculate credits is logistically difficult and potentially unfair. I think there will be a desire for more assurance and continuity.
 - John Rhoderick (MDA): We have the same concerns.
 - Marya Levelev (MDE): It is a concern for all of the states. There are also a number of point source practices that are one-time fixes that should not need recertification. There are some exceptions to the rule that need to be clarified.
 - Dominic Bassani (Bion Environmental Technologies): Private sector financing will need to generate credits. They will need assurance that the calculation won't change by more than a certain amount or else the private sector will not want to take the risk.
- John: For post-construction, unless we attach a permit easement the validity of the credits are not long term. That is a concern. We are dealing with long terms contracts and we are not always willing to put a perpetual easement on it.
- John: Regarding expectations for verifications: you first mention the BMP verification protocol as a standard, but the 30% sampling rate is much more aggressive. In the BMP verification protocol, the sampling rate is only 10%, except for CAFOs which is still only 20%.
 - Bob: We are viewing the BMP process as the floor, rather than a ceiling.
- John: We actually have a law in MD that verification is done by MDA rather than MDE, which is in conflict with your last slide.
 - Bob: That is fine, MDA can be approved to complete the verification.
- Rich Hall: Question on public availability of information. MDA is required by law to protect confidentiality of farm owners, how will EPA reconcile those provisions with the general public availability provisions outlined in this memo?
 - John: Under the Maryland trading program, once credits are certified, everything can be public information.

Jurisdiction Roundtable updates

- Russ: Virginia expects the public comment period on nutrient certification regulations to begin in the near future. Note will be sent to David Wood when comment period opens.
- No updates from Pennsylvania, New York, Delaware, or DC.
- John: Maryland is holding their agriculture nutrient trading advisory meeting. Draft regulations for agricultural credit certification and verification will be provided at the meeting, as well as guidance from MDE and MDA on cross-sector trading. A more public presentation will be coming later this fall.
 - Rich: Will MD agriculture nutrient trading advisory meeting agenda include accounting for growth regulations?
 - John: I think they are on the back-burner.

Future Planning

- Pat Gleason (EPA, Coordinator) introduced the potential topic of tracking and accounting new

loads to make sure they are offset.

- Rich: I would be very interested in discussing that topic
- Glynn: There would also be interest from the private sector in that topic.
- **ACTION:** David Wood will place tracking and accounting on the October meeting agenda.
- John: Maybe a sub workgroup could work on the topic.
- Pat discussed potentially coming up with list of topics of interest and hosting public information sessions on technology or topics on trading and offsets for the local communities, to potentially create more buy-in.
 - John: I think this is a great topic. There is a lot of new technology out there, and we should go back and look at the technical memorandum, but the only things creditable are things in the Bay Program Model, which prevents innovation in the trading side of things. How do we incorporate new innovations in a trading program while still complying with the technical memo?
 - Michael Helfirch (Lower Susquehanna Riverkeepers): That is very important: We need a better understanding of the process EPA runs new technologies through.
- Glynn: DC has a water volume trading program that has great promise. The TOWG should talk about having someone from DC to come in and discuss the program.
- Marya: The TOWG should have a non-point to non-point trading discussion. How can they get reductions that are not permit driven?
 - Russ: Virginia does a version of that under post-construction general permitting in order to meet requirements. It is a non-point source impact and credit.
- David Foster: What can this group do to help restore trust among environmental groups and regulators?
 - Michael: Maybe start out with an open discussion of concerns. Once we can pin them down, we can start to address them.
 - **ACTION:** David Foster will follow up with Michael Helfirch beginning an open discussion of concerns.
 - Russ: I don't know that it is our place to work with the public. We have an open process, and the trust and understanding will come along once we have actually trading happening.
- David: Would it be useful to go through those Virginia trades and review them?
 - Russ: The only demand for credits in VA is stormwater offsets. These are relatively small amounts of credits and the issues are more in certification regulations. There hasn't been any controversy over any particular trades.
- Russ: We have not paid attention to the economic side of trading, maybe we should have a discussion with a banker to get that information.
 - John: An update on the Virginia program might be valuable.
 - Russ: We can look to put it on the November agenda.
- John: We should have someone for the modeling team come in to discuss the implications of the new Phase 6 model components for credit generation.
 - **ACTION:** David Wood will contact modeling team to discuss a possible future presentation.
- Olivia Devereux (Devereux Consulting): Land use loading rates info could also be useful for the TOWG.

Adjourn

Next Teleconference

Thursday, October 9th, 10 AM to 12 PM

<http://www.chesapeakebay.net/calendar/event/21196/>

Call Participants

Member Name		Affiliation
Pat	Gleason	EPA (Coordinator)
David	Foster	Phoenix Initiatives (Chair)
John	Rhoderick	MDA (Co-Chair)
David	Wood	CRC, CBPO (Staff)
Susan	Payne	MDA
Russell	Baxter	VA Secretary of Natural Resources Office
Rick	Parish	Southern Environmental Law Center
Patrick	Fanning	Virginia Nutrient Credit Exchange
Olivia	Devereux	Devereux Consulting
Megan	Thynge	EPA, CBPO
Marya	Levelev	MDE
Lindsay	Dodd	MD Association of Soil Conservation Districts
Kelly	Duvet	Tetra Tech
Glynn	Rountree	National Association of Homebuilders
Emily	Russel	Virginia Conservation Network
Dominic	Bassani	Bion Environmental Technologies
Chris	Hartley	USDA
Brian	Schlauderaff	PA DEP
Bob	Rose	EPA, CBPO
Kathryn	Zook	USDA
Michael	Helfrich	Lower Susquehanna Riverkeepers