Trading and Offsets Workgroup
Conference Call
Wednesday, January 21st, 2015
Meeting Minutes

<u>**Welcome, Introduction and Announcements**</u> -- *David Foster, Chair*

<u>**Verify participants**</u> **--** *David Wood, CRC*

<u>**Offset and Trading Baseline**</u>– *Olivia Devereux, Devereux Consulting*

- Pat Gleason offered some introductory comments to explain that the draft Baseline TM was distributed to the jurisdictions recently and that their deadline for comments is on January 26th. A series of calls will be organized with the jurisdictions to make sure their feedback is sufficiently captured. The TOWG will receive a copy of the TM in early February.
- Olivia discussed the upcoming Baseline Technical Memo that will be released by EPA in the next several weeks.
    o For more information, please see Olivia's presentation.

Discussion:

- Beth McGee (CBF): Using the same scale…. The interpretation is not that the Bay Watershed Model should be used at the farm scale but that you aggregate up to the scale of the Watershed Model?
    o Olivia Devereux (Devereux Consulting): The Watershed Model would not be an appropriate tool for the farm scale, it is only for use on a large scale, so you are correct. You want to use the scale that is consistent with developing the TMDL.
    o McGee: Maybe there is a word other than "scale" that could be used.
- David Foster (Chair): What happens if a farmer is already employing practices much better than what the load allocations require?
    o Devereux: That gets to how the states define their baseline. The states would define what it means to reach a baseline, then in Virginia, they would essentially go through a checklist to see if the farmer meets baseline according to the practices installed. If they have already done it, they are good to go and begin trading. In Maryland, CBNTT is used, where the farmer would go online and submit a BMPs they are doing and the tool scales the load reduction from the TMDL down to the farmer and tells him/her whether they have done enough to meet the TMDL goals on their farm.
- Susan Payne (MDA): We don't average across a state basin, because for instance, soil characteristics are different on different farms.
    o Devereux: That is ok, but you are introducing the risk that you are generating different load results, and that when you report the load results from an entire state basin, it could result in very different load reductions than what is calculated by the Bay Watershed Model. That is a risk that can be taken by the state or not.
    o Pat Gleason (Coordinator): Those are the kind of issues that we want to talk to the jurisdictions about on their individual calls.
- Ridge Hall (CLA): Are other states developing similar tools to CBNTT, if not identical tools, so that other states will know if they can compare the credits generated?
    o Nicky Kasi (PA DEP): We are looking at using the same tool as Maryland, because we have the same concerns as Susan.
    o Allan Brockenbrough (VA DEQ): In Virginia we are counting on the same tool (CBNTT) as being an alternative tool.

- Devereux: If the tool is well calibrated to the Watershed Model, then the risk of a state selling loads that are below baseline.
- Payne: There are inconsistencies in the TM. States were allowed to use interim BMPs to meet their allocations under the TMDL, but now this TM is stating that we can only use BMPs approved in the Bay Watershed Model.
    - Devereux: Interim BMPs were only allowable for planning, not for reporting progress or actual implementation.
    - Gleason: We will get into those issues with individual conversations.
- Paul Emmart (MDE): How will urban stormwater be treated?
    - Devereux: That is a decision Maryland is making.
- Marya Levelev (MDE): Will the Watershed Model be able to separate out a number for how much credit is generated by trading and offsets versus BMP implementation?
    - Devereux: Yes, states will also be reporting what they calculated as well as their BMPs, so the Bay Program will be able to calculate the pounds of Nitrogen, Phosphorus and Sediments for generating credits. It is part of the second bullet.
- Kasi: So before we can allow a trade for an individual farmer, we have to meet the baseline for the entire basin?
    - Devereux: No, we are evaluating the program as a whole. We want to know whether that handful of practices, if adopted by most people, would meet the baseline. We are not evaluating any one individual trade, but rather the programmatic requirements.
- McGee: You mentioned the baselines need to be consistent with a TMDL, but I am unclear how you would do that with a practice-based approach.
    - Devereux: The EPA has agreed to evaluate those for a Bay scale, but I am not sure about at the state scale.
- Levelev: How do you propose we compare proposed BMPs with the results of the Watershed Model? For example, the farmer is meeting the baseline load and proposed to install BMPs to be used as credit, but they are not installed yet. From our system, we can predict the load reductions, how do we compare that to what the model will give us.
    - Devereux: Maryland has decided to use CBNTT for the agriculture sector, so what EPA would do is ensure that CBNTT is consistent with the Bay Watershed Model, but they are not looking at evaluating any individual trade. If the tools are producing similar output all together, it is assumed the output would be similar for any individual output too.
- Levelev: How would we get the comparison with the proposed BMP if it has not yet happened?
    - Devereux: CBNTT would create those comparisons to the Watershed Model. You are always welcomed to submit scenarios for running, but the purpose is to look at multiple trades over the course of the year.
    - Gleason: We can talk more about this when we have the jurisdiction calls.
- Pennsylvania: Question about the evaluation of reaching the assumptions. Were the Pennsylvania assumptions that 68% of operations had nutrient management plans? Is that the percentage of land or the number of operations?
    - Devereux: I honestly don't have the percentages on the top of my head, but it would have been a percentage of acres of agricultural land, not the number of operations.
- Pennsylvania: How is it evaluated whether or not we are reaching the assumptions that we are putting in the evaluations?
    - Devereux: That is overall part of the milestones evaluations.
- Hall: Suppose a farmer comes in to Pennsylvania and they want to find out what they have to do to meet baseline and go beyond that. I thought before that calculation can be done, the states have to make a number of calculations of loads in other sectors before they can make that determination. I am assuming states have been looking at sector loads before dividing them up into individual loads. How far does the state have to go in that process before they can entertain an application for credit generation?
    - Devereux: All the states have already done that in terms of the loads for each sector in

each major basin.

- Hall: So is there anything more in terms of load calculations?
    - o Devereux: The state knows what the sector load allocation is for each major basin. The next step is that if you have a set of practices that are required to meet baseline for the state, finding out whether these practices match what they have for the sector allocations.
- Levelev: For the performance-based baseline, why do we need to compare the Bay TMDL load to our current load calculations?
    - o Devereux: It is really to your advantage, because it makes sure you are on track to meet your load allocations.

Jurisdiction Roundtable updates -- *Pat Gleason*

- Virginia: Draft Trading and Offsets regulations are out for public comment until March 18th. We will be extending the trading program outside of the Bay Watershed to meet state runoff requirement, and we have two public meetings coming up in Richmond and Roanoke.
- Foster: Has there been any further updates on the appeal of the lawsuit against the Bay TMDL?
- Bob Rose (EPA): No, there have not. Last time it took 18 months, but I'm not sure how long it will take to hear.

Adjourn

Next Teleconference
Wednesday, February 18th
10 AM to 12 PM

List of Call Participants

Member Name		Affiliation
Pat	Gleason	EPA (Coordinator)
David	Foster	Phoenix Initiatives (Chair)
David	Wood	CRC, CBPO (Staff)
Beth	McGee	CBF
Ridge	Hall	Chesapeake Legal Alliance
Peter	Thomas	CoalTech Energy
Olivia	Devereux	Devereux Consulting
Bob	Rose	EPA
Michael	Helfrich	LSRK
Susan	Payne	MDA
Marya	Levelev	MDE
Paul	Emmart	MDE
Nicholai	Francis-Lau	MDE
Steve	Gladding	NYSDEC
Nicki	Kasi	PA DEP
Bob	Boos	Penn VEST
George	Van Heutven	RTI
Teresa	Rafi	TetraTech
Ginny	Snead	The Louis Berger Group

Mindy	Sellman	USDA
Chris	Hartley	USDA
Derick	Winn	VA DEQ
Allan	Brockenbrough	VA DEQ
Jeremy	Rowland	
Michele	Ashworth	