



Trading and Offsets Workgroup

Conference Call

Wednesday, December 16th, 2015

MINUTES

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

Lessons Learned from Emissions Trading – Mike Levin (Carbon Finance Strategies LLC)

From 1979-1988 Mike Levin was EPA's first national Regulatory Reform Director. There he was responsible for coordinating design, Implementation and integration in existing agency/state programs of market-based approaches meant to speed environmentally-sound compliance by affected sources with less cost and resistance. Mike has published widely on emissions trading and environmental-finance topics, and discussed some of his efforts in air emissions trading and lessons that could be applied to water quality trading.

Discussion:

- Marya Levelev (MDE): What kind of baselines were used for banks?
 - Levin: Same as the ones for individual trades. Lowest of actual sip allowable, approximately 80% reduction over uncontrolled emissions. You need to specify the location and nature of the reduction with a bank and various other things. A bank has advantages: time component, creates centralized pool of reductions for anyone who wants a trade to go to, and is a device for pre-certifying appropriate reductions. One issue is how to assure each trade produces progress, not equivalence. Typically EPA has applied a trading ratio to achieve that progress, whether the trade is within its plant or outside. That ratio also applied to those in the bank to show the increment of reduction beyond the baseline.
- Levelev: Who is tracking the credits sold by the banks?
 - Levin: In some, EPA runs the bank, otherwise it's a contractor. There are serial numbers for each reductions that are uniquely identified. It is basically a software program. There are also verification mechanisms to make sure credits aren't traded twice.
- David Foster (Chair): Pennsylvania is approaching that kind of a banking system. Also in North Carolina, they have a water quality trading program with a provision for banking. It is critical when you have small sources where costs might be prohibitive otherwise.
- Foster: Here are a few issues raised in the past on trading that I'd like you to address: Some feel that trading is sort of a shell game of shifting nutrients. Others say any deviations from the original state WIP would have to be seen as a concession to the polluters. Finally, many environmental groups have said that state and federal agencies shouldn't concern themselves with cost and that that is a problem for the polluter.
- Levin: It is not about cost, it is about faster progress. The WIPs may be a gold standard, but how sure are you that you will achieve it, and over what time period? You need a mechanism to get the "polluters" interested in giving you information so you know what they're doing. On the shell game point, they are reflecting legitimate environmental group concerns, but they were the same ones that were voiced in the 1970s with air emissions trading and that went away, and should go away with water as well. EPA has run a series of hot spot studies to compare them in areas with trading programs and without and have found trading programs tend to scrub out the hotspots.

Comparison and Effectiveness of Chesapeake Bay Nutrient Trading Programs Policies – Sara Walker (WRI)

Sara provided an overview of a recent WRI report that compares Chesapeake Bay state nutrient trading program policies and makes recommendations for improving consistency and effectiveness.

Discussion:

- Ridge Hall (CLA): To what extent will EPA go back and review each state's program once it completes the TM process?
 - Walker: I know the TMs are not meant to be requirements, but I can't speak for EPA.
 - Susan Payne (MDA): EPA speaks with the states and reviews our plans regularly. Also, I'd like to clarify in terms of certifying credits, they don't get certification until there is a site visit to verify proper operation.
- Foster: Was this meant to be limited to MS4 in stormwater? Or other stormwater areas?
 - Walker: I think the RTI study was looking specifically at regulated urban stormwater. We are talking about meeting permit limits.
- George Van Houtven (RTI): You talked about using minimum standards as a way of implementing interstate trading?
 - Walker: Some examples are minimum standards for project approval before the credits can be issued or finding a minimum standard. Allow variety within states but some uniformity between.

Jurisdiction Roundtable updates -- Pat Gleason

- Derick Winn (VA DEQ): Virginia's watershed general permits for point source trading is up for public notice. The public hearing is in January. The certification of nonpoint source panel is re-forming in February. There are lots of small nonpoint source nutrient credit sales and a number of nutrient bank applications.
- Payne (MDA): Our regulations for agriculture certification verification registration program will be published in the Maryland Register on December 28. Maryland, in conjunction with the Hughes Center for Agro-ecology, CBF and the Maryland Grain Producers, is sponsoring a nutrient trading symposium at Chesapeake College on January 8. We will distribute the press release to the TOWG.

Adjourn

List of Call Participants

Member	Affiliation
David Foster (Chair)	Phoenix Initiatives
Pat Gleason (Coordinator)	EPA
David Wood (Staff)	CRC
Kim Snell-Zarcone	Conservation PA
Ridge Hall	CLA
Olivia Devereux	DEC
George Onyullo	DOEE
Susan Payne	MDA
Marya Levelev	MDE
Nicki Kasi	PA DEP
George Van Houtven	RTI

Derrick Winn	VA DEQ
Sarah Walker	WRI
Mike Levin	Carbon Finance Strategies LLC
Mindy Selman	USDA
Glynn Rountree	
Lindsay Thompson	DMAA