Water Quality Trading Demand Assessment

Lessons Learned from Other Environmental Markets

Geography of Demand

Decision-Making Roles and Processes

Stakeholder Interviews

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Decision Criteria

- Broad scope of applicability
- Leverage diversity of stakeholder power and roles
- Cover multiple action areas
Top Barriers to Advancing Water Quality Trading

1. Trading program design and application is too complicated
2. State agency capacity and resource constraints
3. Stakeholders are uncertain about the new administration’s/ EPA’s position on trading
4. Risk and liability for buyers
5. There is no guidance on trading for MS4 permittees and only a handful of examples to look to
6. Risk of litigation
7. Lack of stakeholder relationships and trust
Priority Actions for Advancing Water Quality Trading

1. Simplify water quality trading program design to make it more accessible.
2. Ensure state regulatory agencies have adequate capacity and resources to engage on water quality trading.
3. Clarify each administration’s and the U.S. EPA’s position on water quality trading.
4. Actively address real and perceived risks for buyers.
5. There is no guidance on trading for MS4 permittees and only a handful of examples to look to.
6. Identify potential risks of litigation.
7. Build stakeholder relationships and trust
Stakeholders

Utilities/Permittees
State Regulatory Agencies
NGOs

Funders
Law Firms
US E.P.A
7 Priority Actions for Advancing Water Quality Trading
1. Simplify water quality trading program design and application

**Utilities/Permittees**
Publish lessons learned

**U.S. EPA**
Clarify approach to evaluating quantification methods

**State Regulatory Agencies**
Consider alternative partnership models

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2. Ensure state regulatory agencies have adequate capacity and resources to engage on water quality trading

**Utilities/Permittees**
Advocate for funding long-term WQT staff positions at state regulatory agency

**NGOs**
Develop resources for states to train new permit writers
3. Clarify each administration’s and the U.S. EPA’s position on water quality trading

**U.S. EPA**

- Release statement of support for trading
- Clarify role of memos, guidance, and other documents on trading
4. Actively address real and perceived risks for buyers

**State Regulatory Agencies**
Consider programmatic mechanisms to address commonly cited risks

**NGOs**
Educate potential buyers on sources of risk and risk-related misperceptions

**Funders**
Incentivize watershed approaches
5. Identify and address risks of litigation

**Law Firms**

Become familiar with risks of litigation and communicate responses to permittee clients

**NGOs**

Expand application of WQT principles beyond regulatory compliance context
6. Create guidance on trading for stormwater

**NGOs**
Develop guidance to explain how stormwater trading works

**U.S. EPA**
Issue MS4 trading/ alternative compliance policy statement
7. Invest more in stakeholder relationships and trust

**Funders**
Provide small grants to get partnerships up and running

**All**
Reframe how we talk about water quality trading

**Utilities/Permittees**
Map out critical relationships

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Thank you!
Questions?

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