In It Together

A How-To Reference for Building Point-Nonpoint Water Quality Trading Programs

Available at www.willamettepartnership.org
Tualatin River, Oregon
Restoration for compliance, converting...

Cooling Towers

FROM THIS...

$60 - $150 million

35 miles of restoration

TO THIS

$6 million
Summer, 2007
Summer, 2010
A Reference in four parts

Overview, How-to, Cases, and Recommendations

- Part I: Overview of water quality trading
- Part II: Designing and operating a trading program
- Part III: Cases from the Chesapeake, Willamette, and North Carolina
- Opportunities for Action: Recommendations
Expert Reviewers

Overview, How-to, Cases, and Recommendations

USDA Office of Environmental Markets
American Farmland Trust
PA Department of Environmental Protection
Electric Power Research Institute
University of Maryland
The Freshwater Trust
South Central Washington Resource Conservation District
Pennsylvania Infrastructure Investment Authority (PENNVEST)

U.S. Environmental Protection Agency
OR Department of Environmental Quality
Environmental Incentives
Kieser and Associates
Clean Water Services
Markit Environmental
Part I
Overview

- Introduction to trading
- Status of the 24 active, point-nonpoint programs
- Database of information on the 24 programs
- Lessons learned
Part II: Starting a Program

- **Building a Trading Program**
  - Feasibility
  - Convening

- **Milestones**
  - Assess demand & supply
  - Secure policy support for trading concept
  - Review of available quantification methods
  - List of program leaders
  - Identification of roles
  - List of stakeholders & requirements of them
  - List of potential challenges
  - Process design completed
Part II: Building a Program

### Building a Trading Program

#### Design (Goals & Methods)
- Clarify water quality & other program goals
- Select field and watershed-scale credit quantification methods

#### Design (Eligibility)
- Define baseline requirements
- Set trading area boundaries
- Establish BMP performance standards
- Set timing, duration, and maintenance requirements for credits

#### Design (Verification, Certification, & Reporting)
- Define what gets verified, by whom, and when
- Clarify role for agencies in certifying trades
- Establish reporting rules and database

#### Design (Ratios, Liability, Infrastructure, & Testing)
- Set trading ratios for delivery, uncertainty, and other factors
- Define other liability and enforcement tools
- Build necessary infrastructure to make trading easy
- Do a pilot test to make sure the program design matches local capacities and watershed realities
Part II: Operating a Program

Milestones

- Secure formal trading agreement with agency approval
- Establish program governance structure
- Complete transactions guide
- Set pricing structure
- Provide training for participants
- Agree to business plan for sustaining program operations
- Annual report on program results
- Agree to changes needed to quantification methods and program designs
- List of needed information and research
- Make program improvements over time
# Opportunities for Action

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<tr>
<th>Action</th>
<th>Audience</th>
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<tr>
<td>Improve the opportunities for trading programs to succeed</td>
<td>USDA, US EPA, State agencies, others</td>
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<td>Clarify regulatory guidance on water quality trading</td>
<td>U.S.EPA</td>
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<td>Develop standards for credit quantification methods</td>
<td>USDA, U.S.EPA</td>
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<td>Put the trading option on par with engineered solutions where feasible</td>
<td>WEF, NACWA, USDA, WERF, consultants</td>
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<td>Encourage more systematic evaluation, sharing of program results, and</td>
<td>U.S.EPA, USDA</td>
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<td>adaptive management</td>
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<td>Link regional programs together to increase program design</td>
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<td>_consistency across states</td>
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