
NATIONAL NETWORK OVERVIEW

Last Updated July 11, 2014

Why a National Network on Water Quality Trading?

The purpose of the National Network (“Network”) is to establish a national dialogue on how water quality trading can best contribute to clean water goals. That includes providing options and recommendations to improve consistency, innovation, and integrity in water quality trading.

Water quality trading (WQT)¹ programs continue to emerge across the country as permittees seek cost-effective compliance alternatives and interested stakeholders seek to accelerate the pace and scale of water quality improvements to meet the goals of the Clean Water Act. WQT programs are still developing, but a considerable base of experience has been assembled on how to build trading programs that are effective and gain support from multiple stakeholders. Successful WQT programs maintain transparency in their methods, ensure real and verifiable pollutant reductions, track and verify projects and credits throughout their lifecycle, rely on sound science, and establish clear lines of responsibility.

Establishing a national community of WQT practitioners to articulate shared principles, core trading program design elements, recommendations for implementing and operating trading programs, and lessons learned from experience, will help improve consistency and integrity across WQT programs. The information will make it easier to establish WQT programs, provide greater transparency about what WQT programs hope to accomplish, and help WQT programs meet their clean water goals.

What will a Network do?

There is a need to consolidate information on WQT programs into a form that new and evolving programs can leverage to reduce start-up costs and inform ongoing management decisions. The Network will distill experiences from existing programs into a range of options for designing, operating, and improving WQT programs over time. The Network is structured as a facilitated dialogue between stakeholders who are central to making WQT programs work (agriculture, permitted point sources, state

¹ The Network has chosen to focus first on point-nonpoint trades. The Network will discuss trades with urban stormwater (MS4, industrial, and construction) and NPDES-permitted wastewater facilities. Trades include both offsets for future growth and crediting against current discharges. Future effort may turn to point-point or other forms of trading.

water quality agencies, environmental groups, and practitioners). Incorporating the range of experiences and options in WQT programs, this dialogue hopes to accomplish the following:

- Articulate shared principles for guiding the development and operation of WQT programs;
- Define a range of reasonable options for each program element needed to support a successful WQT program; and
- Capture the debate and diversity of viewpoints around each program element to provide new and evolving programs with the pros and cons associated with different choices they might face.

Ultimately, approval of trading programs and their elements is up to the stakeholders engaged in those programs and the relevant state and federal regulatory agencies. The Network will provide insights and support tools to aid in the development of successful WQT programs.

Who is currently involved in and coordinating the Network?

For this first 12-18 months, the Network will facilitate a series of dialogues between core participants to identify the range of options and considerations associated with WQT programs. The Network’s strength derives in part from its diversity of experience and viewpoints. Thus, all network participants are free to maintain their own individual positions on any issues or documents discussed or published by the Network as a whole. The following organizations are currently contributing as Network participants:

Network Participants	
American Farmland Trust	National Association of Clean Water Agencies
Association of Clean Water Administrators	National Association of Conservation Districts
Chesapeake Bay Foundation	National Milk Producers Federation
Electric Power Research Institute	The Freshwater Trust
Environmental Defense Fund	The Ohio Farm Bureau Federation
Kieser & Associates, LLC	Troutman Sanders
Maryland Department of Agriculture	US Water Alliance
Mississippi River Water Quality Collaborative	
Technical Advisors	
US Department of Agriculture	US Environmental Protection Agency
Coordinators	
Willamette Partnership	World Resources Institute

Willamette Partnership and World Resources Institute will act as the Network coordinators by organizing meetings, facilitating discussions, and documenting options and best practices. The US Department of Agriculture (USDA) and US Environmental Protection Agency (EPA) will serve as technical advisors to the Network.

What will a Network deliver and when?

The Network will publish two documents anticipated for release in Spring 2015. These include:

- **Options and Considerations:** A collection of the range of options with pros, cons, and things to consider when building or operating a WQT program. This document will pull from the experiences of existing WQT programs and incorporate the outcome of the facilitated discussions amongst Network members. The Memos will focus on options that may be viable, although some options may not work for some watersheds or may carry more risk than others. For some trading program elements, there may be a wide range of potentially viable options, and for others there may be a narrower set of options from which to select.

These documents will also help establish a common set of principles to guide and support WQT. A summary of the content covered in the Options Memos is included on pages four and five of this Overview.

- **Executive Summary:** A concise summary of the Options and Considerations intended for decision makers and designed to encourage greater feedback and discussion from broader stakeholder groups.

How is the Network funded?

The National Network is grateful for seed funding provided by the Electric Power Research Institute (EPRI) and USDA that covers the gathering of options and initial dialogue between the diverse network participant stakeholders. Additional funders are welcome and would enable a broader engagement of stakeholders in conversation about what WQT trading programs might look like and the range of options that not only fosters consistency and integrity, but also embraces flexibility and innovation.

For more information, please contact the Network coordinators:

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OPTIONS & CONSIDERATIONS

SUMMARY OF CONTENTS

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The National Network discussions will produce an Options & Considerations document, which is organized around a set of common water quality trading program elements. The contents of these sections include:

➤ **Introduction, Vision, & Guiding Principles**

This Section introduces the National Network on Water Quality Trading, provides a common vision and goals of water quality trading programs, and lays out a set of guiding principles to anchor water quality trading program decisions.

➤ **Section 1: Regulatory Instruments to Support Trading**

Water quality trading programs linked to Clean Water Act compliance, need to be incorporated into relevant federal and state regulatory instruments. Those regulatory instruments, often a National Pollution Discharge Elimination System (NPDES) permit, need to be clear and enforceable and provide opportunities for the public to review and comment on the details of a trading program.

➤ **Section 2: Appropriate Conditions for Water Quality Trading**

Point-nonpoint water quality trading will not be an appropriate solution everywhere for every situation. This Section considers the regulatory, ecological, economic, and practical preconditions necessary to support trading. This includes determining the regulatory environments and sectors that may engage in trading, delineating trading areas, determining tradable pollutants, and selecting appropriate BMPs for generating credits.

➤ **Section 3: Trading Eligibility**

This Section explains the basic eligibility requirements that credit Buyers and credit Sellers need to meet, and discusses how programs can set baseline levels of pollution reduction and other ways to demonstrate additional water quality benefit that states and water quality trading programs must address.

➤ **Section 4: Quantifying Water Quality Benefits**

There are several approaches and several scales for quantifying water quality benefits. This Section explores the three main approaches to quantifying water quality benefits: modeling, pre-determined rates, and direct monitoring. Quantifying water quality at the field, reach, and watershed scales is also discussed.

➤ **Section 5: Managing Risk & Uncertainty**

Managing risk and uncertainty is an important part of many trading program design decisions. This Section focuses on one of the most common risk management tools—trading ratios, but also discusses other ways to manage risk and incorporate risk management throughout a trading program.

➤ Section 6: Credit Characteristics

This Section discusses the essential characteristics of a credit in a water quality trading program, including how long a credit is good for (credit life); the property rights, accounting, and tax treatment of credits; and other financial considerations.

➤ Section 7: Project Implementation & Assurance

Trading participants need to be confident that when implemented, credit-generating projects deliver their anticipated water quality benefits. This Section describes mechanisms to screen projects for eligibility (project site screening), provide design, construction, and maintenance quality standards (BMP guidelines), articulate project design and management plans, and document pre and post project site conditions. This Section also provides options for ensuring a project is maintained (project stewardship) and protected (legal protection) for the life of the project.

➤ Section 8: Project Review, Certification, & Tracking

Trading programs need a way to confirm projects are performing as promised. This Section discusses how a program can confirm a credit-generating project is implemented, credits have been calculated accurately, and performance expectations are being met. This Section also discusses the process for certifying, issuing, and tracking credits from their generation through credit sales and usage.

➤ Section 9: Compliance & Enforcement

Since many water quality trading programs are used as part of compliance with the Clean Water Act, this Section discusses options for ensuring compliance and enforcing obligations in a water quality trading program.

➤ Section 10: Program Improvement & Tracking

This Section discusses processes for improving the ability of a given trading program to meet its goals in an effective and efficient manner. New science and experience on the ground can help programs improve quickly, but buyers and sellers need predictable processes and timing for program improvement. This Section includes options for improving quantification methods, approving new BMPs, and evaluating overall program effectiveness.

➤ Section 11: Roles, Responsibilities, & Transaction Models

Trading programs provide an opportunity for regulatory agencies, permittees, and third parties to work together in administering different aspects of a trading program. This Section discusses roles, responsibilities, and skill sets needed to run different parts of a water quality trading program. The Section also explores different transaction models and some guidelines for involving the public in trading program design and operations.