



EPA Chesapeake Bay Trading and Offsets Workplan

STAC Workshop
June 19, 2012

Presentation Outline

- ▶ Background
- ▶ Trading and Offset Program Assessment
- ▶ EPA Workplan
 - Addressing Assessment Findings
 - Oversight Program
 - Program Development and Guidance
 - Outreach, Education, and Integration
- ▶ Next Steps
- ▶ Observations
- ▶ Questions

Background

- ▶ Nutrient credit trading and offset programs in the Chesapeake Bay watershed must be credible, effective and economical tools to meet water quality goals.
- ▶ EPA's expectations for trading and offset programs are articulated in Section 10 and Appendix S of the Chesapeake Bay TMDL.
- ▶ EPA conducted assessments of the Bay jurisdictions' trading and offset program to determine whether they were consistent with the Clean Water Act and the TMDL.
- ▶ Final assessments were transmitted to the jurisdictions in February 2012.

Trading and Offset Program Assessments

- ▶ Program assessments identified both jurisdiction-specific and common concerns. EPA expects the states to develop a plan of action to address jurisdiction-specific concerns by the end of 2012 and to address concerns common to all jurisdictions by the end of 2013.
- ▶ EPA's assessments included the expectation that Jurisdictions have a fully effective offset program in place by December 2013.
- ▶ Once drafted, EPA will review those action plans, evaluate the products generated by them, and ensure that adequate progress is achieved in making any necessary adjustments.
- ▶ EPA has developed a workplan for trading and offsets activities that, in part, includes actions intended to support the jurisdictions as they respond to EPA's assessments.

EPA Workplan

- ▶ Based upon the assessments and stakeholder feedback, EPA's Draft Workplan includes four major components:
 1. Addressing Assessment Findings
 2. Oversight Program
 3. Program Development and Guidance
 4. Outreach, Education and Integration

- ▶ EPA and the Trading and Offsets Workgroup (TOWG) of the Bay Partnership are working to coordinate their efforts.

- ▶ EPA's Workplan is still being refined and reviewed.

EPA Workplan: 1. Addressing Assessment Findings

- ▶ Having completed the trading and program assessments, it is important for EPA to work with the Bay jurisdictions to ensure that plans for improving the states' programs are adequate.

- ▶ Priority projects in this area include:
 - Technical Memoranda on Baseline and Sector Demonstrations
 - Development of Jurisdictional Tracking and Management Plans
 - Review of Baseline Demonstration Submissions

EPA Workplan: 2. Oversight Program

- ▶ The success of a regional trading and offset program depends upon safeguards to ensure that:
 - The program conforms to NPDES regulations and the TMDL
 - Credits are credible and meet water quality objectives
 - Permit and compliance assurance programs support the goals of the trading and offset programs
 - New loads are appropriately offset

- ▶ Priority oversight program objectives include:
 - Inspection protocols for trading and offsets
 - Inventory state trades and permits
 - Annual report on jurisdiction trading and offsets

- ▶ Oversight mechanisms include:
 - State reporting of trades, offsets, and permits
 - Individual NPDES Permit Reviews
 - Review of state compliance assurance strategies

EPA Workplan: 3. Program Development and Guidance

- ▶ EPA plans to develop a series of Technical Memoranda (TM) to assist the jurisdictions in implementing their action plans and strengthening their programs.
- ▶ TMs will also provide EPA with a rubric for determining whether required program elements meet expectations.
- ▶ TMs will be created on an ongoing basis and may include, but are not limited to, the following:
 - Baseline Validation
 - Sector Growth and Offsets Demonstration
 - Ensuring Protection of Local Water Quality
 - Representative Sampling
 - Credit Calculation Methodology
 - Trading Uncertainty Ratios
 - Net Improvement Offsets
 - Verification Requirements
 - Interstate Trading Standards
 - MS4 and Construction Offsite Mitigation

EPA Workplan: 4. Outreach, Education, and Integration

- ▶ Outreach ensures that an ongoing forum exists to clearly establish expectations and to address concerns raised by federal agencies, jurisdictions, and other partners.

- ▶ EPA and the TOWG will sponsor workshops and webinars to facilitate continued dialogue with stakeholders.

- ▶ EPA will host a planning retreat to address roles, responsibilities, and opportunities for synergy in the numerous ongoing efforts.

- ▶ Additional outreach, education and integration objectives include:
 - Coordination and integration of various trading and offset workplans being developed by stakeholders, workgroups, and regulatory agencies
 - Stakeholder Priority Action Meetings and Stakeholder Support/Sponsorship

Next Steps

- ▶ EPA will continue to refine the Workplan
- ▶ Incorporate into FY13 CWA 117 Grant Guidance
- ▶ Some of the first projects on EPA's Workplan scheduled for completion are:
 - Assignment of leads for working with the jurisdictions
 - Development of a permitting oversight program
 - Coordination of EPA workplan with Chesapeake Bay Program Trading and Offset Workgroup (TOWG) workplan
- ▶ First work products (TMs, etc.) in Summer 2012
- ▶ Majority work products developed in 2013
- ▶ Some work products in 2014 (eg. Interstate Trading)

Observations

- ▶ As the Chesapeake Bay Commission's Economics of Trading report indicates, there is a large differential in the cost per pound of pollution reduced between wastewater and stormwater BMPs and agricultural BMPs which serves as a potential economic driver for trading.
- ▶ That cost differential also suggests that there is sufficient capacity to absorb transaction costs that include a rigorous and credible BMP verification system.
- ▶ NOTE: The BMP Verification System that is currently being developed under the Water Quality Goal Implementation Team (WQ GIT) is NOT intended to serve as the trading verification.
- ▶ The agricultural community is NOT sold on trading; many farmers view it as a situation where they are being asked to more so the urban sector, wastewater and stormwater, can continue to pollute.
- ▶ The private sector will not participate in trading under the TMDL unless and until the rules are made clear and responsibilities are appropriately assigned.

Questions?

Contact:

- ▶ Darrell Brown brown.darrell@epa.gov
- ▶ Kevin DeBell debell.kevin@epa.gov
- ▶ Andra Popa popa.andra@epa.gov
- ▶ Patricia Gleason gleason.patricia@epa.gov

EPA Trading Assessments available at
<http://www.epa.gov/chesapeakebaytmdl/>

Projected Timeline

► Projected Completion in Calendar Year 2012:

□ Addressing Assessment Findings

- Assigning State Leads
- Technical Memoranda on Baseline and Sector Demonstration
- Development of Expectations Regarding Common Recommendations
- Development of Jurisdictional Tracking and Management Plans
- EPA Review of Baseline Demonstration Submissions

□ Oversight Program

- Inventory State Trades and/or Permits
- Development of a Permit Checklist (local water quality, etc.)
- Development of a Permitting and Compliance Monitoring Oversight Program to include Oversight Reporting Requirements, and Inspection Protocols for Trading and Offsets
- Letter to Jurisdictions Establishing Reporting and Oversight Programs
- Development of Permitting Annual Report on Jurisdiction Trading and Offsets

Projected Timeline Review (cont.)

- ▶ Projected Completion in Calendar Year 2012 (cont.):
 - Program Development and Guidance
 - Technical Memoranda on:
 - Representative Sampling
 - Credit Calculation Methodology
 - Trading Ratio based on Uncertainty
 - Grants Guidance to Support Trading and Offset Plan
 - Outreach, Education and Integration
 - Trading Conference Planning
 - Define Trading and Offset Work Group (TOWG) Roles and Responsibilities
 - Coordinate TOWG and EPA Work Plans
 - Integration
 - Coordination of EPA/TOWG/NGO/USDA Workplans
 - Retreat of Principals: Roles, Responsibilities and Workplans
 - Letter to Jurisdictions on Data and Tracking Requirements
 - Grants Guidance to Support Trading and Offset Plan

Projected Timeline Review (cont.)

▶ Projected Completion in Calendar Year 2013:

□ Program Development and Guidance

- Technical Memoranda on:
 - Interstate Trading
 - MS4 and Construction Permits Trading and TMDL
 - Verification Measures for Trading and Offsets
- Pennvest Pilot for Interstate Trading

▶ Projected Completion in Calendar Year 2014:

□ Program Development and Guidance

- Technical Memorandum on Net Improvement Offset

Projected Timeline Review (cont.)

► Ongoing Initiatives

□ Program Development and Guidance

- USDA Multi-Benefit Trading and Environmental Markets Discussion

□ Outreach, Education and Integration

▪ Outreach and Education Plan

- Workshops and Webinars
- Develop and Maintain Trading and Offset Website Oriented to Chesapeake Bay
- Stakeholder Meetings for Input and Priority Actions and Stakeholder Support/Sponsorship
- Communications/Compendium Development

▪ Trading and Offset Work Group (TOWG)

- Coordination of TOWG

▪ Data and Tracking

- BayTAS support for Trading and Offset Oversight
- Land Use Tracking to Determine Changes in Sectors