

Critical Issues in Implementing Trading Programs in the Chesapeake Bay Watershed

STAC Workshop

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Steering committee

- Marc Ribaud
- Lisa Wainger
- Charles Abdalla
- Jim Pease
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Major Issues

- How do we know that nonpoint source practices deliver as contracted and that water quality is being protected?
- How does baseline choice affect markets?
- What are alternatives or supplements to trading?

Invitation only

- 10 State agency representatives
- 6 Federal representatives (EPA and USDA)
- 11 NGO representatives
- 5 Academic/NGO/Fed Presenters
- Presentations from 3 Bay states and 1 CBPO representative
- 6 STAC members (including Steering Committee)

Presentations

- What have we learned from current trading programs? (Jim Shortle)
- What have we learned from watershed-scale programs to protect water quality in agricultural watersheds? (Don Meals)
- Measuring conservation practice implementation and maintenance (Doug Jackson-Smith)
- Impact of baseline on trading markets and meeting nonpoint source abatement goals (Marc Ribaud)
- Summaries of State trading program design (EPA, VA, PA, MD)
- What's an alternative approach? (Dan Nees)

Major takeaway messages

Existing trading programs

- Only PA has had PS-NPS trades and participation may change when rules are revamped to comply with CBP requirements.
- Virginia's point-point trading program appears to be working.
- Stringent baselines and trading ratios may be hindering trades.

Major takeaway messages

Opportunities to improve effectiveness

- Practice adoption is not based only on economics, but on a variety of factors. These factors need to be understood when designing and implementing a program.
- Verification of baseline practices, adoption, and maintenance are critical. Requires on-site visits by trusted sources.
- The complexity of watershed processes overwhelms the capacity of existing modeling tools to reveal the water quality impacts of conservation practices. Coordinated research (i.e., small watershed scale, not piecemeal site approach) would reduce uncertainty.

Major takeaway messages

How can we build on what is working?

- Promote trading where it has fewer impediments (e.g., in-kind trades PS-PS or stormwater NPS-NPS)
- Recognize that water quality markets are new and poorly developed. Buyers and sellers are not nearly as savvy as economic textbooks would have us believe. Therefore administered trading (centralized programs that fund cost-effective projects with collected fees) and other alternatives to “free market” trading may be needed to supplement trading programs.
- Financing system (trades or other) should focus on outcomes (performance), not practices.