



DRAFT COG Discussion Statement Nutrient Trading & Offsets

COG staff document
March 18, 2013

*(Will provide language regarding how this fits with
COG's existing Principles for Regional Water Quality Policies and Programs)*

Nutrient trading is a tool that can be used to meet nutrient pollution reduction targets for the Chesapeake Bay and to offset the pollution resulting from new growth. Trading programs have been and are being established and modified at the state level as means to save money while reducing pollution. States are also discussing methods to offset sources of future pollution in order to meet their Watershed Implementation Plans (WIPs), in which nutrient trading is expected to play a major role.

Trading and Offset Objectives

Nutrient Trading and Offsets

Protective of Local Quality –Local jurisdictions need flexibility to meet Bay regulatory requirements without impeding progress toward eliminating local water quality impairments. There should be clear guidance for those programs that aid local governments in addressing when/how offsets are needed.

Save Money —Trading and offset programs must reduce the total cost of meeting the Bay TMDL nutrient reduction requirements, including administrative costs. Innovative financing approaches including public-private partnerships and trade/offset associations should be permitted.

Broad in scope – Trading should be allowed between all sectors, and among a sufficiently large geographic region (including interstate), to realize the majority of cost savings identified by the Chesapeake Bay Commission's report, "[Nutrient Credit Trading for the Chesapeake Bay.](#)"

Equitable and Transparent– The same basis (delivered loads) should be used to calculate the pollution credits generated and purchased. Trade, offset/fee-in-lieu Terms & Conditions and transactions should be transparent.

Manage Risks –Trading and offset programs should have adequate risk management provisions for most risks, including risk to credit buyers, risk to credit sellers, market risk, and programmatic risk. Credit brokers and aggregators should be required to have financial assurances.

Offsets

Fiscally Beneficial — Offset programs should be developed and monitored to ensure that they do not lead to unacceptable outcomes, such as redirecting growth, or rendering otherwise desirable new projects too expensive to build. Sources of new pollution requiring offsets should not have to rely solely on fluctuating prices in an uncertain trading market.

Allow for Fee-in-lieu— Offset policies should include an option for fee-in-lieu payments and a mechanism for periodically evaluating the fiscal impact of offset purchases, and analyzing the costs of various development scenarios across our region. Fiscal benefits of offset and fee-in-lieu programs should outweigh administrative costs for local governments.