

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
CHESAPEAKE BAY & WATER RESOURCES POLICY COMMITTEE**

**MARCH 18, 2016**

**ADVANCING NUTRIENT & SEDIMENT TRADING**

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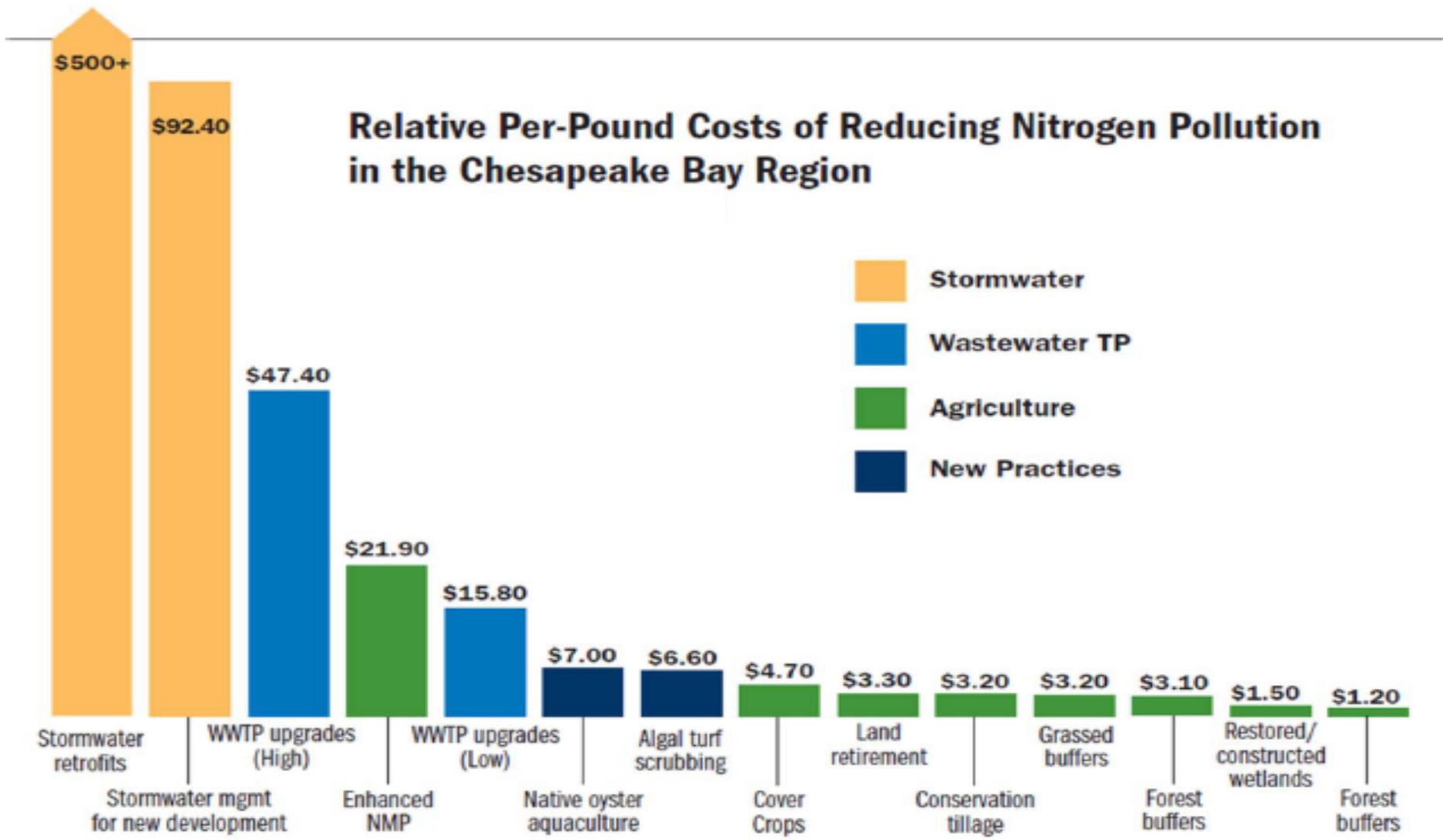


# Presentation Overview

- **Trading Status: Policy & Activity Levels**
  - National & Regional
  - VA, MD, DC
- **Advancing Trading**
  - Keys Issues for Local Government
  - Key Issues for Others (E-NGOs, Agriculture)

# What Is Trading?: Regulatory Flexibility / Same Goal

## Why Trade?: Sequence Projects, Save Time, Save Money



Source: World Resources Institute

January 2010

# National / Regional Status

- **Strong EPA Support (2003 EPA Policy)**
  - Nearly 100 trading programs nationwide
- **Especially Important for Chesapeake Bay**
  - Trading is wired into Bay TMDL; active and growing tool
- **Trading Is Active & Growing**
  - Need to maintain State discretion to set smart policies meeting local needs

# Virginia Status (Activity Level)

- **Wastewater (High)**
  - Large (105 facility) market, met Bay TMDL by 2011
  - Insurance credit pool for facility upsets (~5 users/year)
  - In future, offset new discharges (Executive Order 52)
- **MS4 Stormwater (Low)**
  - Legislative rules for nutrients (2012) and sediment (2016)
  - Permits ramp-up over 15 yrs, low-but-growing activity
- **Land Development (High)**
  - Trading is option to meet stringent standard (P-based)
  - 2015: 500 trades, 500 lbs P, \$10M credit value

# Maryland Status (Activity Level)

- **Wastewater (Low)**
  - Construction schedule approach in lieu of trading
  - Some case-by-case (bubbles, consolidation, septic hookup)
- **MS4 Stormwater (Low)**
  - Endorsed in Oct. 2015 Policy Statement
  - Overly aggressive permits drives urgent need for trades
  - Need policy and procedures to catch up permit demands
- **Land Development (Low)**
  - Stringent land development standard (ESD)
  - No current authorization for trading
  - Part of Aligning for Growth (AfG)

# DC Status (Activity Level)

- **Wastewater (Low)**
  - Unique single-plant situation (Blue Plains)
  - Potential source of credits throughout region
  - Unused primarily due to low current credit demand
- **MS4 Stormwater (Low)**
  - Current permit not a major driver for trading
  - Potential need in future permit cycles
- **Land Development (Growing)**
  - Stringent land development std (volume retention standard)
  - Authorization for use of retention credits generated off-site

# Advancing Trading: Key Issues for Localities

- **Startup Timing (It's Time)**
  - MD MS4s need this now (already late)
  - VA and DC MS4s need this in not too distant future
- **Clear Rules (Spell Them Out Up Front)**
  - Important for MD to complete Guidance Manual and put into trading into effect under standard operating procedures
  - Case-by-case regulatory decisions tend to kill or chill trades
- **Cross-Sector Operations (WWTP-MS4 Linkage Is Key)**
  - Need ability to manage low cost (WWTP) and high cost (MS4) compliance jointly (MD now, VA and DC later)

# Key Issues for Localities (cont.)

- **WWTP Nutrient Allocation “Regulatory Stability” (Safety)**
  - Essential infrastructure, major investment, bond and tap commitments, economic development key (All)
  - Ex: VA – Executive Order 52 Growth Offsets
  - Ex: MD – “Flow Fraction” of WWTP Credits
- **Avoid WWTP Permit Modifications (Safety)**
  - Trading needs to work under the existing permits, rather than amending permits to reduce allocations (MD, VA)
- **Trading Mechanism Options (Ease of Making Trades)**
  - To accommodate different institutional/governance situations
  - To decrease transaction costs
  - Ex: Co-owner bubbles, bilateral trades, exchange pool

# Working with Environmental Groups

- **Transparency**
  - Rules / Policy
  - Implementation
- **Local Water Quality**
  - Near-Term (Bay/Deadline) v. Long-Term (Local/No Deadline) Water Quality
  - Temporary Trading-in-Time (MS4s) v. Permanent Trading (Land Development)

*There Was No Environmental Group Opposition to the 2005, 2012 and 2016 Major Trading Bills in Virginia*

# Working with Ag & Aggregators on Nonpoint Source / Ag-Derived Credits

- **Role (if any) in Meeting MS4 Demand**
  - Ex: Annual Ag Practice credits might be cost-effective
- **Role in Meeting Growth Offset Demand**
  - Ex: Mitigation Banks
- **Role in Meeting Other Demands**
  - Ex: Septic Using Maryland HB 325-like BRF funding)

# QUESTIONS?

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