



## **Nutrient Trading Program Notes**

**August 24, 2015 Meeting**

**9:00 AM – 2:15 PM**

### **Agenda**

1. Introductions
2. Ground rules
3. Trading Areas
4. Trading Types
5. Time Terms of Trades
6. Organizing Baselines and Eligibility of Practices Discussions
7. Recap
8. Homework
9. Closing

### **Ground Rules for Discussion and Approval**

1. We will operate according to informed consent. This requires understanding. These require patience and cooperation.
2. We must agree on common goals, language and tenets to make clear recommendations.
3. Where no common agreement occurs, we must reflect the diversity of opinion in our report to the commission.
4. All discussions will be civil and constructive.
5. We need a breadth of expertise and opinions to create the best framework possible.
6. We will allow those with the best information to inform us while respecting differences in opinion.
7. We will be transparent and welcoming.
8. We will work through the factors that will form the framework in an orderly fashion recognizing that we may have to revisit some or all of them at the end to ensure the final recommendations are both robust and supported on the basis of informed consent.
9. The facilitator accepts responsibility for ensuring that these rules are followed.

(No changes were made in the ground rules from the last meeting.)

The group discussed the method proposed for going through each of the factors identified during our first meeting. For each, Joe will have a prepared set of considerations which represent things that may contribute to the discussion on that factor. The group can then add, subtract or change the list. Each factor then will be discussed in the context of those considerations. Decisions will then be summarized with the opportunity to comment. The meeting notes will memorialize these decisions and any member of the group who wishes to suggest changes should do so at the next meeting.

## **Trading Areas**

The following **considerations** were offered with regard to the size of the trading area:

- We could create a hard and fast rule or allow the organization proposing a trade to define the trading area with justification of their choice;
- Potential minimum and maximum sizes;
- Who sets and how and when to set the areas;
- Whether the location of the point source within the watershed matters;
- The role of local factors, such as whether there is a water body impairment or TMDL;
- Hot spot avoidance and minimization;
- Whether permit synchronization is in place and is a factor;
- How to change the area;
- Metropolitan No Discharge Streams;
- Outstanding State or National Resource Waters;
- Interstate trading

The following **decisions** were made:

1. The size will be part of a trading program proposal that will go to the Clean Water Commission for consideration, including a public notice period to allow for public comment on the proposed trading program.
2. The organization establishing a trading program should define and justify the trading area using the considerations above. No upper or lower limits were proposed for the size of acceptable trading programs.
3. The trading area should be established before the program begins to provide clarity and predictability to the parties involved in trading and to support transparency on the trading program.
4. The trading area may be restricted in size if driven by a local water quality impairment, such as a TMDL, if it is related to the species to be traded.
5. Interstate trading is acceptable; however, the group recognizes that such trading programs may be more complex because of the need to assure that the states are using similar systems, so that a credit in one state can be translated to the other. An interstate agreement of some sort is likely to be necessary for Missouri to recognize credits earned in other states and to provide for proper oversight of the trading program. An interstate program will have to show that actions in one state do not lead to a bias in the trading program that favors action in one state over another.
6. The group discussed weighting of credits to push of greater action in a particular part of the trading area; this was rejected.
7. Point source to point source trading areas may not correspond to point source to non-point source trading areas;
8. Certain areas of the state may not be appropriate for water quality trading because of bans on discharges to those waters.

## **Trading Types**

The following **considerations** were offered with regard to the Types of trades allowed:

- Potential benefits to restricting the types of trading allowed;
- Potential risks of restricting the types of trades allowed;
- Conditions under which restricting the type of trades would be good.

The following **decisions** were made:

1. Both point source to point source and point source to non-point source trades will be allowed.
2. Each trading program organization can decide to limit its trades to one type, if desired.
3. The use of urban non-point source improvements as a possible mode of trading, but faces challenges, including a lack of information on the water quality benefits of these practices and the complications in MS4 communities.

**Time Term of Trades**

The following **considerations** were offered with regard to the time terms of the trades:

- Permit timeframes;
- Effective time frames as well as the required maintenance periods for a number of agricultural best practices;
- The longer time frames and their impact on risk;
- Ease of renewal;
- Adjustments in the credit value of any given practice will change over time as more data are collected and models improve

The following **decisions** were made:

1. The term of the trade should correspond to the term of the specific practice.
2. A trading program can include a portfolio of practices with different times.
3. At any time, the portfolio must maintain enough credits to meet requirements.
4. For longer periods, using a multiple of 5 years to reflect the permit cycle is advisable, and is likely necessary particularly for point source to point source trades.
5. Renewal of trading credits for established practices should be made easy for those practices that are being maintained or otherwise remain effective.

The following groups will work on Baselines and Eligibility for point sources and nonpoint sources. E-mails for participants will be sent to the chairs.

Point Sources	Nonpoint Sources
Trent Stober, Leader Bruce Hinkston Matt Gigliotti David Carani Jay Hoskins Karla Pierce Chris Zell Rick Higgins Tom Wittmaier	Darrick Steen, Leader Marty Comstock Steve Hefner David Casaletto Alan Freeman Mat Rogers Trent Stober David Carani Eric Fuchs

Alicia Lloyd Mark Osborn Travis Lyon	Steve Taylor Jim Rhodes
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### **Baselines – Considerations**

What are the baselines?  
 What are the reasons for the baselines?  
 How to determine/measure/validate?  
 Point Source and NPS needed?  
 Project timing?  
 Legal Requirements and Constraints?

### **Eligibility of Practices – Considerations**

Valuation, calibration and Validation?  
 Meeting regulatory requirements?  
 Timeframe for environmental benefits?  
 Maintenance of practices?  
 Public funds (SRF, Cost Share, EQIP)  
 Environmental Justice?

### **Parking Lot**

A few questions were asked that pertain to topics to be addressed in later meetings. The idea of who can sell credits for some agricultural practices (landowner or operator) was raised. This will need to be added to the list of topics and addressed.

Next factors to be discussed were selected. (Note this is a change from the original listing.)

Species to be traded  
 Trading Margins (David Carani agreed to lead this discussion)  
 Liability  
 Extreme Events

### **Early draft of the agenda for the next meeting:**

1. Introductions
2. Ground rules
3. Review group goals and objectives
4. Lessons learned from conference
5. Species for trading
6. Trading Margins
7. Liability
8. Extreme Events and responsibility
9. Questions or needed guidance from Baselines and Eligibility of Practices discussion

10. Conclusions and Path Forward

11. Closing

**Next meeting dates**

September 25 <sup>th</sup>	10 AM – 3 PM Lewis and Clark Building
October 23 <sup>rd</sup>	10 AM – 3 PM Lewis and Clark Building
November 20 <sup>th</sup>	10 AM – 3 PM Lewis and Clark Building
December 18 <sup>th</sup>	10 AM – 3 PM Lewis and Clark Building
January 22 <sup>nd</sup>	10 AM – 3 PM Lewis and Clark Building

(Lunch on your own each day)

Addendum (not discussed at the meeting):

Both the facilitator and department staff sense that the group does not have a firm grasp of the goal for the group and the expected outcome. We offer the following for your review and for discussion at our next meeting.

First draft of a work group goal and process for moving forward for your consideration:  
The goal of the group is to provide a framework for water quality trading programs in Missouri. This will take the form of a document that will explain to any organization that seeks to establish a trading program the key elements expected to be part of a proposal to the Missouri Clean Water Commission.

This framework will be presented to the Clean Water Commission for its review and to allow public comment. Once edited based on the comments received and responses from the work group members and approved by the Commission, the framework will define the basic elements of a water quality trading program and the considerations to be addressed in applying to establish such a program. Proposals to operate a water quality trading program will go before the Clean Water Commission and be subject to public comment and departmental review before approval.