

Water Quality Trading 9/25/15

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Today's Proposed Agenda

1. Introductions
2. Ground Rules
3. Group Strategic Goal
4. Lessons learned from the conference
5. Changes to notes from last meeting?
6. Species for Trading
7. Trading Margins (David Carani)

Today's Proposed Agenda – Part 2

8. Liability

9. Extreme events and Responsibility

10. Baseline/Practices Q and A

11. Homework (next topics)

12. Closing

Ground Rules

1. Informed Consent
2. Agreement before recommendation
3. Lack of agreement = opinions shared with CWC
4. Civil and constructive
5. Use expertise and opinions
6. Best information informs decisions
7. Transparency

Ground Rules (cont.)

8. Orderly process, then revisit
9. Facilitator's responsibilities

Edits?

Additions?

Ready to move on?

Group Strategic Goal

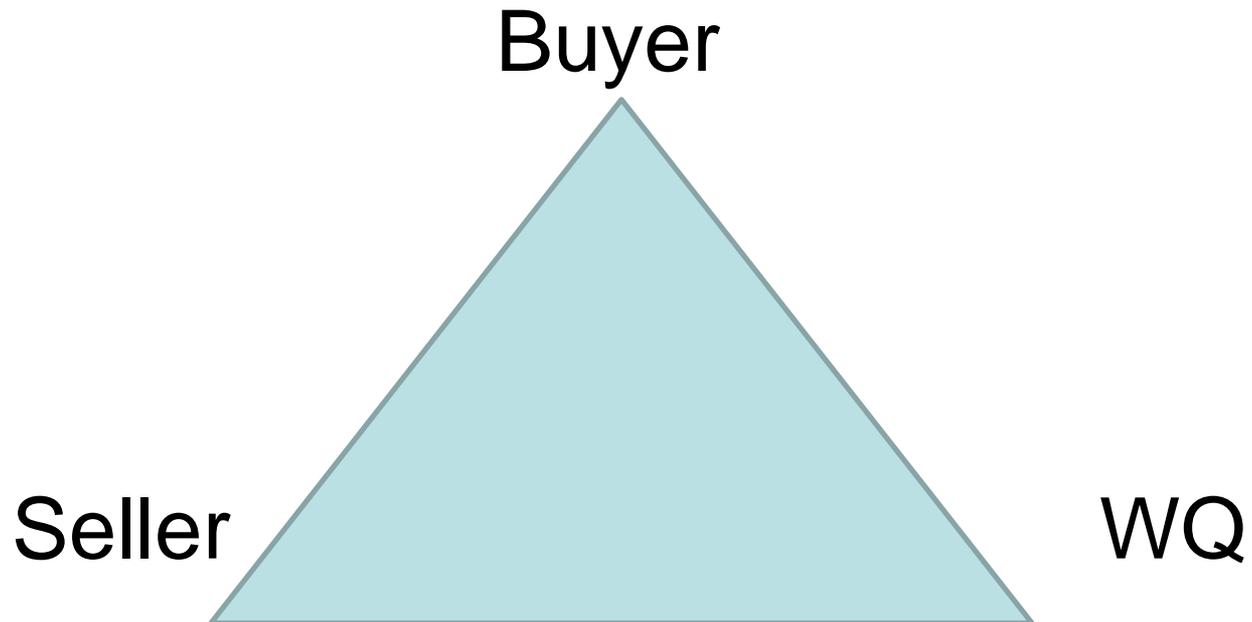
The goal of this group is to provide a framework for water quality trading programs in Missouri. This will take the form of a document that will explain to any organization that seeks to establish a trading program the key elements expected to be included in its proposal to the Clean Water Commission.

Lessons Learned at Workshop

- Bob Angelo
 - Karla Pierce
 - Steve Hefner
 - David Carani
 - Brian Kelly
- Kurt Boeckmann
 - Todd Blanc
 - Karen Massey
 - Jim Plassmeyer
 - Joe Engeln

Visualizing The Risks

Decisions shrink, enlarge, move vertices



Meeting Notes

- Any suggested changes to August notes?

Species for Trading – Considerations

- Allowed Species (N, P, Sediment, Temperature, {TSS, BOD, DO-related, Ammonia?})
- Desired Species
- Concentration vs. Loading?
- Annualized or other period?
- Cross-pollutant trading?
- Clarity for users?
- Species to be considered later?



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Trading Margins - Considerations

Heeere's David!

Risks and Mitigation Tools

- Biophysical (weather) – Credit ratios
- Buyer Risk – Financial Assurance
- Regulatory Risk – Grandfathering
- Market risk – Credit banking
- Catastrophe – Reserve and recovery time

(Mindy Selman – USDA)

Liability Considerations - Buyers

- Need for minimum number of credits
- Failed Practices
- “Insurance credits”
- Financial assurance
- Contractual agreements or easements
- Balancing risk between buyers and sellers
- If a point source, now linked to seller

Liability Considerations - Sellers

- Requirements (practices and paperwork)
- Ease and clarity of implementation
- Avoid regulatory requirements
- Certainty of payment
- Weather risk/recovery time

Extreme Events - Considerations

- Defining events – Who and How?
- Temporal Considerations?
- Recovery of practice(s) – Expectations and timelines
- Reporting and Accounting



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Baselines - Considerations

- What are the baselines?
- Bases for baselines?
- How to determine/measure/validate?
- Point source and NPS needed?
- Project timing?
- Legal requirements/constraints?
- Performance-based or Practice-based
(Amelia Letnos – EPA – ORD {and Rob Rose})

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?

Progress today

Recap decisions

Review process

Rate of progress

Level of understanding

Comfort

Factors for Consideration

- Regulatory instruments
- Monitoring *
- Enforcement *
- Market structures and transaction mechanisms *
- Trading Ratios
- Role and responsibilities review
- Incentive approach (Rewarding early implementation)
- Role of Ecosystem Services in crediting
- Adaptive Management

Comments, Questions, Suggestions

- What's working?
- What's not?
- What changes should we consider?