

2012 NRCS Conservation Innovations Grant - Environmental Markets

Proposal Details:

- *Applicant:* Likely OR DEQ (TBD), with IDDEQ and WADOE as co applicants and The Freshwater Trust, and Willamette Partnership as project partners, and the Environmental Protection Agency Region 10 as a project participant.
- *Grant amount:* \$2,000,000. \$2,000,000 in fed dollars will be used for state agency staff resources. The Freshwater Trust will provide the required \$2,000,000 matching funds.
- *Grant period:* 3 years
- *Timeline:* March 2 proposal due, July announcement, September project start.
- *Other:* TFT will draft proposal, with review/comment from partners.

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Comment [CS1]: We would prefer this wording because we see our role as being different from yours, as a regulatory agency with oversight responsibilities, and also needing to show this is a state-led project.

Purpose: Align the mechanics of water quality trading in the Pacific Northwest with regulations in a way that incentivizes early action and makes the pre-TMDL and TMDL-based trading environmentally protective, scientifically robust and financially efficient.

Strategy: The primary objective of this effort is to secure a Joint Regional Approach on standards, procedures and accounting infrastructure for credits that can be used in “pre-TMDL” and TMDL-based water quality trading for nitrogen, phosphorus and temperature in Oregon, Washington, and Idaho.

Comment [CS2]: The word “agreement” implies there will be a document to be signed or a full meeting of the minds on all aspects of trading when we don’t really know how this will turn out. Agreeing to varying levels of detail on a common approach gives us room to see how much we can accomplish as a group without overpromising at the outset. Also, our attorneys might object to anything that could be interpreted that we will be signing a document or formally committing the agency to an unknown outcome.

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Activities:

- **Restoration Action Protocols:** Establish a joint regional approach on an initial set of allowable restoration actions that can be used to generate credits for trading (*e.g., riparian revegetation, fencing, fertilizer reductions, etc.*) and define objective and measurable quality standards for each action (*e.g., stems per acres, species mix, etc.*)
- **Metrics:** Establish a joint regional approach on the credit calculation methods and models for reductions in phosphorus, nitrogen, and temperature – Including clear guidance on calculating watershed wide and site specific baselines.
- **Transaction Protocols and Infrastructure:** Establish a joint regional approach for non-point source improvements eligible for credit trading, third party credit verification procedures, and credit registration and performance tracking standards.
- **TMDL Guidance:** Create regional guidance on establishing non-point source credit baselines for nutrients and temperature that will clarify how credit trading between point sources and non-point sources can be used to achieve TMDL goals.
- **Pre-TMDL Guidance:** Create regional guidance that provides a reasonable degree of certainty for regulated entities that if they pay for non-point source pollution reduction actions prior to a TMDL being issued in the same watershed, they will be able to use some portion of the approved verified and registered credits generated from those actions at a later date to meet their TMDL-based load allocation and subsequent NPDES limit.

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Comment [CS3]: I don’t like the words I’ve inserted here but I can’t think of a concise way to say that we don’t know how much certainty can be offered, but the project’s goal is to offer some amount of certainty. Nothing can be 100% certain in a pre-TMDL environment without knowing what reductions the TMDL will ultimately require. However, we understand that point sources won’t be willing to buy early action credits without knowing whether or not their investment will help them meet their compliance obligations once a TMDL is established. The goal of this effort is, to the extent it’s possible, to find the answer that satisfies everyone.

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Why is a Joint Regional Approach needed?

- Permit holders and producers need clear and consistent guidance on where, how, when, and for what parameters trading programs can be used. This will give regulated entities,

regulators, and the public confidence that trading programs are a viable compliance option for existing and future load limits.

- The majority of nutrient and temperature loading to rivers and streams in the Pacific Northwest comes from non-point sources, but the majority of dollars spent to improve conditions come from NPDES permittees. Trading programs offer an effective way to maximize total pollution reduction achieved by investments.