

2012 NRCS Conservation Innovations Grant - Environmental Markets

Proposal Details:

- **Applicant:** The Willamette Partnership as coordinating lead, with OR DEQ, ID DEQ and WA DOE as co-applicants and Environmental Protection Agency Region 10 and The Freshwater Trust (TFT) as project partners.
- **Grant amount:** \$2,000,000. \$2,000,000 in federal dollars will be used for state agency staff resources. TFT 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.

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

Strategy: The primary objective of this effort is to secure '**Joint Regional Guidance**' 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 offsets in Oregon, Washington, and Idaho. A three-tiered structure will be proposed. Tier 1 will be a 'General Regional Guidance' of water quality trading. Tier 2 will be a more specific definition of 'Regional Mechanics'. Tier 3 will provide flexibility with 'State-Specific Appendices.'

Activities:

- **Restoration Action Protocols:** Establish guidance 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-acre, species mix, etc.*).
- **Metrics:** Establish guidance on the credit calculation methods and models for reductions in phosphorus, nitrogen, and temperature – including clear direction on calculating watershed-wide and site-specific baselines.
- **Transaction Protocols and Infrastructure:** Establish guidance for non-point source improvements eligible for credit trading, third-party credit verification procedures, and credit registration and performance tracking standards.
- **TMDL Guidance:** Establish 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:** Establish guidance that provides 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.

Why is Joint Regional Guidance needed?

- Permit holders and credit 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 offset 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. Offset trading programs offer an effective way to maximize total pollution reduction achieved by investments.