

## 2012 NRCS Conservation Innovations Grant - Environmental Markets

### Proposal Details:

- *Applicant:* The Willamette Partnership (WP) as facilitating/coordinating lead applicant, with OR DEQ, ID DEQ, WA DOE and The Freshwater Trust (TFT) as co-applicants and the Environmental Protection Agency Region 10 as project partner.
- *Grant amount:* \$1.5-2MM in federal dollars which will be used for state agency staffing resources. TFT will provide the required \$1.5-2MM in matching funds.
- *Grant period:* 3 years.
- *Timeline:* March 2 proposal due, July announcement, September project start.
- *Other:* TFT/WP will draft proposal, with review/comment from partners.

**Purpose:** Align the mechanics of water quality trading in Oregon, Washington and Idaho with a standard structure of regulations in a way that incentivizes early action and makes water quality trading environmentally protective, scientifically robust and financially efficient.

**Background:** 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 ongoing investments.

**Strategy:** For water quality trading to become a trusted and scalable tool that achieves real water quality improvements and the wide range of associated conservation benefits, state water quality agencies need the resources to develop the shared regulatory guidance and joint agreements that A) standardizes procedures and infrastructure and ensures credibility, transparency and performance over time, and B) maintains state-specific flexibility to address issues unique to each state. Therefore, 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 water quality trading for nitrogen, phosphorus and temperature offsets in Oregon, Washington, and Idaho.

A three-tiered structure will be proposed.

**Tier I - Regulatory Guidance:** Legal authorities, guiding principles, and appropriateness of trades based on EPA's 2003 guidance, but updated based on lesson learned and new information from current trading activity. Objectives include:

- Legal basis and guiding principles for trading.
- Frame conditions and general considerations to encourage water quality improvements in "pre-TMDL" areas.
- Outline minimum requirements for a water quality trading program.

**Tier II - Standard Operating Procedures:** Common processes and mechanics shared across trading programs (e.g. considerations for baseline and other eligibility requirements, project quality guidelines, credit verification, monitoring and registration/reporting). Objectives include:

- Develop standard crediting procedures and common infrastructure.
- Create standard, specific language, process steps, and considerations to be included in TMDLs and NPDES permits to support trading.

**Tier III - State Specific Addenda:** State-specific appendices that include unique procedures unique to each state such as, baseline definition, credit calculation methodologies, discounting and ratio factors, minimum quality standards for allowable conservation practices, etc. Objectives include:

- Define modifications to the Standard Operating Procedure needed for each state.
- Define credit calculation methodologies and quality standards for allowable conservation practices.