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to:

Claire Schary

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From: David Primozich <primozich@thefreshwatertrust.org>

To: Claire Schary/R10/USEPA/US@EPA,

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There is an opportunity to pursue a \$2MM, 3-year Conservation Innovation Grant with Oregon DEQ as the Lead Applicant and WA DOE, ID DEQ, EPA Region 10, TFT and Willamette Partnership as partners. TFT can provide the needed \$2MM match for a \$2MM request. The outcome would be to properly align the mechanics of offset trading with the regulators in a way that makes offset trading environmentally sound, scientifically robust and financially efficient. This is on a quick timeline—due March 2, 2012. Given our recent experience and success with this type of proposal and agency and knowledge of NRCS priorities around environmental markets, it makes sense that we take the lead on drafting. The needed scope of work is outlined below for your review.

A key first step to all this would be securing MOAs with the respective agencies to actively participate in very short order.

2012 Conservation Innovations Grant - Environmental Markets

Outcome: Joint Regional Agreement on standards, procedures and accounting infrastructure for use in pre-compliance and compliance based offset trading in Oregon, Washington, and Idaho.

Summary:

- Current and pending TMDLs that focus on nitrogen, phosphorus, and temperature will require state agencies to evaluate offset trading programs as new load limits are implemented in NPDES permits throughout Oregon, Washington, and Idaho.
- The vast majority of loading for these watershed based constituents comes from non-point sources (agricultural inputs and urban run-off). Offset trading programs are one way state water quality regulators can ensure that money spent by utilities to address these new parameters are applied more effectively than would typically be possible on site at a treatment or manufacturing plant.
- Regulators need clear guidance and a consistent well organized approach to encourage offset trading programs.
- Regulated entities need confidence that offset programs are a secure compliance alternative.

Outcomes:

1. Joint Regional Agreement on credit calculation metrics, implementation procedures, transaction protocols and the use of common credit registry and tracking infrastructure.
2. Joint Regional Agreement on pre-compliance and pre-TMDL trading that incentivizes early action in areas where TMDLs and NPDES permits are delayed.

Activities:

Restoration Action Protocols: Secure joint regional agreement on an initial set of allowable restoration actions (*i.e. riparian revegetation, fencing, fertilizer reductions*) and define objective quality standards for each action (*i.e. stems per acres, species mix, etc*).

Metrics: Secure joint regional agreement on the credit calculation methods and models for nutrients, sediments, and temperature – Including clear guidance on watershed wide and site specific baselines.
Transaction Protocols and Infrastructure: Secure joint regional agreement on eligibility criteria for facilities and non-point source improvements, verification procedures, and credit custody and performance tracking.

TMDL Guidance: Create regional guidance for TMDL writers for nutrients, sediments, and temperature TMDLs to clarify the need for watershed scale TMDLs and baseline establishment for use in pre-compliance and NPDES trading programs.

Pre-Compliance Guidance: Create regional guidance that confirms for regulated entities that if they pay for non-point source pollution reduction actions now, they will be able to use verified and registered credits generated from those actions at a later date.

Staffing:

- Lead Applicant - Oregon DEQ with two dedicated Staff
 - Senior Policy Advisor to the Director 1.0 FTE
 - TMDL Analyst/Modeling Expertise (Michie) 1.0 FTE
- Co- Leads
 - Idaho DEQ .5 FTE
 - Washington Ecology .5 FTE (potential)
- Cooperators
 - Region 10 EPA - Technical and Policy Support
 - Willamette Partnership - Metric and Protocol Development
 - The Freshwater Trust – Policy and Implementation Support

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