

### **Conclusions: Implications for water quality trading in New Jersey**

- Simplicity and efficiency are key elements to making trading work. Tracking of trades must be easy and transparent.
- A group permit approach is more efficient than individual permits for the pollutant being traded. The group permit avoids reviews of each trade which can take a lot of time, delay the process, and cause stakeholders to lose faith in the program. A group permit approach allows informal trading between point source dischargers. It can also allow indirect point to nonpoint trades.
  - In the Passaic Water Quality Trading Project, an association of WWTP dischargers is already in place – the Passaic Basin Alliance. *The Passaic River Basin Alliance should consider working with NJDEP to obtain a group permit for total phosphorus, which would facilitate efficient and cost effective water quality trading.*
- NPS can be held accountable for their reductions through simple service agreements, as in the Kalamazoo program.
- There are a variety of methods to calculate credit value and credit life. Consider resetting credit value on an annual basis.
- Hot spot avoidance: The state should maintain the authority to enforce against individual dischargers, even under a bubble approach. The state should inspect PS and NPS participants in the trading program to ensure real pollutant reductions are occurring. Regular monitoring and reporting should continue. If dischargers have formed an association, they could penalize members who do not meet individual allocations, regardless of collective cap compliance.
- See lessons learned from the Kalamazoo program (p. 16) regarding involving farmers in a trading program – very valuable insights.
- Tailor the program to the watershed. PS/NPS trades can fund a variety of NPS controls such as wetland restoration, agricultural BMPs, or urban stormwater management.
- Building trust is crucial between stakeholders of varied interests. All stakeholders must be involved in program design from the early stages to foster trust.