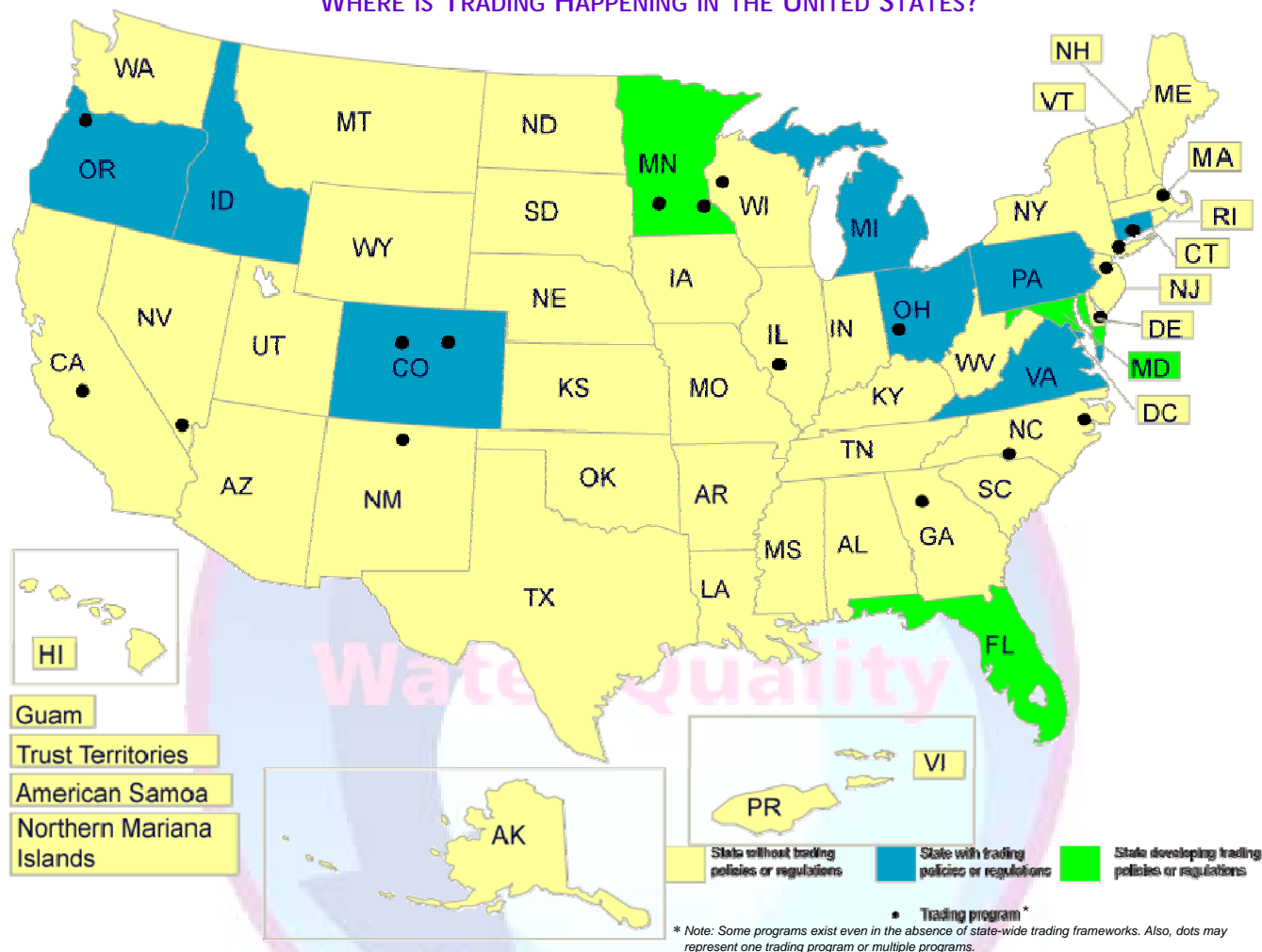




WHERE IS TRADING HAPPENING IN THE UNITED STATES?



IN THE PAST FEW MONTHS, SIX STATES HAVE TAKEN STEPS IN STATE TRADING PROGRAM DEVELOPMENT...

OHIO TRADING RULES: Ohio EPA's trading rules went into effect on January 1, 2007. The rules require trading programs to submit water quality trading management plans which include environmental and economic assessments. The rules also require ambient monitoring. Cost-shared BMPs can generate credits in proportion to the percent of the BMP that was paid for through local funds (except for projects funded through EPA's 319 program which cannot generate credits). The rules and additional information can be found at http://www.epa.state.oh.us/dsw/rules/final_WQ_trading_jan07.html

VIRGINIA TRADING GENERAL PERMIT: Virginia's VPDES general permit regulation implementing the Chesapeake Bay Watershed Nutrient Credit Exchange Program was approved by the State Water Control Board on September 6, 2006. The general permit went into effect on January 1, 2007. The program focuses on point-point trading and currently, Virginia is working on a nonpoint source trading guidance document. The permit regulation is available at: <http://www.deq.virginia.gov/vpdes/>

PENNSYLVANIA TRADING POLICY: Pennsylvania released its final nutrient and sediment trading policy on December 30, 2006. Pennsylvania's program allows cost-shared BMPs to produce credits, however, in some cases recommends that sellers meet a threshold beyond their base-lines before generating credits. The policy describes a credit reserve that will be managed by DEP. The policy and additional information on Pennsylvania's program are available at: http://www.dep.state.pa.us/river/river_trading.htm

FLORIDA REPORT TO LEGISLATURE ON TRADING: In December 2006, Florida DEP put forth a report to the Florida governor and legislature on water quality trading. The report presents recommended statutory and regulatory changes that would promote effective trading programs. Florida is currently working on regulations.

MARYLAND AND MINNESOTA: Both states have begun work on state-wide trading frameworks.



NUTRIENT CRITERIA: A DRIVER FOR TRADING

WHAT ARE THEY?

Section 303 of the Clean Water Act requires states, territories, and tribes to adopt water quality standards for all "waters of the United States" or essentially, all surface waters. Water quality standards include three components: a designated use, water quality criteria, and an antidegradation policy.

A designated use indicates the purposes of the water body, which range from public water supply (very clean water) to navigation (very dirty water), with the most common uses being recreation and fish and wildlife propagation. In order to maintain the designated use, states and tribes are required to adopt pollutant-specific water quality criteria to protect that use. Criteria can be numeric, (e.g. 1 mg/L phosphorus), or narrative, (e.g. free from toxics in toxic amounts).

Nutrient criteria are designed to prevent eutrophication. Currently, most states are actively developing nutrient criteria and will begin the process of adopting them into water quality standards soon.

HOW ARE THEY DEVELOPED?

For the purposes of its 1998 National Nutrient Strategy, EPA divided the United States into 14 nutrient ecoregions, within each of which the characteristics affecting nutrients are expected to be the same. In most of the ecoregions, EPA has developed nutrient criteria recommendations for rivers/streams and lakes/reservoirs covering approximately 95% of the freshwater resources in the United States. EPA has also developed nutrient criteria recommendations for wetlands in Ecoregion XIII. These recommendations were based on a national data set, and were suggested as starting points for states and tribes to develop their own criteria.

EPA recommended several approaches for further refining the published criteria recommendations. Examples of approaches include "reference-based" which uses water bodies that are minimally impacted by nutrients to develop criteria, and "predictive relationships" and "weight of evidence" approaches which are used to identify the levels of nutrient concentrations that result in acceptable levels of impact, based on the designated use of that water body.

EPA has published technical guidance documents for rivers/streams, lakes/reservoirs, estuarine/coastal waters and wetland systems, where further information on the above and additional approaches can be found. These documents are located on EPA's nutrient criteria website.

EPA is currently providing further technical assistance to states and tribes through the establishment of a technical support website: the Nutrient - Scientific Technology Exchange Partnership & Support (N-STEPS).

HOW DO THEY RELATE TO TRADING?

Nutrients are the most commonly traded pollutant. In order to trade, each discharger must have a quantifiable nutrient discharge limit from which to start. Numeric nutrient criteria can be a strong driver for trading because they set measurable targets for the water body which can be developed into discharge limits for each discharger.

ADDITIONAL RESOURCES

- ✦ EPA Water Quality Standards Website:
<http://www.epa.gov/waterscience/standards/>
- ✦ EPA Nutrient Water Quality Criteria Website:
<http://www.epa.gov/waterscience/criteria/nutrient/>
- ✦ Nutrient Scientific Exchange Partnership & Support (N-STEPS) Website:
<http://n-steps.tetratex-ffx.com/>

ANNOUNCEMENTS

- ✦ **TRAINING:** EPA will be offering a one day trading training on June 24 as a pre-conference workshop for the Water Environmental Federation's TMDL 2007 Conference in Bellevue, WA. Registration and additional information is forthcoming and will be available through the WEF TMDL 2007 website: <http://www.wef.org/ConferencesTraining/Conferences/SpecialtyConference/TMDL2007.htm>
- ✦ **PERMIT TOOL:** The Water Quality Trading Toolkit for Permit Writers is expected to be available for public comment in Summer 2007—Check <http://www.epa.gov/npdes> for updated information and directions for posting comments.
- ✦ **PARTNERSHIP AGREEMENT:** On October 13, 2006 USEPA's Office of Water and USDA's Natural Resources Conservation Service signed a partnership agreement to work together in order to promote water quality trading. The Partnership Agreement calls for monthly EPA OW-USDA-NRCS conference calls in order to work toward five goals ranging from coordinating agency activities relating to trading to supporting a water quality trading pilot in a watershed within the Chesapeake Bay Basin. The Partnership Agreement can be accessed at: <http://www.epa.gov/waterqualitytrading/mou061013.pdf>



STATUS OF TRADING IN NPDES PERMITS

- ✦ 98 NPDES permits include provisions for trading.
- ✦ 363 Dischargers are covered by NPDES permits with provisions for trading.
- ✦ 122 Dischargers have carried out at least one trade under NPDES permits.