



MYTHS & LEGENDS OF POLLUTANT TRADING



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• **Myth # 1 - Pollutant Trading is a
Mandatory Program Required by
DEQ**

- Strictly voluntary
- Parties only trade if they are better off financially
- Trading should allow us to distribute a scarce commodity (money) to protect a scarce resource (assimilative capacity) in the most efficient way possible

Policy Level Principles Necessary for Trading

- Enforceability (for point sources of course)
- Full environmental protection
- Certainty for stakeholders without expanding EPA or DEQ authorities
- Visibility
- Robust participation (getting government out of day to day trading)

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Major Components of a Pollutant Trading System

- Trading parties
- A commodity
- Credits
- Ratios

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Point Source Credits

- Reduce pollutants below NPDES permit effluent limit
- Model NPDES permit trading language
 - Middle Snake River
 - Between two point sources
 - Usually upstream seller/downstream buyer

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Nonpoint Source Credits

- **Measured Credits**

- Monitoring water quality
- Minimum design, construction and O&M requirements

- **Calculated Credits**

- Monitoring the BMP
- Specific design, construction, and O & M requirements
- Uncertainty discount

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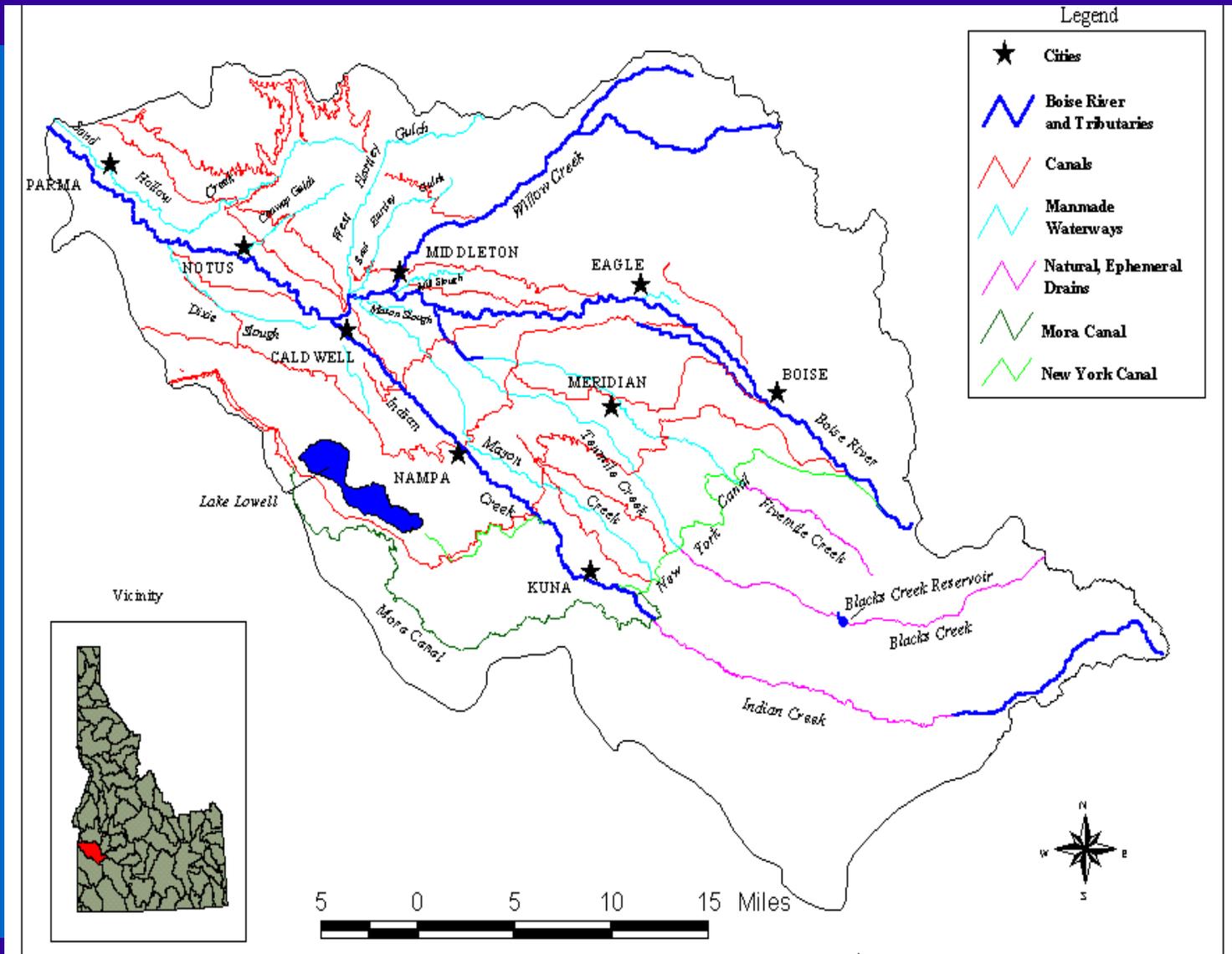
BMP List

- 5 step process to put a BMP on the list
- BMPs specific to TMDL waters
- Public comment provided for
- BMPS developed for Lower Boise River
- List sets out how to determine amount of credits per BMP as well as monitoring and maintenance requirements

Ratios

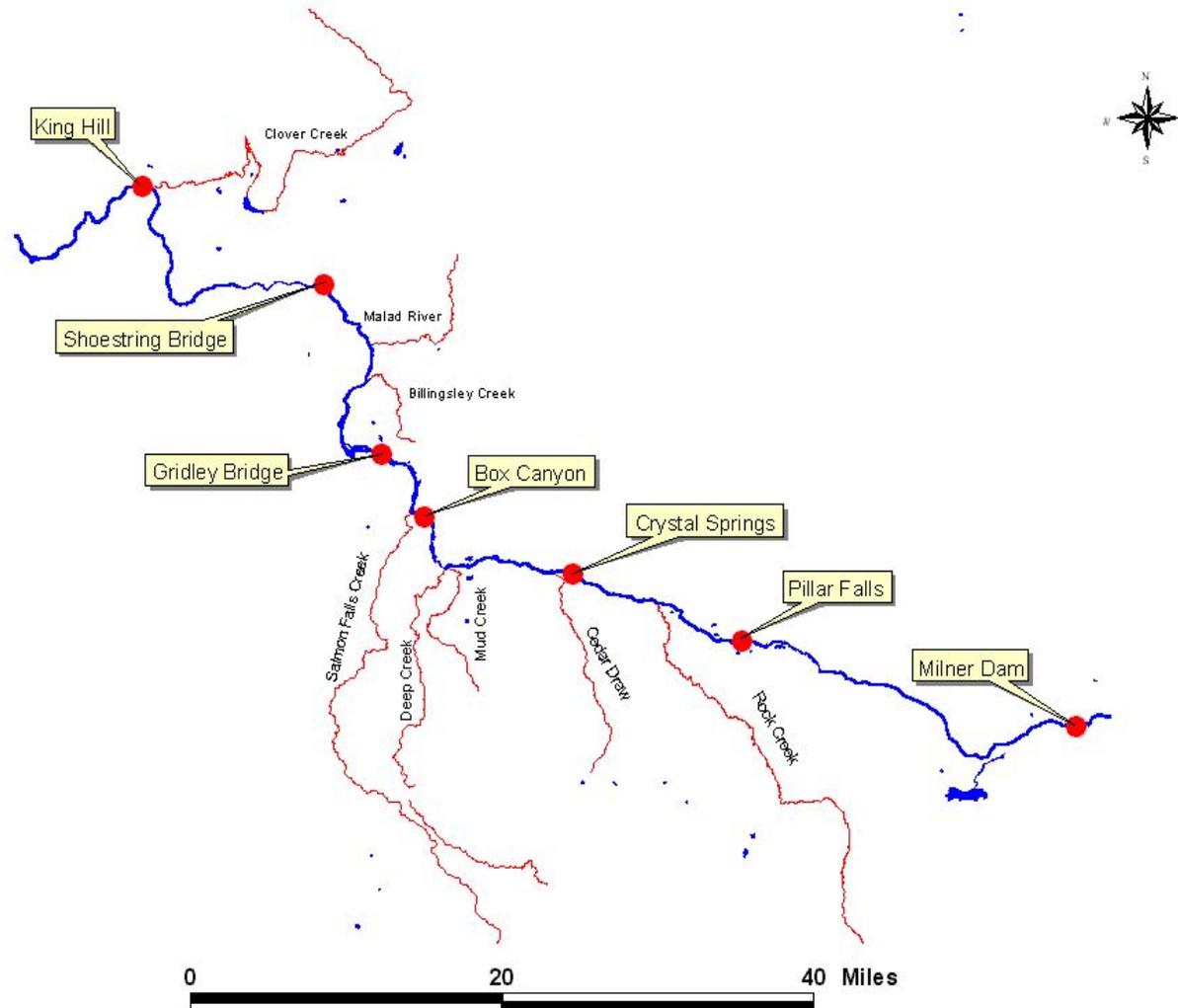
- Provide environmental equivalency
- Create a common unit for measuring increases and decreases at different locations in a watershed
 - river location: *transmission losses in river*
 - site location: *transmission losses in sub watershed*
 - drainage delivery: *potential for water reuse*
 - one-to-one: *pound in equals pound out*

Lower Boise River Watershed



Middle Snake River

Middle Snake River - Segments and Major Tributaries



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• **Myth # 2 - Trading Allows for
Increased Pollutants in a Water
Body**

- Pollutants are allowed to be discharged but not in excessive levels which cause or contribute to water pollution
- Can only trade credits produced beyond a TMDL requirement
- Adverse local water quality impacts are not allowed

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• **Myth # 3 - Nonpoint Sources
will be Regulated Through
Trading**

- NPDES permits are the enforcement tool for pollutant trading
- Nonpoint sources must use an approved BMP but point source remains responsible party
- Participation in trading is voluntary

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Myth # 4 - Trading Contracts are Public Documents

- Private contracts between buyers & sellers
- Trading terms are set forth including:
 - how credits will be produced
 - amount of credits to be purchased
 - purchase price
 - trade duration
 - remedies for contract failure

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• **Myth # 5 - Credits are Traded
in Secret without Public
Disclosure**

- Idaho Clean Water Cooperative tracks all trades
- Trade summary reports are submitted to EPA
- Point sources are inspected by EPA & DEQ
- SCC reviews BMPs for cost-share projects

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Trading Forms

- **Reduction Credit Certificates:** *certifies nonpoint source reductions, establishes credit, signed by point source*
- **Trade Notification Forms:** *transfers credits from seller to buyer*
- **Trade Tracking Database:** *records all trade transactions; Idaho Clean Water Cooperative or DEQ*
- **Monthly Trade Summary:** *ensures watershed-wide trade reconciliation, ICWC or DEQ*
- **Trade Tracking Audits:** *conducted by DEQ*

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Conclusion

- Trading may provide lower costs to meet TMDLs
- Trading can be a way to involve nonpoint sources
- Must have a market for trading to work
- Must have enforceability and accountability
- Has been most successful between point sources