



BASELINES UPDATE

WATER QUALITY
TRADING



TIMELINE REFRESHER

Water Quality Trading
Policy

2003

Water Quality Trading
Toolkit

2009

February 6 Memo on
market-based
approach

2019 →

September 19 FRN
and request for
comments

*Issued first
policy on
trading*

Water Quality Trading
Policy

2003

*Guidance on
trading scales,
programs, and
practices*

Water Quality Trading
Toolkit

2009

*Identified 6
market-based
principles*

February 6 Memo on
market-based
approach

2019 →

*Sought public
comment on
baseline flexibility
concepts*

September 19 FRN
and request for
comments

6 MARKET-BASED PRINCIPLES

February 6, 2019
Memo

1. Suggests implementing WQT and other market-based programs on a watershed scale
2. Encourages adaptive management strategies for implementing market-based programs
3. Water quality credits/offsets may be banked
4. Encourages simplicity and flexibility in implementing baseline concepts
5. One project may generate credits for multiple markets
6. There are financing opportunities to assist with deployment of NP land use practices



SEPTEMBER 19, 2019 FEDERAL REGISTER NOTICE

REQUESTING COMMENTS ON TRADING FLEXIBILITIES

BASELINES IN FOCUS: SEPTEMBER 2019 REQUEST FOR COMMENTS

- Requesting comment on revising “baseline” definition (NPS-PS trading with approved TMDL)
- EPA recommends that pollutant reductions generated by nonpoint sources would be immediately available for use by point sources as credits.



BASELINES IN FOCUS: SEPTEMBER 2019 REQUEST FOR COMMENTS

- NPS can generate credits for pollution reductions *before* meeting a load allocation under a TMDL, provided *reasonable assurance* they will meet their LA over time



BASELINES IN FOCUS: SEPTEMBER 2019 REQUEST FOR COMMENTS

- *Why?*
 - Previous baseline definition created barriers for NPS to generate credits/ incentivization to reduce pollution
- *Goal:*
 - **NPS can provide funding source to meet LA given greater flexibility**
 - **Greater net pollution reductions sooner**



BASELINES IN FOCUS: SEPTEMBER 2019 REQUEST FOR COMMENTS

- Requesting comment on incremental baseline concept
 - As part of the new baseline definition, NPSs may begin to generate credits before meeting a TMDL-derived baseline
 - Applies a ratio. An example of a ratio is:
 - (1) immediately available tradeable credits, to
 - (2) reductions assigned towards meeting the load allocation



FLEXIBILITIES IN FOCUS: POINT SOURCE CONCEPTS

Compliance Schedules

- Used when actions/time needed to comply with WQBEL is *known*
- Required compliance with final WQBELs “as soon as possible”
- Provides greater flexibility for market-based approaches



FLEXIBILITIES IN FOCUS: POINT SOURCE OPTIONS

WQS Variances

- Used when actions/time needed to comply with WQBEL based on designated use and criterion is *uncertain*
- Time-limited designated use and criterion where WQBELs are adjusted to reflect what is highest attainable
- Optional WQS mechanism that may provide greater flexibility for states to utilize in WQT markets



2020 WORKS IN PROGRESS: MODERNIZING TRADING

- Finalize September 2019 Baselines Notice
- Proposed rule
- Watershed scale whitepaper
- Nutrients compendium

Codifies trading, clarifies baseline definition, additional guidance on watershed scale and implementation



PROPOSED RULEMAKING

PROPOSED RULE


code of
federal regulations

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- *EPA is considering to promulgate a regulation to clarify that market-based approaches, including WQT, may be included in NPDES permits to meet applicable effluent limitations*
- To expand implementation of trading by increasing regulatory certainty



NEW GUIDANCE/POLICY DEVELOPMENT



NEW GUIDANCE/POLICY: TO MODERNIZE MARKET- BASED/WQT APPROACH

- EPA requested comments in the September 2019 notice on aspects of the 2003 Policy and the 2019 Memorandum that may benefit from additional policy or clarification from EPA
 - EPA is currently analyzing the comments on this topic
- EPA will continue to seek stakeholder input on what changes to the 2003 Policy and 2009 guidance are appropriate, including requesting comments on this topic in the upcoming proposed rule

QUESTIONS?

