

# SOUTHEAST FLORIDA UTILITY COUNCIL



## Water Quality Credit Trading Potential Revisions

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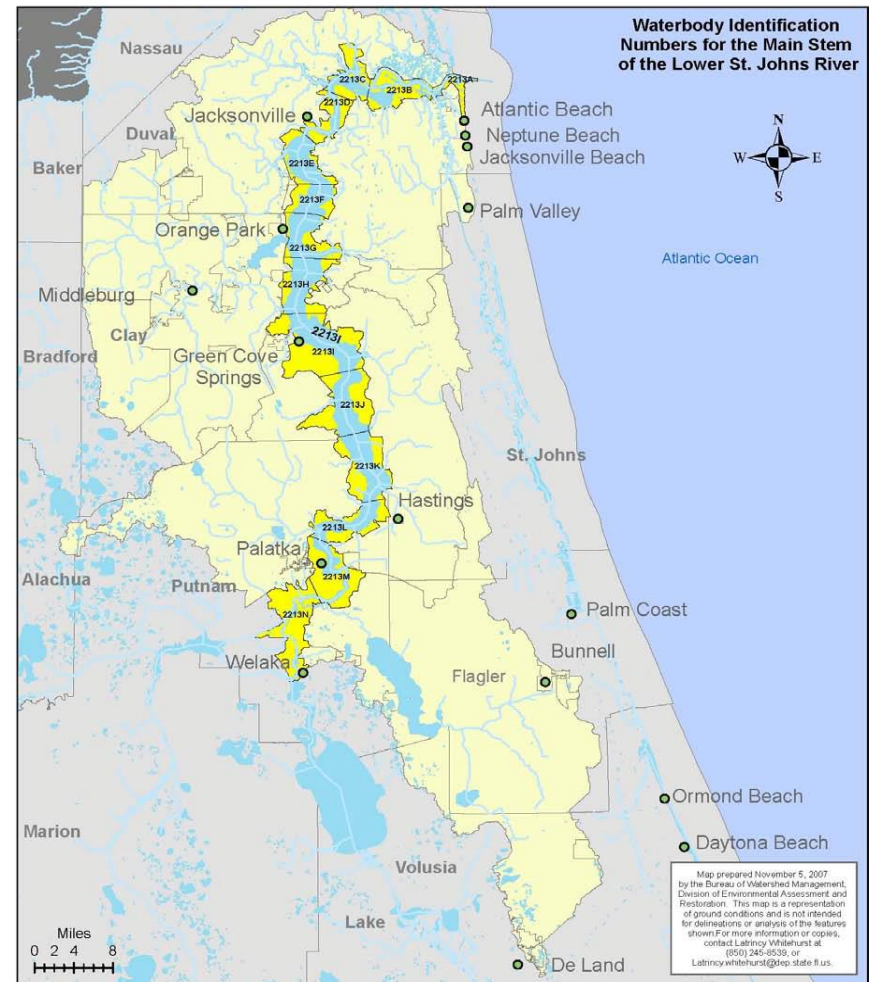
# What is Trading?

- Market mechanism to find cost-effective solutions to water quality problems
- Potential markets created by pollutant reduction requirements in TMDLs and BMAPs
- Sources of the same pollutant load face different costs to meet water quality requirements
- Sources with higher costs can acquire environmentally equivalent or superior credits from those with lower costs



# Existing Trading in Florida

- Restricted to Lower St. Johns River Basin “pilot project” (original legislation)
- Implemented via permits
- At least one party must have an individual wastewater or stormwater permit
- Limited trading has occurred
- Contained in Chapter 62-306, FAC



# Trading Legislation 2013

- Chapter 2013-146, Laws of Florida, opened trading statewide
- Reaffirmed:
  - Trading is voluntary
  - Trading may be authorized in restoration plans
  - Traders must report to DEP
  - DEP sets the environmental value of credits but is prohibited from setting credit prices

# Basic Concepts

- *Clean Water Act* requirements must be met
  - No “hot spots”
  - Applicable treatment technology requirements apply
- Trading must occur within watershed or segment
- Trading must be enforceable
- Nutrient reductions must be quantifiable
- Credits are a mechanism to account for nutrient reductions



# EPA Keys to Success

## Transparent

- Keep the public informed every step of the process

## Real

- Show pollutant reductions and water quality improvement

## Accountable

- Manage the program effectively

## Defensible

- Base the program on sound science and protocol

## Enforceable

- Establish responsibility for meeting or exceeding water quality standards

**WATER QUALITY TRADING**  
**KEYS TO SUCCESS**

Every trading program should strive to be:

- T RANSPARENT**
  - Keep the public informed at every step of the process by:
    - 1) Involving stakeholders at the design of the trading program.
    - 2) Communicating to the public information deemed necessary to maintain stakeholder confidence.
- R EAL**
  - Show pollutant reductions and water quality improvement by:
    - 1) Ensuring reductions.
    - 2) Verifying TSP installation and operation, e.g. through a registry.
- A CCOUNTABLE**
  - Manage the program effectively by:
    - 1) Including trade-making mechanisms in the program design.
    - 2) Flexibly ensuring the program's process and results.
- D EFENSIBLE**
  - Base the program on sound science and protocol by:
    - 1) Using approved water quality models.
    - 2) Requesting model generators to verify results.
    - 3) Developing solid, study-based trading ratios.
- E NFORCEABLE**
  - Establish responsibility for meeting or exceeding water quality standards by:
    - 1) Inspecting privately-authorized trading programs to enforce compliance.

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SETA 2011-001

# Credit Generation

- A “**credit**” represents the amount of an entity’s **future** nutrient load reduction below its “baseline.”
- The “**baseline**” is the threshold nutrient load used to establish whether credits may be generated.
  - Point source = permitted amount (wasteload allocation or nutrient management plan)
  - Nonpoint sources = annual nutrient load established in restoration plan

***“Below its baseline” means nutrient load reductions must be greater than those required***

# Credit Life

*A credit retains its environmental value only as long as the activity resulting in its creation continues to provide at least the same level of nutrient load reduction below the baseline load authorized by the Department and the Department's authorization for the credit remains in effect.*

*A credit included in an ongoing, Department-authorized trade is not available for another trade.*



# Credit Adjustments

- Measured credit – Environmental value that can be directly monitored using water quality samples
- Estimated credit – Environmental value that cannot be reasonably measured through direct monitoring
- Location factor – An adjustment to credits to prevent pollutant hot spots
- Uncertainty factor – An adjustment to discount estimated (unmeasurable) credits: 2:1 for urban runoff, 3:1 for agricultural runoff, unless a lesser ratio can be documented

# Examples of Credit Eligible Actions

***Only if they reduce nutrients below baseline:***

- Pollution control equipment
- Operational changes that reduce discharges
- Structural nonpoint source and MS4 BMPs
- Enhanced agricultural BMPs
- Installation of new stormwater treatment
- Land use changes

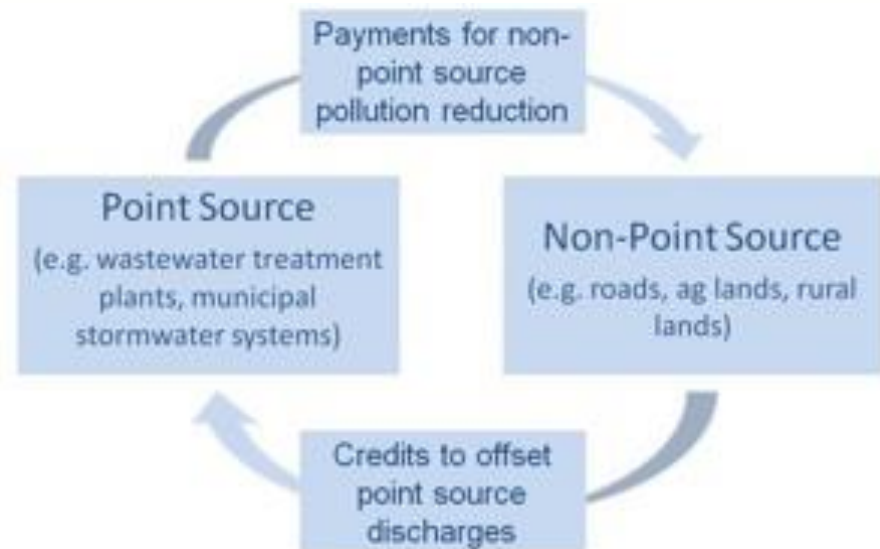


# Other (or repeated) Concepts

- Credits can only be generated after the baseline nutrient load reduction is met
- Credit sellers – those providing the additional nutrient reductions – must provide reasonable assurance
- Trades are limited to watersheds where a BMAP or Reasonable Assurance Plan (RAP) has been adopted
- Credits for permitted entities are authorized when reflected in the permit
- Credits for other entities are authorized when reflected in the BMAP or RAP

# Impact of Rule

- Opportunity to create revenue source
- Allows opportunity for otherwise cost-prohibitive discharges
- Promotes cost-effective pollutant reductions



# Potential Issues

- Determining baseline
  - What if no BMAP established?
- Excludes already established BMAP requirements
- Impact of NNC rule on baseline
  - Incorporation of TMDLs
  - Criteria only based on concentrations or consider nutrient loads
  - How will criteria designed to protect downstream waters will be implemented
- Permitting issues – concentrations v. nutrient loads
  - Only works if EPA accepts loading values



# Potential Issues

- Impact if loss of credit value occurs – uncertainty for buyer
  - Obtain credits from another source
  - Increase treatment
- Watershed/Segment Delineation
- Location Factor Adjustment
- Establishment of Registry Database
- Credit resale opportunities



# Questions?

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THANK YOU!