Water Quality Trading
In Maryland For The Bay
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Frederick County Office of Sustainability and Environmental Resources
Maryland and other Bay states need to meet Chesapeake Bay TMDL commitments to reduce N, P, S.

- Practices must be in place by 2025
- 2017 midpoint assessment underway

MDA has issued regulations for trading and oversight of ag credits. Will be modified.

MDE has issued draft trading document

- Established MWQTAC in January
- Committee meets monthly to develop policy
The Purpose of Pollutant Trading

- Accelerates restoration while reducing cost
  - High cost: stormwater retrofits, developer mitigation
  - Lower costs: WWTP outperforming permit requirements, ag practices
- Meets permit requirements over a longer time horizon
  - Build restoration capacity
  - Keep costs per year reasonable
MS4 Permit Cost Beyond Practicable

Costs Per Year
- MS4 permit average for 10 years
- FY'14 Budget
- FY'15 Budget
- FY'16 Budget
- Permit average per year

Total Permit Costs
- Old Permit: $12,428,322 every 5 years
- New Permit est: $142,346,010; Increase largely due to restoration
- County has nearly tripled yearly budget
- Compliance is not practicable without trading

Frederick County Example
Proposes trading boundaries in 3 major basins, in-state (for now).

Local water bodies with TMDLs can’t be further impaired.

Trades can occur cross sector. Examples:
- WWTP to MS4
- Ag to Industrial Permit holder

Trades require oversight and verification.

Entities wishing to trade must first meet baseline requirements.
• 2025 Baseline: Entities won’t produce credits for trade until own reduction goals are met.
• Consistent with the Bay TMDL and MD’s WIP, MDE assigned loads, reductions. Example:
  • WWTP: ENR permit performance and capacity
  • MS4: 30% impervious restoration requirements
  • Industrial permits: 20% impervious retrofit
  • Farms: goals on nutrient management plans
• New development load limits: TBD in “Aligning for Growth”
Trading can save 79%-82% of costs to reduce pollutants between WWTPs, Ag, and Urban.

Costs of Achieving SigPS and Regulated Urban Stormwater Load Reduction Targets and Potential Cost Savings from Nutrient Trading (In-Basin-State Trading)

Example from Chesapeake Bay Commission report.
Considerations for Cross Sector Trades

- Avoid “trading taxes”
  - i.e. credit retirement, discounted values, etc.
  - These increase cost of trades, diminish benefits
- Avoid burdensome procedures
  - Include ground rules in regulation to avoid additional approvals
  - built-in credit use authorization for MS4 permits
- “Currency” Issue – Impervious Area Restoration (Area Treated) vs. Actual Pollutant Load Reductions for MS4s
- Trading should be voluntary
- Right-size the MDE oversight
Virginia Trading Regulation Example:

- State Law: Virginia Code § 62.1-44.19:21 (Nutrient credit use by regulated entities):
  A. An MS4 permittee may acquire, use, and transfer nutrient credits for purposes of compliance with any waste load allocations established as effluent limitations in an MS4 permit

- Trade for performance and capacity in time
- Certify with DMRs under penalty of law
In Conclusion

- Without trading, the reductions under WIP cannot be met in time.
- With trading, GREATER PROGRESS, greater likelihood reductions can be met.
- With trading, COSTS ARE REDUCED.
- Lower costs means MORE PUBLIC SUPPORT for Bay restoration.
Thank You!

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