

Reproduced with permission from Daily Environment Report, 182 DEN A-10, 9/19/14. Copyright © 2014 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

Chesapeake Bay

Maryland Close to Launching ‘Gold Standard’ Nutrient Trading Program, State Official Says

Maryland officials are close to launching a “gold standard” cross-sector nutrient trading program, a Maryland Department of Agriculture official said.

The comment by Susan Payne, MDA’s program coordinator for ecosystem markets, came at the end of a Sept. 18 interagency advisory committee meeting on nutrient trading. Payne told Bloomberg BNA that the committee has been working to develop a strong, performance-based nutrient trading program since 2007.

Maryland is one of the six states required to reduce nutrient and sediment loading in the 64,000-square-mile watershed of the Chesapeake Bay, under a mandatory bay water quality restoration program established by the Environmental Protection Agency in 2010. Voluntary restoration efforts began in 1983.

Nutrient trading allows one party—typically a farmer who can implement extra nutrient reduction practices at low cost—to sell the resulting nutrient credits to parties facing higher-cost nutrient reduction obligations.

Jim George, water quality protection and restoration program manager at the Maryland Department of the Environment, presented the advisory committee with a framework for “equitable” nutrient trading.

Maryland’s system would facilitate trading between farmers and urban and suburban jurisdictions with stormwater control obligations; jurisdictions with many septic systems; industrial sites; and wastewater treatment plants, George said.

The framework would define five regions across the state, based on the state’s major sub-watersheds. Trades would first have to be pursued within the credit seller’s region. If no buyer were found, the seller could pursue deals in the other regions.

Significant Restrictions Imposed. Nutrient credit purchases would be barred if they would lead to impaired water quality in the purchaser’s water body.

In areas with currently impaired water quality, trades could occur only within that area.

Industrial facilities could purchase credits only after demonstrating that good-faith efforts were made to comply with the facilities’ stormwater permits, George explained.

Trading wouldn’t be available to localities with Phase 1 municipal separate storm sewer system (MS4) permits.

Non-Phase 1 MS4 jurisdictions could engage in trading, but only after showing that they have rigorous stormwater control programs, George said.

Credit Generator Application Process Begun. Credit generators would have to apply for permission to trade, with farmers applying to MDA and all other sectors applying to MDE.

Applications would trigger detailed site evaluations. Successful applications would result in contracts requiring maintenance of credit-generating practices for the life of the contact, perhaps five years, Payne explained.

Credit generators would be subject to annual and, in some cases, semiannual inspections by “verifiers,” individuals trained and certified by the state, Payne said.

The framework doesn’t provide the mechanics needed for program operation, and MDE is developing a proposed regulation. Advisory board members expressed hope that the proposal would be released for comment by the end of 2014.

Payne said MDA hopes the regulation provides sufficient assurances that would-be credit purchasers will initiate transactions. MDA also hopes the initial trades attract brokers who negotiate trades between farmers and credit buyers, Payne said.

BY JEFF DAY

To contact the reporter on this story: Jeff Day in Annapolis, Md. atjday@bna.com

To contact the editor responsible for this story: Larry
Pearl at lpearl@bna.com