



Comments to on 9-14 Draft Washington Water Quality Trading/Offset Framework

On September 22nd, the Washington Department of Ecology (DoE) presented a Draft Water Quality Trading Framework to stakeholders at the Spokane River Forum. This brief framework identified many critical elements of successful trading policy found in existing literature and programs including: identifying eligible practices, establishing baselines, contracting the provision of benefits, demonstrating and quantifying results, verifying project performance, tracking program performance, and adaptive program management. Drawing from conversations, literature, and our own experience, the Willamette Partnership drafted the following comments regarding DoE's identified needs and direction:

1) Regionally consistent credit accounting

Working with partners in the Chesapeake and the Midwest, we have found that water quality trading and other environmental markets need many of the same things: methods to quantify benefits, standards for verification, and tools to track project and program performance. Standards are now converging and many tools have been built for tracking. The benefits and costs of maintaining and improving these standards and tools can be shared among existing and emerging markets. The Willamette and Chesapeake are currently sharing technology tools that allow land managers to identify their eligibility and streamline crediting and verification processes. However, effectively sharing this market infrastructure, requires some consistency in market policy and protocols. To this end, we are glad to be working with DoE and other stakeholders in Washington as they develop trading frameworks.

2) Eligible practices and trades

Aware that an ongoing study is identifying sources of nonpoint phosphorus reduction, we hope that eligible practices are tied to holistic ecosystem recovery goals. Many stakeholders may have suggestions about what these goals are and what kinds of actions they can do to help achieve them.

Given that watershed recovery goals are often defined locally, we hope that local stakeholders in other emerging markets will be able to articulate eligible actions for trades in their watershed in cooperation with state and local DoE staff. For example, restoring in-stream flow can improve dissolved oxygen, temperature, and other beneficial uses. Riparian forests also provide a range of benefits to water quality and other beneficial uses.

3) Nonpoint Baselines

We are supportive of the two possible strategies articulated at the September 22nd meeting to address the requirement that "Nonpoint pollution sources receive a load allocation, which establishes the baseline that must be met before nonpoint credits that may be traded accrue," being (1) some BMP or other requirement for seller eligibility or (2) some percentage of credit sales going toward the nonpoint load. We advocate for whichever encourages the most nonpoint participation; possibly a hybrid such that good stewards that have already implemented baseline BMPs do not need to have a percentage of credit sales subtracted.



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4) Managing risk and uncertainty

Eligibility criteria can be used to keep out high uncertainty projects. Questions like “Will it work? Will it work at this location?” (currently categorized as a factor of trading ratios) might be better addressed as eligibility criteria.

Recent studies suggest using tools such as contracts and insurance to transfer liability for project performance (not permit liability) from permittee to credit seller whenever possible. Permittees are willing to pay a higher price for increased certainty and restoration organizations have more capacity to see that additional projects get done to make up for project failure. Acts of God can be accounted for with a reserve pool of credits so that buyers need only to insure themselves against human caused project failure. This reserve pool can be built through trading ratios applied to each trade.

In order to be predictable, trading ratios should be either applied equally to all trades or be based on pre-defined criteria.

5) Crediting, verification, stewardship and monitoring

It might be very staff intensive for DoE to estimate credits for every proposed project, then review again if the project generates different results than expected, and then verify these results. The program in the Willamette ties credits available for sale to achieving performance standards. Establishing performance standards for a BMP upfront provides a framework for project implementation and crediting. DoE or another third party (such as a conservation district) could then verify that performance standards are met and that the seller’s estimate of credits is reasonable. Identified funds and persons responsible for monitoring and maintenance can be an eligibility requirement for trading.

6) Allowing early action

Does “used in the same timeframe” mean that reductions cannot be banked or done ahead of time? Is phosphorus loading the kind of impact where credits should not be issued in advance? What about other kinds of impacts? (second bullet in “Elements of a Creditable Water Quality Trading Framework”)

7) Tracking multiple funding sources through an ecosystem credit accounting system

“Trading can provide a fund source for nonpoint pollution controls in addition to the currently available fund sources.” (pg 2 paragraph 2) Funds already dedicated to conservation should not be used to create credits for sale, but it is often necessary to articulate which funds are funding which parts of a restoration project; this requires an accounting protocol for multiple funding sources to establish ownership of credits. If state conservation dollars (e.g. 319 funds) fund a certain percent of a project, that same percent of credits can be retired on the public’s behalf.

Thank you for the opportunity to submit these comments.

Sincerely,

Bobby Cochran, Executive Director, Willamette Partnership