



Breaking Down Barriers

Priority Actions for Advancing Water Quality Trading

A product of a **National Network on Water Quality Trading** dialogue
October 2018

CONTRIBUTORS:



Water quality trading is a cost-effective way to meet clean water goals and deliver multiple benefits for people, fish, and wildlife. Yet, compared to other environmental markets (think: carbon offsets), interest and demand for water quality credit trading has been slow to catch on.

The new report, “**Breaking Down Barriers: Priority Actions for Advancing Water Quality Trading**,” from the National Network on Water Quality Trading, investigates what’s keeping water quality trading on the sidelines and proposes a detailed action agenda to help get water quality trading on the ground in more watersheds across the United States.

The report’s action agenda is a multi-stakeholder plan to:

1. Simplify water quality trading program design and application.
2. Ensure state regulatory agencies have adequate capacity and resources to engage on water quality trading.
3. Clarify each administration’s and the U.S. EPA’s position on water quality trading;
4. Actively address real and perceived risks for buyers.
5. Identify and address risks of litigation.
6. Create guidance on trading for stormwater.
7. Build stakeholder relationships and trust.

METHODOLOGY

To understand the barriers that keep credit buyers from pursuing new water quality trading programs or purchasing credits in existing markets, the National Network on Water Quality Trading (“National Network”) coordinated a four-part demand assessment:

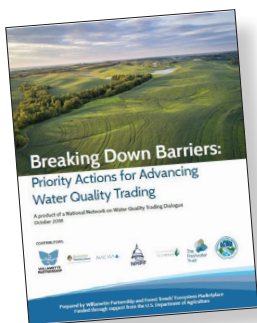
- Over 50 stakeholder interviews on the barriers and opportunities that exist today.
- Review of lessons learned about demand drivers from other environmental markets in the United States.
- Examination of the timelines and decision-making processes associated with implementing water quality trading.
- Mapping the core predictors of demand for water quality credits and stormwater trading across the U.S.

HOW IT CAN HELP

Proponents of water quality trading can use this action agenda to inform budgeting, grant-making, work-planning, and fundraising efforts. The report also includes specific steps for state regulatory agencies, U.S. EPA, credit buyers, and nonprofit or foundation partners to, for example, provide clarity around models that quantify credits; create templates that ease program design; offer realistic expectations around the time and expenses involved; and, ensure grant-making programs are better designed to support trading program development, among other efforts.

“We think it should be faster and easier to build good, defensible programs that give permittees credit for investing in their watersheds through trading and other types of market-based approaches. The suite of priority actions proposed in this report provide a path forward for breaking down the barriers that have kept water quality markets from advancing in the United States.”

-- Kristiana Teige Witherill, Willamette Partnership



Download the Full Report

To learn more about what actions can help move water quality trading forward, download the report at:

www.nnwqt.org/action

AUTHORS

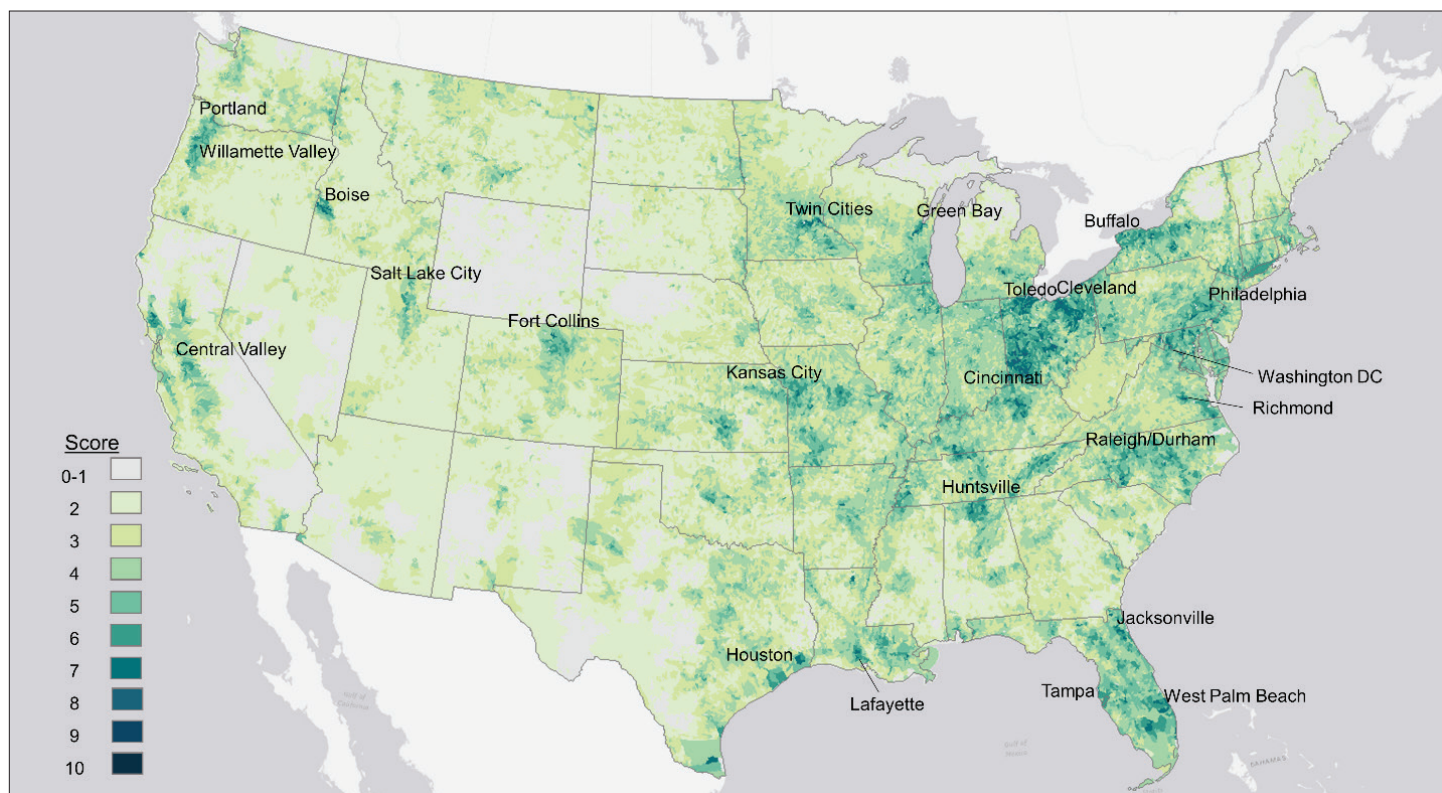
“Breaking Down Barriers” is a product of a **National Network on Water Quality Trading** dialogue, a conversation among a diverse group of participants working to advance water quality trading in the United States. The National Network is coordinated by **Willamette Partnership**, a nonprofit working to increase the pace, scope, and effectiveness of conservation and restoration for people and nature.

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WHAT ELSE IS INSIDE THE REPORT?

Where to Look for Creative Water Quality Problem-Solving

The National Network initiated an analysis of national datasets to provide a first cut look at where we might find more or less interest in water quality credit trading. This analysis tests key assumptions and identifies areas for more detailed feasibility analyses. The factors considered, key assumptions, and limitations of the analysis are summarized in the “Geography of Demand” section of the report.



The above map shows where higher potential (in darker blue) for demand for water quality credit trading may exist.

Lessons from Other Environmental Markets

To understand why water quality trading markets have yet to realize their full potential and why demand for credits has been slow to develop, we looked to the lessons learned from other mature environmental markets in the United States. See the report’s “Lessons on Demand: Demand Dynamics of Environmental Markets in the United States” section for more. Below are a couple takeaways.

Regulators are critical gatekeepers. Regulators have the ability to fundamentally shape interest in trading programs by enacting regulatory drivers and designing market rules.

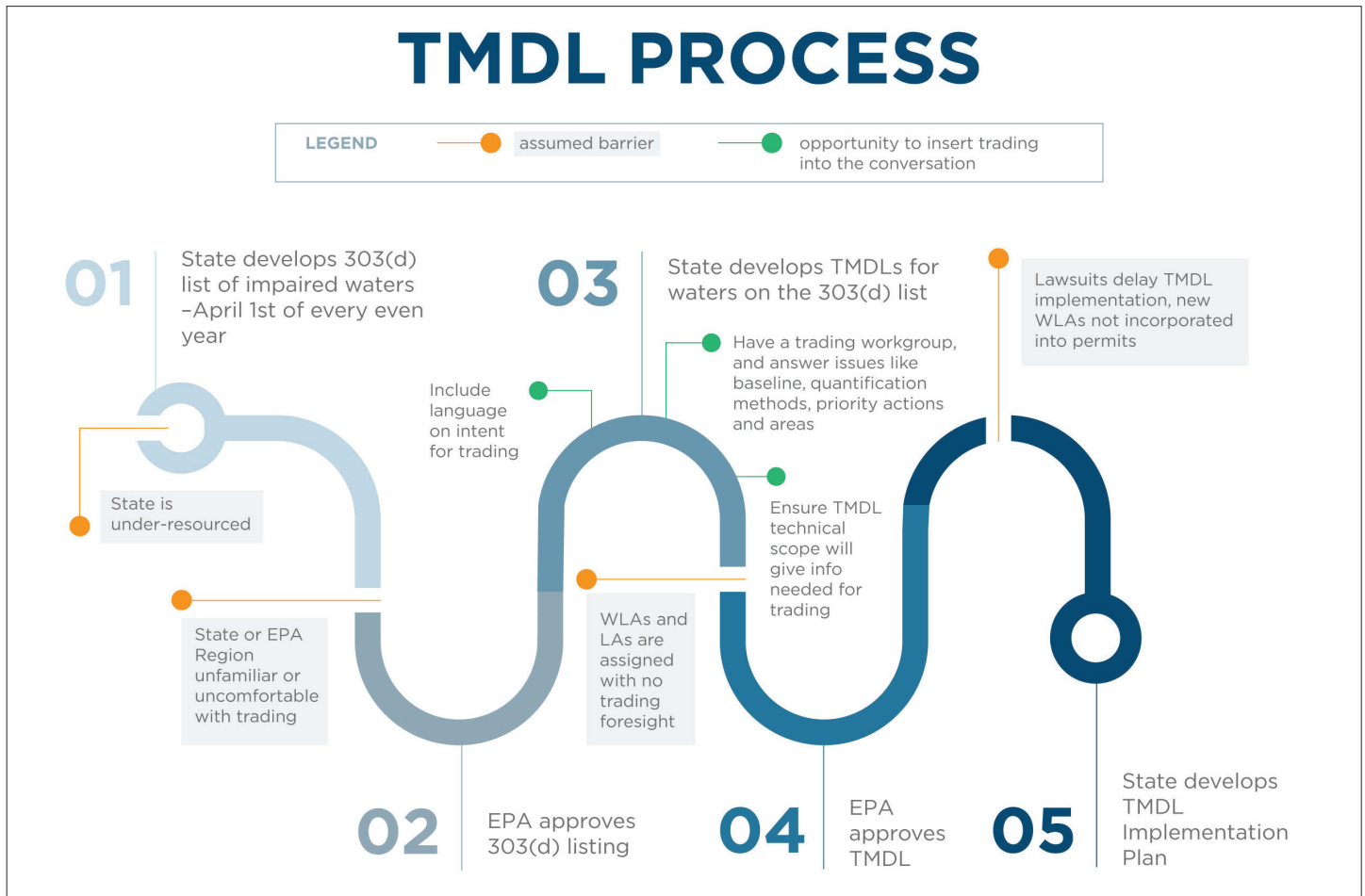
Cost isn’t the only driver. Some buyers are simply seeking the lowest cost. For others, local co-benefits and a good story can be extremely compelling and may tip the balance in favor of trading even when it is not cost-competitive with other compliance options.

“Many years ago I would have said trading was absolutely core to our compliance strategy for our treatment facilities. Now, even larger than that, it’s absolutely core to our organization to be able to continue to implement this program, to be able to engage the communities and various stakeholders in this watershed. We will absolutely continue to scale up our trading program.”

-- A utility water resource program manager

Models of Who Makes the Decisions and When

We built conceptual models to describe the decision-making processes occurring at state regulatory agencies and utilities about trading, including when trading should be considered during utility capital improvement planning, NPDES permitting, and TMDL development. This can help trading advocates better work within these processes. The models were tested through interviews with utilities, municipalities, state regulators, and other water quality trading professionals. See more in the report's "Water Quality Trading Decision-Making Structures and Processes" section.



Conceptual model of TMDL development process illustrating where challenges to trading might arise and important decision points where trading should be considered.

Clean water can be a unifying priority, whether from the perspective of meeting regulatory requirements, building healthy watersheds, or ensuring healthy communities. Water quality trading can support all of those things, and it is our hope that this Action Agenda will help get trading off the sidelines and onto the ground in more watersheds to provide clean water, in a cost-effective manner, and with multiple benefits to communities and the environment.

GET IN TOUCH

If you or your organization would like support from the National Network on taking any of the proposed actions, please contact the National Network at nnwqt@willamettepartnership.org. The National Network is funded through a cooperative agreement with USDA NRCS. To learn more about the National Network, visit us at www.nnwqt.org.