Water Quality Trading

Issues from the Wastewater Treatment Plant Perspective

Cy Jones

World Resources Institute

CTIC Water Quality Credit Trading Workshop
March 4-5, 2009
Chesapeake College, Wye Mills, Maryland
Issues of Importance to the Wastewater Community

- Practicality
- Cost
- Regulatory compliance
- Certainty
- Reliability
- Liability
- Environmental stewardship
WWTP Planning

• Identify and quantify trading needs
  – Short-term
  – Long-term

• Assess availability/reliability of credits

• Technical and economic analysis of options
Trade Design

• Trading Structure
  – Market-like
  – Trading Associations
PS-PS vs PS-NPS Issues

- Certainty
- Transaction costs
- Wasteload Allocation Issues
- Clean Water Act Liability
Potential Trading Partners

• WWTPs
  – Individual credit generators
  – Credit Aggregators
Minimizing Uncertainty and Associated Costs

- Monitoring
- Accepted BMPs or farming practices
- Stipulated performance
- Direct measurement
- Minimize uncertainty ratios
Trades and NPDES Permits

- Individual permits
- Watershed-based permits
- CWA liability
- Structuring permits
Managing Risk

• CWA enforcement liability
• Credit shortfalls
  – Reconciliation period
  – Credit insurance pool
  – Self-insured supplier
• Financial
• Trading partners
  • Aggregators vs individual suppliers
• Contractual protections
Trading Contracts

- Recommended features
- Purpose of the contract
- Quantities of credits exchanged
- Prices of credits exchanged
- Duration of contract
Trading Contracts

• Obligations of the seller.
  – Agreement to undertake specified actions to reduce pollutant loads
  – Agreement to properly maintain BMPs or other specified facilities
  – Agreement to allow regular inspections by buyer and/or third parties
  – Agreement to comply with all federal, state, and local requirements
Trading Contracts

• Provisions for default
  – Corrective actions
• Financial liability
• Transfer of subcontracts
• Bonds and Insurance
Cy Jones
Senior Associate
World Resources Institute
10 G. Street, NE, Suite 800
Washington, DC 20002
(202) 729-7899
cjones@wri.org
www.wri.org