Accounting For Growth

Briefing to the AfG Work Group

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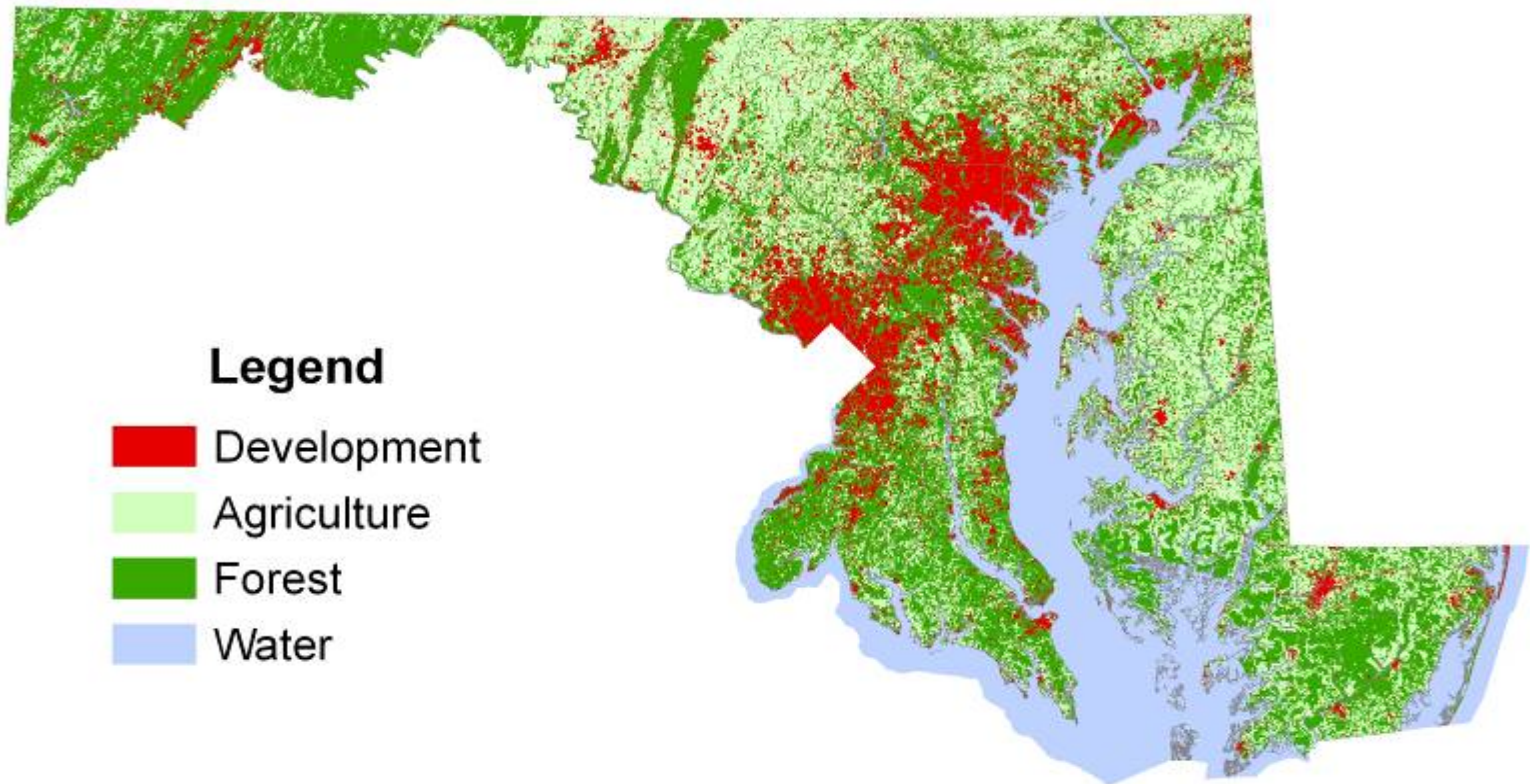
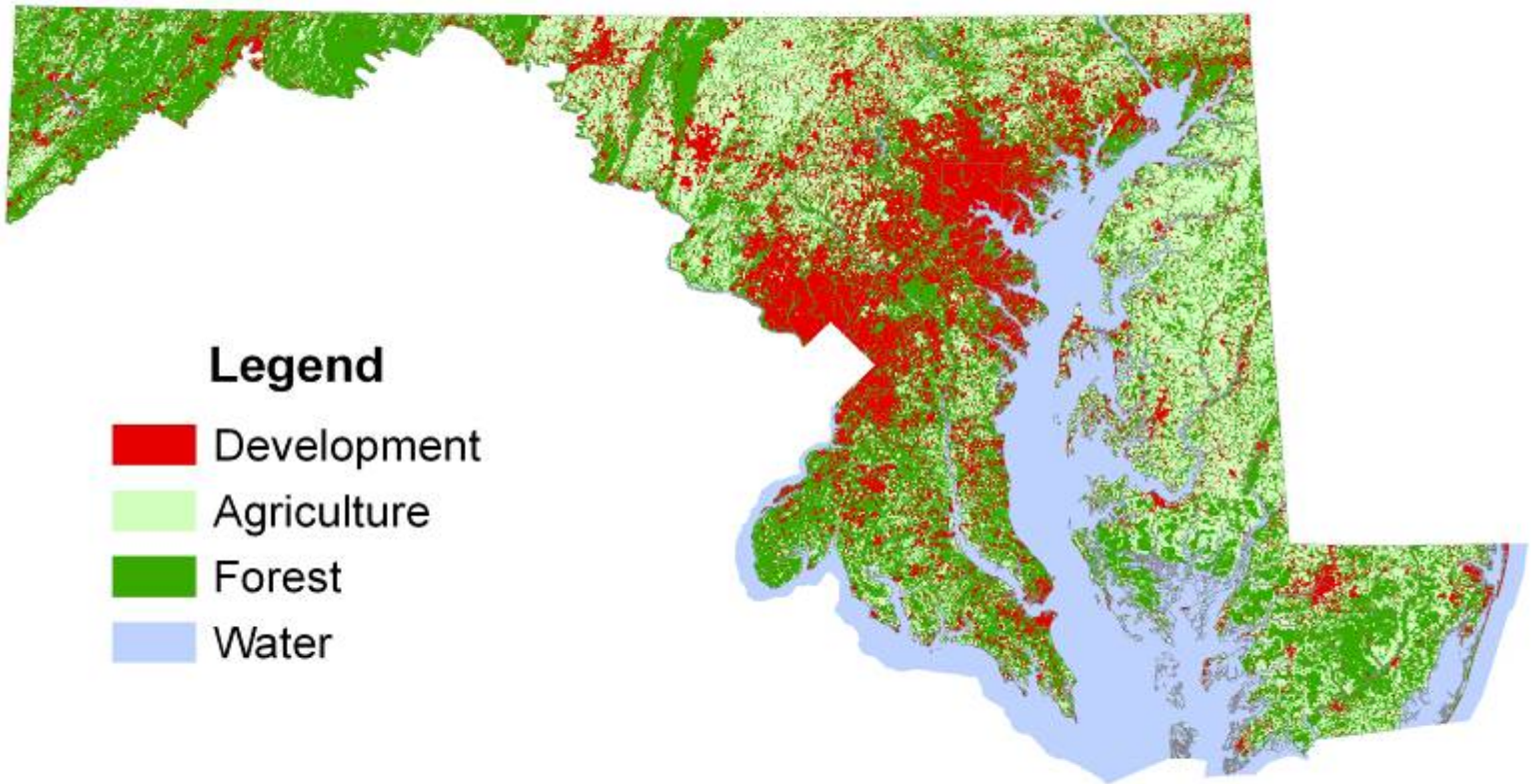
Overview

- Background on Accounting for Growth
- Ancillary Benefits of Trading
- Genesis of the AfG Work Group
- Path Forward
- Constraints
- Guiding Principles

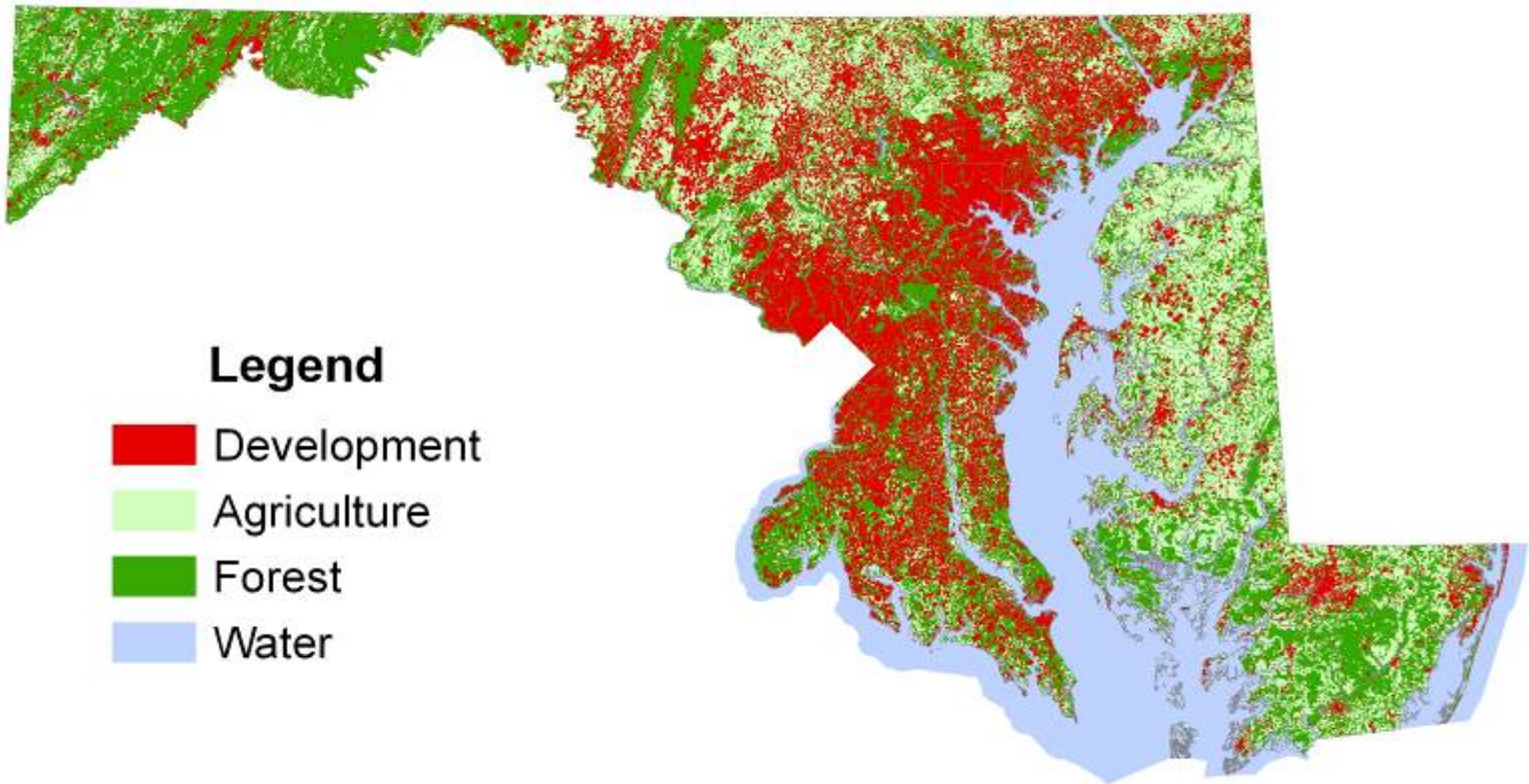
1973 Land Use / Land Cover for Maryland



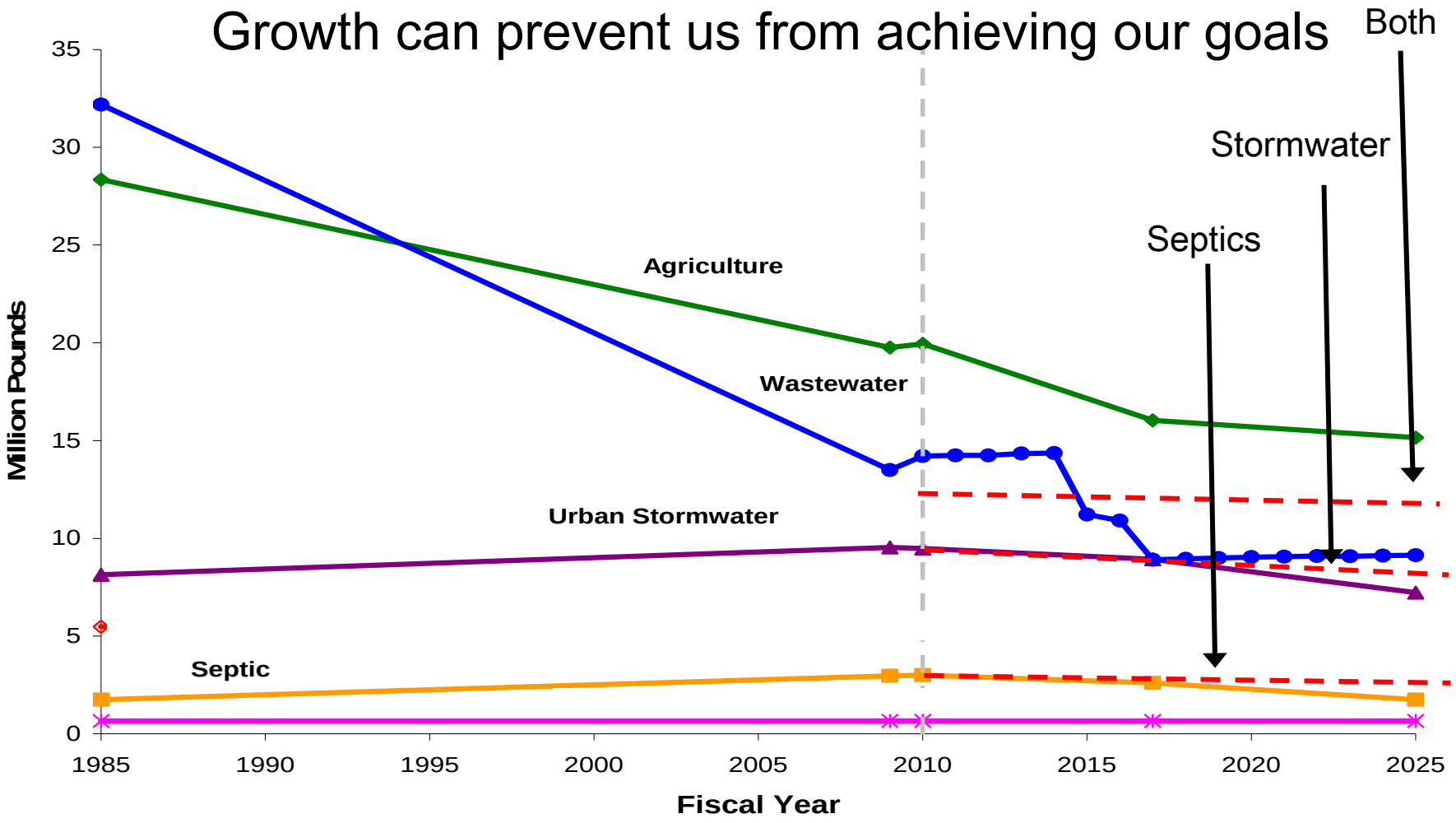
2002 Land Use / Land Cover for Maryland



2030 Land Use for Maryland
Current Trends



Nitrogen Reduction Plan



To Restore the Bay

- Reduce the current amount of nitrogen, phosphorus and sediment entering the Bay
- Hold the line against pollution from growth and development
  - Maryland is expected to add an estimated 478,000 households by 2035 – more than 2 million pounds of nutrient pollution to the Bay per year
  - If this pollution is not addressed, restoration efforts will not succeed

The Task at Hand

- Maryland committed in its Watershed Implementation Plan to develop a program to account for growth, to be completed by the end of 2013
- AfG Program
  - Policy
  - Implementation strategy

Objectives

- Minimize and offset loads from growth to achieve TMDL
- Further support Bay restoration and preservation and protect local water quality
  - Minimize pollutant load from new growth using “green” development practices so fewer offsets are needed
  - Direct public resources to reducing existing loads
  - Encourage optimal use of growth capacity and available offsets
  - Lower the overall cost of meeting the TMDL

Addressing New Loads

- Maryland is accounting for loads from new development in two ways
  - MD WIP has allotted nutrient loads to large wastewater treatment plants that allow them to take sewage from new development, provided they stay below the allocation or “nutrient cap”
  - Other new loads from development (septic loads, wastewater over the nutrient cap and stormwater) must be minimized using best practices and the remainder offset by additional reductions (offsets) in other areas by trading nutrient credits

Benefits of Trading

- Market forces will drive innovation and lower costs
- Local governments and others could trade to lower their Bay restoration costs
- Efforts to preserve Maryland's valuable forest and agricultural lands would be strengthened
- Farmers and others who generate pollution credit would benefit financially from the sale of credits
- Jobs would be created by the acceleration of Bay restoration efforts and the expansion of nutrient trading markets
- AfG would maximize Maryland's growth potential while maintaining a healthy Chesapeake Bay

What Led to the Work Group

- Agencies (DNR, MDA, MDE and MDP) offered proposal for AfG and engaged in extensive outreach
- Numerous substantive objections were made to the original proposal and a variety of new ideas proposed for consideration
- Stakeholders found it hard to evaluate the proposal in advance of the development of rules and procedures for:
  - Trading
  - Tracking and Accounting

Genesis of Work Group

The Agencies

- Presented the Work Group Concept to ENV and EHEA on November 28, 2012
- Developed initial list of possible members
- Consulted with stakeholders
- Invited 17 persons, representing

-Agriculture	-Municipalities
-Counties	-Private Sector
-Environmental Groups	-Public Interest

Path Forward - 2013

- Jan – Agencies appoint and convene a representative stakeholder Work Group and charge them with clarifying issues in dispute and finding common ground
- June – Work Group recommendations given to Agencies
- Aug - Agencies develop comprehensive regulations and policies for Accounting for Growth based on recommendations
- Sept – Agencies brief Committees
- Oct – Regulations proposed through formal process, including public review, hearing and public comments
- Dec – Regulations adopted

Constraints

- EPA's oversight role
- Consistency with State and Federal laws, regulations, policies, and guidance, including
  - Protecting designated uses
  - Antidegradation
  - Retirement of a portion of traded credits

Nine Guiding Principles

- Basic concepts that underlie and support an AfG program
- Indispensable components of an AFG program
- Elements that encourage fairness, innovation, and a reduction in the cost of meeting the TMDL

Guiding Principles

1. Existing loads of nitrogen, phosphorus and sediment must be reduced to meet the allocations in the Chesapeake Bay TMDL; concurrently, loads from population increase and economic growth **that do not have load allocations under the TMDL** will also need to be offset.

Guiding Principles

2. The Accounting for Growth program cannot undermine **other important state policies** such as preserving agricultural and forest land, revitalizing communities, conserving energy, and addressing climate change.

Guiding Principles

3. The AfG program will encourage developers to plan and locate their developments to **minimize pollution**, and will require developers to **offset the remaining pollution** by securing reductions elsewhere.

Guiding Principles

4. A nutrient trading program will be established to offset new and increased loads and to **spur innovation, accelerate pollution reductions, and reduce the overall cost** of restoring and maintaining a clean Bay.

Guiding Principles

5. **Offsets must last as long as the new load exists**, but the specific practices producing the offsets may change and the responsibility for maintaining the offsets may be shifted to another entity.

Guiding Principles

6. The AfG program needs to **minimize market restrictions and barriers to participation** while **maximizing accountability and transparency**.

Guiding Principles

7. **Verifiability and enforcement** are critical components to the AfG program.

Guiding Principles

8. The AfG program will establish a platform for trading with sufficient **predictability and stability** to satisfy the reasonable expectations of buyers, sellers and investors, and **encourage innovation and a robust market**.

Guiding Principles

9. Maryland's point and nonpoint trading policies and procedures will be fully integrated, with **low transactional costs** and **manageable administrative burdens for the participants and the implementing agency**.

Thank you for Serving