



## PRINCIPLES ON POLLUTION TRADING

*December 15, 2015*

On October 23, 2015, the Maryland Department of the Environment released a pollution trading policy statement, detailing “a roadmap for the development of cross-sector, water quality-based trading programs that use innovation, economies of scale and public-private partnerships to speed improvements to the Bay and local rivers and streams.”

In response to that statement, the Maryland Clean Agriculture Coalition has identified the following key principles that, in order to ensure transparency and accountability with regard to agricultural pollution, must be part of any nutrient pollution trading and growth offset program. Agricultural pollution remains the single largest source of pollution to the Chesapeake Bay, and many of our local waters in areas of intensive agriculture are among the most polluted. Some feel that a nutrient credit trading program has potential to help achieve overall pollution reduction goals, but we believe such a program also has the potential for negative water quality impacts if proper safeguards are not installed.

Several of the following principles are based on the 2012 Principles for Nutrient Credit Trading document by the Choose Clean Water Coalition, which our coalition fully endorses. The principles below represent those issues in which our coalition is particularly interested.

1. **Minimum criteria must be met to trade.** Any nutrient credit or growth offset transaction must comply with Environmental Protection Agency technical memoranda. This includes baselines for point and nonpoint sources generating credits in Chesapeake Bay jurisdictions. Credits must only be created through measures that go beyond a baseline performance level needed to achieve compliance with all water quality standards and local TMDLs. Projects must be “additional to” legally required measures in order to receive credit, and should represent a net environmental benefit.
2. **Accountability, transparency and verification are essential.** There must be a robust public process for reviewing, commenting on and challenging credit-generating proposals during the credit certification process. There must be appropriate monitoring, and all information about the credits and the pollution reductions associated with the trades must be publicly available in the annual or monthly discharge reports of the permittee. Any pollution credit trading program must include compliance assurance and enforceability provisions.
3. **“Double counting” of credits must not be permitted.** The trading and growth offset program must ensure that no pollution measure that has been paid for by a government agency (except for the purpose of generating a pollution credit) may be sold as a “credit” without making appropriate provision for reimbursement of the government agency sufficient to avoid “double recovery.”
4. **Interstate pollution credit trading must not be permitted.** Each state jurisdiction that is part of the Chesapeake Bay watershed has its own obligations to reduce pollution and account for pollution growth under the Bay TMDL. Trading within jurisdictions embodies inherent concerns about accountability, transparency and tracking. Allowing nutrient pollution or growth offset credit trading among different states adds an entire new level of logistical complexity that makes proper accountability more difficult to achieve.
5. **Any Pollution Credit Trading in Maryland must be promulgated by regulation.** To ensure a robust process that allows stakeholder questions and concerns to be publicly raised and addressed, any pollution trading and offset program must be proposed by regulation, rather than administratively. This will allow for the appropriate level of public comment and review for such an impactful new policy.