

# Water Quality Trading

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Water quality trading (WQT) is an innovative, market-based, cost-effective mechanism to help achieve local water quality improvements (EPA, 2003). In WQT, sources with high costs of reducing pollution can purchase equal or greater pollution reductions from sources with lower costs. This cost difference provides an incentive for trading to occur.

## WQT Program in Louisiana

LDEQ developed a WQT program, supported by state legislation and consistent with the Clean Water Act and state and federal law, to facilitate trading among watershed stakeholders interested and eligible in participating in trading opportunities. This WQT program will allow participation by both point sources and nonpoint sources to help achieve water quality goals.

### Rulemaking

**October 20, 2019** – Water Quality Trading final rule (WQ099) in [Louisiana Register, Vol. 45, No. 10](#). The Louisiana state WQT regulations are located in the [Louisiana Administrative Code \(LAC\) 33:IX, Chapter 26](#).

**July 20, 2019** - LDEQ posted a [Potpourri Notice](#) to announce changes to address comments received during the public comment period of the Water Quality Trading (WQ099S) Proposed Rule.

- [Interim Comment Summary Response & Concise Statement](#)

**January 20, 2019** - Water Quality Trading (WQ099) Proposed Rule in [Louisiana Register, Vol. 45, No. 01, January 20, 2019](#). Please see the NOI for details.

- March 1, 2019 – [Public Hearing](#)
- [Comments](#) received from Louisiana Chemical Association (LCA) and Louisiana Mid-Continent Oil and Gas Association (LMOGA); Coastal Protection and Restoration Authority (CPRA); Adaptation Strategies; Resource Environmental Solutions (RES); and Healthy Gulf
- [Comments](#) received from Tulane Environmental Law Clinic on behalf of the GreenARMY

### Guidance

The Louisiana Water Quality Trading Guidance provided here incorporates the feedback and discussions from stakeholder interactions as well as information from the

EPA 2019 policy update memo. LDEQ envisions updating the Guidance as appropriate to clarify, improve, and enhance the implementation of the WQT.

- Louisiana Water Quality Trading Guidance, October 2019

## **Stakeholder Interactions**

### **October 4, 2018 - WQT Stakeholder Meeting**

- Meeting Record
- Agenda
- Presentation

### **September 20, 2018 - WQT Stakeholder Meeting**

- Meeting Record
- Agenda
- Presentation

### **August 27, 2018 - WQT Stakeholder Meeting**

- Meeting Record
- Agenda
- Presentation
- Luling Wetland Carbon and Nutrient Pilot Project *Sarah K. Mack, PhD, President and CEO, Tierra Resources*
- US Business Council for Sustainable Development (US BCSD)-Restore the Earth Foundation (REF) Alliance Pointe aux Chenes Restoration Project as a WQT Pilot *Edwin Pinero, Water Programs Director, US BCSD*
- Trading Scenario for Domestic Non-Point Source Reduction: Regionalization and Home Inspection Program for Unsewered Communities *Brady Skaggs, PhD, Water Quality Program Director, Lake Pontchartrain Basin Foundation*
- Louisiana Water Quality Trading: Agricultural Community Involvement *Andrea Calvin, PhD, Chief Scientist, Adaptation Strategies*
- Science and Conservation to Support Water Quality Trading in Louisiana *Bryan P. Piazza, PhD, Director, Freshwater and Marine Science, The Nature Conservancy*

### **July 10, 2018 - WQT Stakeholder Meeting**

- Meeting Record
- Agenda

- Presentation

#### June 13, 2018 - WQT Stakeholder Meeting

- Meeting Record
- Agenda
- Presentation

#### January 23, 2018 - WQT Stakeholder Kick-off Meeting

- Meeting Record
- Agenda
- Presentation

#### December 20, 2017

LDEQ posted a Potpourri Notice to announce a kickoff stakeholder meeting in January 2018 and share draft guidance to invite feedback on topics to shape stakeholder discussions regarding the WQT program development in Louisiana.

- Potpourri Notice 1712Pot1
- Louisiana Water Quality Trading Guidance Draft, December 20, 2017

## Basics of WQT

According to the EPA Trading Policy (2003) and the EPA Water Quality Trading Assessment Handbook (2004), a *buyer* (e.g. a pollution source such as an industrial facility) purchases water quality improvements, or credits, from a *seller* (e.g. a farmer installing a buffer along a stream to capture sediment runoff or a facility installing technology that achieves reductions greater than established WQBEL requirements) that reduces pollutants. Both buyers and sellers will need to meet a minimum level, or *baseline*, before generating credits. The baseline for generating pollution reduction credits must be consistent with applicable water quality standards. In general, a credit is a reduction in pollutant loads beyond baseline conditions. More specifically, it is a measured or estimated unit of pollutant reduction per unit of time adjusted to account for applicable trading ratios. A seller generates excess load reductions by controlling its discharge beyond what is needed to meet its baseline through controlling its flow and/or its discharge concentrations. A buyer can then use the credits to meet a regulatory obligation.

EPA lists trading objectives for economic, social, and environmental benefits. These benefits include:

Economic	<ul style="list-style-type: none"> <li>• Reduces the total cost of achieving water quality goals.</li> <li>• Provides a cost-effective method for achieving compliance with water quality standards.</li> <li>• Provides incentives for innovations in pollution-reduction technology.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Achieves equal or greater reduction of pollution at equal or lower cost.</li> <li>• Creates an economic incentive for dischargers to go beyond minimum pollution reduction.</li> <li>• Offsets new or increased discharges resulting from urban growth.</li> <li>• Reduces cumulative pollutant loading, improves water quality and prevents future environmental degradation.</li> <li>• Provides ancillary environmental benefits such as carbon sinks, flood retention, riparian habitat.</li> </ul>
Social	<ul style="list-style-type: none"> <li>• Encourages dialogue among stakeholders and fosters concerted and holistic solutions to multiple sources of water quality impairment.</li> </ul>

## Resources

Association of Clean Water Administrators (ACWA) Water Quality Trading Toolkit, 2016 <https://www.acwa-us.org/toolkits/water-quality-trading-toolkit/>. Case Studies available at: <https://www.acwa-us.org/water-quality-trading-case-studies/>.

EPA, *A Long-Term Vision for Assessment, Restoration, and Protection under the Clean Water Act Section 303(d) Program*, (2013), available at [https://www.epa.gov/sites/production/files/2015-07/documents/vision\\_303d\\_program\\_dec\\_2013.pdf](https://www.epa.gov/sites/production/files/2015-07/documents/vision_303d_program_dec_2013.pdf).

EPA, *Nonpoint Source Program and Grants Guidelines for States and Territories*, p. 7, note 2 (2013), available at <https://www.epa.gov/sites/production/files/2015-10/documents/319-guidelines-fy14.pdf>.

EPA, Office of Water, *NPDES Permit Writer's Manual*, Ch.9, pp.1 (Sept 2010), available at [https://www.epa.gov/sites/production/files/2015-09/documents/pwm\\_chapt\\_09.pdf](https://www.epa.gov/sites/production/files/2015-09/documents/pwm_chapt_09.pdf).

EPA, Office of Wetlands, Oceans and Watersheds, *Guidance for 2006 Assessment, Listing and Reporting Requirements Pursuant to Sections 303(d), 305(b) and 314 of the Clean Water Act*, Section 5, (2005), available at [https://archive.epa.gov/water/archive/web/pdf/2005\\_08\\_11\\_tmdl\\_2006irg\\_report\\_2006irg-sec5.pdf](https://archive.epa.gov/water/archive/web/pdf/2005_08_11_tmdl_2006irg_report_2006irg-sec5.pdf).

EPA, *Updating EPA's Water Quality Trading Policy to Promote Market-based Mechanisms for Improving Water Quality*, (February 2019) (hereafter "2019 EPA

memorandum”), available at: <https://www.epa.gov/sites/production/files/2019-02/documents/trading-policy-memo-2019.pdf>.

EPA, *Water Quality Trading Policy*, 68 Fed. Reg. 1608, p. 1609 (Jan. 13, 2003), available at <http://www.gpo.gov/fdsys/pkg/FR-2003-01-13/pdf/03-620.pdf>.

LDEQ Water Quality Management Plan is available at: <http://deq.louisiana.gov/page/water-quality-management>.

Louisiana Coastal Master Plan can be found at <http://coastal.la.gov/our-plan/>.

Louisiana Revised Statute R.S. 30:2074.B.(9)(a)  
<http://www.legis.la.gov/Legis/Law.aspx?d=87135>.

Louisiana State Legislature, Act 371, 2017 Regular Session, Effective June 23, 2017  
<http://www.legis.la.gov/Legis/BillInfo.aspx?s=17RS&b=ACT371&sbi=y>.

National Network on Water Quality Trading publication *Building a Water Quality Trading Program: Options and Considerations*, 2015  
<http://willamettepartnership.org/publications/>.

United States Department of Agriculture-Natural Resources Conservation Service (USDA-NRSC) Field Office Technical Guide (FOTG) found at <http://efotg.sc.egov.usda.gov>.

USDA-NRSC, *Conservation Practice Standard: Nutrient Management, Code 590*, pp. 6-7 (2012), available at [http://www.nrcs.usda.gov/Internet/FSE\\_DOCUMENTS/stelprdb1046896.pdf](http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1046896.pdf).

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