



Summary of the  
1<sup>st</sup> Water Quality Pollutant Trading  
Advisory Committee Meeting  
Dakota Lodge, West St. Paul  
February 27<sup>th</sup> 2007  
10am - 2 pm

Greetings. Thanks to all of you who were able to participate in the first Water Quality Pollutant Trading Advisory Committee meeting. We are off to a good start, I have received positive feedback from many participants and I am optimistic that we will be able to craft an effective trading rule.

Thirty two representatives of 24 organizations participated in the first committee meeting. The email attachment Microsoft Excel file Advisory3-16-07.xls contains two worksheets. The worksheet titled Advisory Committee lists individuals and organizations that have agreed to participate in the process. Please check the accuracy of your contact information on the list. The worksheet titled 1<sup>st</sup> Meeting Participants is a list of the individuals who participated in the meeting on February 27<sup>th</sup> 2007.

1. We started off reviewing the agenda for the day and I announced the purpose of the meeting. To the best of my recollection my introductory remarks were something like: "Welcome, thank you for joining us today. I have asked you to participate in a process to work out the details of a water quality pollutant trading process and help us draft state rules by June of 2008. We will discuss many complex and very interesting issues. Many different sectors are involved, I hope we can craft a workable system that will be a valuable water quality management tool".

2. The next order of business was introductions and answers to the following question: "What is one question you would like to have answered by the end of the day"

The following is a summary of the resulting questions and statements, I have attempted to group them into coherent categories. I apologize if I have inadvertently misinterpreted or misrepresented any of the comments or questions.

Why?

- ♦ Why would we want to do this?
- ♦ Why would someone want to trade pollution?

Applicability for permits

- ♦ How would pre-TMDL trading work for stormwater permits?
- ♦ How does trading fit into meaningful and manageable programs for communities with permitted stormwater programs?
- ♦ I am interested in applicability to NPDES permits.

- ♦ I am interested in trading in general. In particular expanding options beyond phosphorus trading and in the interface between point sources and non-point sources.

#### Administrative

- ♦ Who would administer the program?
- ♦ There is potential for huge administrative costs, how will the rules address this?
- ♦ How will administrative costs and tasks be managed?

#### Process

- ♦ I am curious about how the process can be made to work? How to develop a trading system that goes beyond individual trading permits?
- ♦ How does pollution prevention fit in?
- ♦ Which pollutants are tradable, which regions of the state will be covered?
- ♦ How to institute beneficial, transparent, accountable and legal programs?
- ♦ How controversial will the rule be?
- ♦ Market incentives can accelerate change. How will we deal with perceptions?
- ♦ What partnership opportunities are available?

#### Listening

- ♦ I am curious about what is happening? Here to listen.
- ♦ I am here to listen and participate.
- ♦ I came here to learn.
- ♦ Interested in what is going on with this process.

#### Credit Generation

- ♦ Interested in the potential for land owners' incentives to convert to forested land uses. Also concerned about trade-offs.
- ♦ Is there room for an eco-asset type of process (i.e. credit stacking)?
- ♦ The possibility of layered payments is interesting. How can forest management generate credits?

#### Future

- ♦ Want to move forward with pollutant trading.
- ♦ Trading is part of the future.

Many interesting comments and questions. I hope that some were answered satisfactorily by the end of the day, but you will notice that good answers to many of these questions still need to be developed.

3. I gave a presentation entitled Introduction to Water Quality Pollutant Trading. My intent was to give a general overview of trading options and some initial thoughts about some of the broad categories of issues we should address in the development of this pollutant trading rule. If there was one point that I would like to reiterate it was that I



believe the rules will need to be simple and flexible. It is my opinion that unnecessary complexity will inhibit the success of future trading programs and that flexibility is necessary because we cannot predict the specific details of future trading scenarios.

A copy of the presentation is attached to the email (Introduction to Water Quality Pollutant Trading.ppt). If you do not have access to Microsoft Power Point or other software that can read this type of file, and would like to view the presentation, please contact me. I may be able to send the presentation in alternative formats.

4. We discussed who was not represented at the meeting and should be asked to join the Advisory Committee. The following list was developed:

- ♦ Food processors
- ♦ Farm groups: beef producers, pork producers, milk producers
- ♦ Counties
- ♦ Ethanol producers
- ♦ Land Trust
- ♦ Nature Conservancy
- ♦ PF&D – ngo (?)
- ♦ Pulp and paper manufacturers
- ♦ Federal government
- ♦ Native American tribes
- ♦ BWSR – Board of Water and Soil Resources
- ♦ Hospitality industry
- ♦ Power industry
- ♦ League of Cities
- ♦ Regional Conservation and Development Districts (RC&D)
- ♦ Minnesota Wastewater Operators Association
- ♦ Farm Bureau
- ♦ Farmers Union

Some of the groups identified had been invited but were not able to join us on February 27<sup>th</sup>. I have made some progress in contacting some of the other groups listed. If anyone can help me figure out what the PF&D reference is about, I would certainly appreciate it. The only references I have been able to find refer to a Personal Time, Fatigue and Delay (PF&D) Factor used by the federal Department of Labor to calculate minimum wages. Interesting but irrelevant for our purposes, any ideas?

Please see the spreadsheet (Advisory3-16-07.xls) attached to the email message for the most current list of people who have expressed interest in participating in the advisory committee process or being kept informed of our progress. I am currently in the process of contacting additional sectors identified at the last meeting.

5. Lunch - Box lunches were catered by the Nelson Cheese Company. Uneaten lunches were delivered to the Union Gospel Mission. They were happy to have them.

6. We then discussed the structure of the advisory committee. Based on the extensive membership of the committee, a proposal was made to establish a smaller steering committee to shape the agenda and direct the discussions. Two additional layers of technical and sector based workgroups were also proposed to work on the details of issues that may need to be worked out. The predominant response from the participants was that the proposed structure seemed too cumbersome. “Too many moving parts” was the quote I captured in my notes.

We decided that for the time being we will stay with a single large Advisory Committee and make adjustment later if necessary. Over the course of the next year I plan to hold many meetings with the sectors represented on the committee and others. I hope these meetings will help me understand the diverse views on the issues and I plan to bring that understanding back to the advisory group for consideration. An internal MPCA technical group is also available to help work out some of the technical issues that come up.

7. We did a brainstorming exercise responding to the question:  
“What do you want to accomplish with water quality trading”.

Small group discussions produced a range of ideas which were written down. Barbara Deming helped us organize the ideas into categories. These were the results by the time we decided to call it a day:

1. Benefits for water quality
  - o Nobody gets rich off trading (Water quality improves)
  - o Want water quality to improve
  - o Net improvement of water quality
2. Verifiable
3. Program needs to be dynamic and flexible for evolving technology and ecological understanding
  - o Establish an adaptive management process; continuous monitoring and compliance checks and balances
4. Wildly popular and useable
  - o Simple, transparent, attractive; doesn't compete with other programs
  - o Start simple – phosphorous/sediment – work out details and build on that
  - o Efficient, simple program design
  - o Want it to make sense
5. Real trades, real often
6. Credits should be as long-term as it lasts
7. Double benefit of the same water quality credit – shouldn't be able to do it
8. Set up program that allows for “credits” to go toward environmental improvements,

- e.g. portion of profits from trades going towards established management program
9. Need coordination among various stackable benefits
  10. \$ value added for BMPs (or changing land use)
  11. Central aggregator that oversees trades, transactions, and environmental outcomes
  12. Reduce costs of achieving standards – an educated group that has buy-in to the final product.
    - o Low-cost solution or process to improve water quality
  13. Tie to *local* activities
    - o Need broadest geographical applicability
  14. Reward early adopters and late adopters (over baselines, above and beyond)
  15. *Fair* regulatory backbone
  16. Are we getting into discharges having “real property” in their loads?
  17. Can mine land restoration be considered a credit?
  18. Want rules to be prescriptive or performance?
  19. How/who is going to do long-term monitoring and finance it long-term?
  20. Flexibility for future emerging contaminants
  21. Currency that’s fluid among economic sectors
  22. Matrix or decision tree that is user friendly, combined with technical support documents that allow for transparency.
  23. Restore water quality and habitat to historic standards (~300 years ago)
  24. Repair waters and prevent further impairments and allow for further growth and development
  25. Equitable tool for watershed management
  26. Like a free market system with government oversight to ensure everybody plays by the rules with practice verified
  27. Efficient and functional market
  28. Rules need to be clear enough that the market will work
  29. Want to *see* results – non-trivial

Many very interesting ideas. I hope we can continue refining these thoughts at future meetings. This concludes the summary of our first advisory committee meeting. Once again, thank you for your assistance in this project, I look forward to seeing you at the next meeting.

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