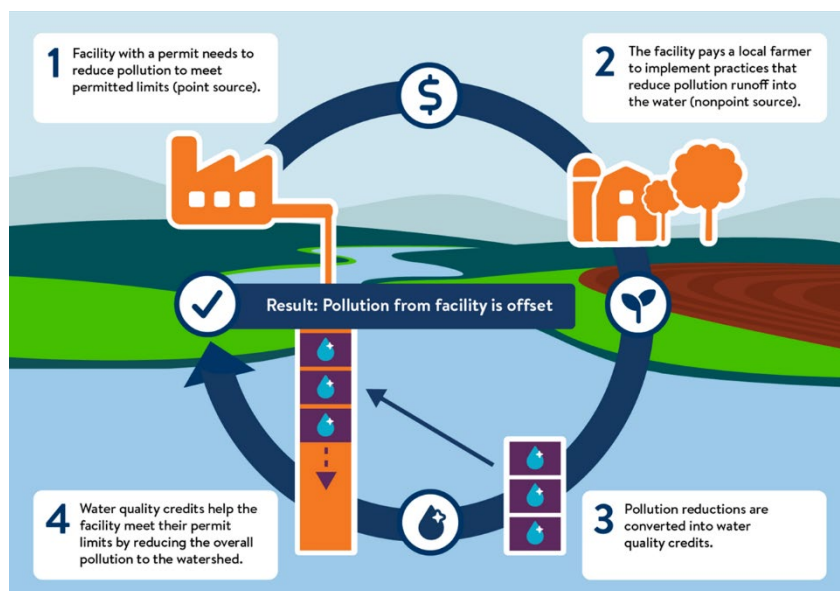


Water Quality Trading – A Market-based Approach

This factsheet is intended for farmers and landowners who may be interested in partnering with a wastewater permittee on a water quality trading project. Much of the content is taken from [MPCA’s Water Quality Trading Guidance](#), which should be referenced for more information. Separate trading factsheets are available for wastewater operators and municipal separate storm sewer systems (MS4s).

Overview

Water quality trading (WQT) is a voluntary program that allows regulated wastewater dischargers (like wastewater treatment facilities) to purchase trade credits from farmers and landowners who implement eligible conservation practices. WQT provides financial benefit to landowners in addition to viable and cost-effective alternatives to wastewater infrastructure upgrades, ensures environmental protection, and allows communities and businesses to grow while achieving water quality goals. Visit MPCA’s Trading webpage at <https://www.pca.state.mn.us/business-with-us/water-quality-trading>.



WQT participants can be buyers or sellers of water quality trade credits:

- Credit buyers are regulated wastewater dischargers (City/Municipal wastewater facilities, Industrial wastewater facilities or Municipal Storm Sewer Systems). Examples: City of Hutchinson WWTP, Southern MN Beet Sugar Cooperative or City of Rochester.
- Credit sellers are landowners and/or farmers who implement an eligible trade practice on their land.

A contract between a credit buyer and credit seller will describe what kind of conservation practice will be installed/implemented, the monetary value of the credits generated, how long the practice must be effective and maintenance/inspection requirements (MPCA inspects all trade projects annually).

How does Water Quality Trading work?

Stated simply, water quality trading is a contract between a credit buyer (permitted wastewater) and a credit seller (landowner). The credit seller installs an agreed upon conservation practice that reduces nonpoint source pollution (phosphorus, nitrogen or oxygen demand) and in turn gets compensated by the credit buyer. Pollution reduction of a practice gets calculated into a number of credits, which are then purchased by the credit buyer. The credit buyer uses the purchased trade credits toward compliance with state discharge requirements.

The benefits for landowners/farmers in participating in water quality trading are:

- Funding for implementing conservation practices (address problem areas of property)
- Recurring income for verified pollution reduction projects
- Improved soil health and long-term farm viability
- Role as water and environmental stewards

Basic Steps of Water Quality Trading:

1. Regulated wastewater discharger (Permittee) identifies pollutant reduction need (new permit limit or new/expanded discharge)
2. Permittee receives authorization by MPCA to engage in water quality trade planning
3. Permittee assembles water quality trading plan and partners with farmer/landowner to install a trade project (conservation practice).
4. Farmer/Landowner enters into contract with Permittee for the implementation of trade project (annual payment, type of practice(s), length of project, site access and operation/maintenance).
5. Permittee provides MPCA with final water quality trade plan for review and approval. Once approved, water quality trade plan becomes part of the NPDES permit.
6. Farmer/landowner and/or Permittee puts trade project/conservation practice into action. MPCA inspects project/practice after completion to verify trade credit generation.
7. Farmer/landowner receives payment from Permittee for the sale of pollutant reduction credits.
8. Farmer/landowner and/or Permittee maintains practice for the length of the water quality trade contract.

Terms for Farmers & Landowners

- **Eligibility** – Must adopt new best management practices (BMPs) that are above what is required by existing Rules & Regulations (e.g. buffer law, feedlot rules)
- **Verification** – Must follow MPCA-approved trade plan to verify pollution reduction credits.
- **Duration** – Negotiable. Contracts can span 1 – 20 years depending on the practice.
- **Credit price** – Negotiated between buyer and seller. Varies by pollutant, practice, location and supply/demand of regulated wastewater discharger.
- **Funding** – Additional funding for BMP implementation may be available through NRCS (EQIP/CSP), BWSR, MDA and the Clean Water Fund.

Commonly Asked Questions

- **What practices can be used for water quality trading?**
 - Many common conservation practices are eligible as trade projects. Cover crops, perennial vegetation on highly erodible land, cattle exclusions and streambank stabilization projects are examples of active trade projects in Minnesota. All trade projects must be approved by MPCA prior to implementation.
- **What will be expected of me if I participate in water quality trading?**
 - Once construction is complete, it is expected the practice be maintained for the length of time outlined in the contract with the credit buyer. Depending on the trade practice, this may be seasonal, annual, or span several years and may be either the credit seller or buyer responsibility. MPCA staff will inspect the trade project once per year.
- **How long do I need to maintain the trade project on my land?**
 - The contract between the farmer/landowner and the regulated wastewater discharger will identify how long the practice should be maintained for credit generation and sale.
- **How will I know how much my practice will be worth?**

- Credit buyers will negotiate the value of the trade practice(s) with the credit seller. Factors like practice type, length of practice and amount of pollution reduced should be considered.
- **Are there stipulations for what earned income from water quality trading can be used for?**
 - No.
- **Can other grants or loans be used to help pay for a new trade practice?**
 - Yes, other funding resources may be available. Contact your local SWCD, NRCS office or Department of Agriculture.
- **When do payments for trade credits start?**
 - Payments to farmers/landowners for implementing trade practices occur after the practice is completed and pollutant reduction credits are verified.

Want more information? For questions related to water quality trading, contact the Water Quality Trading Program team at WQtrading.PCA@state.mn.us.

