National Network on Water Quality Trading

Demand Assessment Work Session Meeting Summary

Friday, December 1, 2017
Washington, DC

Context

The National Network on Water Quality Trading is undertaking an assessment of the barriers to demand and opportunities to advance the use of water quality trading as a means of meeting clean water act obligations by the municipal and industrial wastewater and stormwater sectors. The elements of the demand assessment include:

- A rapid review of the lessons learned about demand drivers from other environmental markets and how they might apply to water quality trading;
- A set of conceptual models to illustrate the processes and key actors in accepting or rejecting the use of water quality trading, to confirm our understanding of the decision making structures through which trading is considered and approved;
- A spatial analysis of the biophysical, regulatory, institutional capacity, and economic factors influencing demand for water quality trading;
- A series of broader stakeholder interviews and surveys to understand the assessment methods and decision criteria applied to trading as an option, and what are the barriers and opportunities for application as seen by the target decision makers; and
- A comprehensive and prioritized action agenda, specifying the products, processes, and campaigns that would address key barriers identified in the interviews and surveys.

Objectives

The National Network on Water Quality Trading Steering Committee and invited guests gathered to review the Network's demand assessment. The objectives of the work session were to get participants' feedback on and answer any questions they had about the draft pieces of the demand assessment and to get their input on the design of the interviews and survey that will inform the assessment's action agenda.

Take-Aways

Following is a summary of the key messages we heard from work session participants.

- Process diagrams and decision-making roles/structures are largely correct (plus suggested changes).
- Lessons learned from other markets are interesting and frequently applicable despite the different market contexts.
- For the spatial analysis– be clear about the objectives and questions that we want these maps to answer. There was interest in seeing the outputs, caution around indicators that are not easily measured.
- Regional barriers differ, but demand is a challenge for all. Nutrients and statewide nutrient strategies are among the bigger drivers for action (which may or may not be trading) in the Midwest. Oregon may see progress to trade under a variance. Southern CA and the Chesapeake Bay states are seeing the most action around stormwater, including pay for performance contracting.
- In gathering information to inform an action agenda, some wanted to see a direct repeat of the EPA 2008 study interviews to identify how the world and perspectives have changed. Other suggested not repeating the EPA study, but still looking to it as a jumping off point, building on/digging into the point source/demand perspective. Others felt that we know the answers we will get, the challenge is making sense of them and identifying actions that will really change the state of play.
- There was some agreement on top barriers:
    - Lack of regulatory drivers, particularly TMDLs
    - History of litigation from environmental groups
    - Inability to transfer liability from NPDES
    - Cultural inertia/ lack of champions at state clean water agency
    - Conservative culture and risk aversion amongst the utility sector, and tendency to consider basic service delivery as the extent of the function vs utility of the future/"One Water" philosophy that is more conducive to trading
        - Utilities need a LOT of information about how the trading program would work before they can even consider it (e.g., to make cost estimates)
- One opportunity that had significant agreement was around a culture shift in the utility sector.
- Public entities can inform markets by being transparent about future demand and price signals. It's a lot harder for private sector to share that information.
- We shouldn't lose sight of the looming existential uncertainty about whether trading is scalable. The implication may be a broader scope (e.g., "trading-like" programs).
- Energy and action is in the urban environment, stormwater credit trading, and pay for performance contracting.

Next Steps

Winter 2017–2018

- Work session participant's feedback used to revise lessons learned from other markets, decision-making structures, and spatial analysis methodology
- Produce conference abstract for Demand Assessment summer/fall speaking opportunity proposals
- Draft an approach to the interview and survey questions for Steering Committee approval

Spring 2018

- Conduct interviews and collect surveys
- Steering Committee reconvenes to review and interpret interview and survey results and draft action agenda

June 2018

- Release Demand Assessment and action agenda

Summer – Fall 2018

- Communications push through online content, webinars, and conference presentations

Participants

Genevieve Bennet	Forest Trends' Ecosystem Marketplace
Brian Brandt	American Farmland Trust
Evan Branosky	Environmental Incentives
David Chen	Kieser & Associates
Kari Cohen	Natural Resources Conservation Service, USDA
Clay Detlefsen	National Milk Producers Federation
Melissa Gallant	Forest Trends' Ecosystem Marketplace
Charlie Logue	Alexandria Renew Enterprises, NACWA
Patrick McGuire	Association of Clean Water Administrators
Susan Payne	Maryland Department of Agriculture
Bob Rose	Office of Water, EPA
Carrie Sanneman	Willamette Partnership
Mindy Selman	Office of Chief Economist, USDA
Kristina Surfus	National Association of Clean Water Agencies
Kristiana Teige Witherill	Willamette Partnership
Sara Walker	World Resources Institute