

# Ohio's Water Quality Trading Rules

Water Quality Credit Trading  
Workshop  
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# Developing Trading Rules

- November/December 2005 - External review of framework paper
- May 2006 - Draft rules to interested party review
- December 2006 - Proposed rules validated by legislature and adopted
- January 1, 2007 - Rules effective

# Rules for Water Quality Trading: Ohio Administrative Code Chapter 3745-5 (Effective January 1, 2007)

*The purpose of the trading rules is to establish a voluntary program that:*

- Facilitates watershed-based approaches to improving water quality.
- Improves water quality and minimizes the costs of achieving and maintaining water quality standards.
- Provides economic incentives for voluntary point and nonpoint source pollutant reductions.
- Achieves additional environmental benefits beyond pollutant reductions.

*Where can trading occur?* (Rule 04)

Trading can occur in a watershed, in a TMDL area, or in any other area designated by the director.

*What pollutants can be traded?* (Rules 03, 07)

Trading of bioaccumulative chemicals of concern is prohibited. This includes mercury. Other pollutants can be traded, provided loading reductions can be quantified and expressed in clearly defined units.

*Who's going to do all of this work?* (Rule 04)

The rules are voluntary. They define a role for “qualified soil and water conservation professionals” in trading programs that involve nonpoint source BMPs.

# Water Quality Trading Management Plans (Rule 06)

- Plans must be approved by Director for up to 5 years; must be renewed to continue.
- Plans must identify participants, their roles and responsibilities.
- Plans must identify trading area and HUCs for NPS reductions.
- Plans must include assessment of readily available water quality information.

# Water Quality Trading Management Plans (Rule 06)

- Plans must identify baselines and trading ratios.
- Plans must identify the range of BMPs, and address field inspections and assessing effectiveness.
- Plans must include an implementation schedule.
- Plans must include corrective measures to address credit failure.
- Plans must include a public participation component (Rule 13) and a monitoring component (Rule 14).

# Generating Credits

*How are credits generated?* Credits are generated by pollutant reductions that are in excess of baseline requirements, that occur within a specified period of time, and that are greater than those necessary to meet a regulatory requirement. (Rule 01)

# Generating Credits – Baselines

(Rule 09)

- For permittees with approved TMDL, the lower of the wasteload allocation or current discharge level.
- For permittees without approved TMDL, the lower of existing WQBEL, a technology-based standard or current discharge level.
- For nonpoint sources, the pollutant load associated with existing land uses and management practices, which must comply with any existing requirements.

# Generating Credits – Quantifying Load Reductions (Rule 08)

*How are NPS loading reductions quantified?* The rules specify using a load reduction spreadsheet maintained by Ohio DNR. Other methods may be used if acceptable to the Director.

# Generating Credits – Trading Ratios

## (Rule 10)

- A trading ratio of 3:1 means that 3 pounds of a pollutant must be removed to receive credit for 1 pound.
- For point source/point source trades, the trading ratio is 1:1.
- For point source/nonpoint source trades, the trading ratio is 2:1 where there is not an approved TMDL, and 3:1 with an approved TMDL.
- Alternate trading ratios may be considered.

# You Need To Know

*How is the liability of NPDES permit holders addressed?*

A permit holder must notify the director upon discovering that its credits are insufficient to achieve compliance with a permit limit. Within 90 days, the permit holder must either obtain replacement credits or reduce its discharge. Trading plans are required to have a mechanism for addressing this situation. (Rules 12, 06)

*Will my NPDES permit include limits for a pollutant when I'm using credits for compliance?* Yes. Your permit will include: the effluent limits that would apply without trading; effluent monitoring; reporting for effluent and credits; special conditions for determining compliance. (Rule 11)

# You Need To Know

*Are there limits on using water quality credits to meet my effluent limits?* There might be. To address local water quality impacts, your permit might include a cap on the portion of your limit that can be replaced with credits. (Rule 11)

*How long can BMPs generate credits?* BMPs may generate credits as long as they are fully maintained, continue to function as designed, and are inspected at least once per year by a qualified professional. (Rule 04)

# You Need To Know

*Can nonpoint source load reductions funded by grant dollars be used to generate credits?* No. Reductions funded under a federal grant program can only generate credits in proportion to the percent local contribution. 319 projects can not generate credits. (Rule 03)

*Can CAFOs participate in water quality trading?* Certain restrictions apply. Load reductions from controls implemented in production areas may not be used for credits. Load reductions from BMPs implemented to comply with NPDES permit may not be used for credits. (Rule 03)

# For More Information

The screenshot shows a web browser window displaying the Ohio EPA Division of Surface Water website. The page title is "Water Quality Trading Program". The header includes the Ohio EPA logo, the division name, and contact information: "50 West Town Street, Suite 700 Columbus, OH 43215 (614) 644-2001". The navigation menu includes "Director's Office", "Air", "Land", "Water", "Pollution Prevention", and "Public Information". A "Last Updated" timestamp reads "Friday, 22-Dec-2006 12:37:08 EST".

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- Related Sites
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- DSW ftp
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- What's New (1/10/07)

**Permit Wizard**


**Simon's Kids Zone**

## Water Quality Trading Program

Note: documents on this page are in PDF format which requires the Adobe Acrobat™ reader. The reader can be downloaded at no cost from **Adobe**.

**Final water quality trading rules** were adopted on December 22, 2006 and become effective on January 1, 2007.


Water quality trading is receiving increasing attention as a tool for achieving water quality improvements. Under the right circumstances, trading has the potential to yield both environmental and economic benefits, while promoting increased interaction among watershed stakeholders.



Bank erosion is a common cause of water quality impairment.

Developing a water quality trading program is one of Director Koncelik's **2005 - 2006 priorities** (PDF 88K) for the Division of Surface Water.

In June 2006, the Agency released **draft rules for trading for interested party review and comment**. After considering the comments received, preparing a responsiveness summary and making revisions to the rules, the Agency filed **proposed rules for trading for review and comment** with the **Joint Committee on Agency Rule Review (JCARR)** on October 10, 2006. **Final rules for trading** were adopted on December 22, 2006 with an effective date of January 1, 2007.



Bank stabilization can generate water quality credits and improve water quality.

## August Training Workshop

The Environmental Trading Network sponsored a Training

[www.epa.state.oh.us/dsw/WQ\\_trading/index.html](http://www.epa.state.oh.us/dsw/WQ_trading/index.html)