

# Water Quality Trading In Ohio

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Gary Stuhlfauth  
Ohio EPA Division of Surface Water  
NPDES Permit Unit  
Phone: 644-2026  
[gary.stuhlfauth@epa.state.oh.us](mailto:gary.stuhlfauth@epa.state.oh.us)

## Ohio EPA's Time Line for Adopting Trading Rules

- December 31, 2005 Completed external review of framework paper
- May 30, 2006 Circulated draft rules for interested party review
- December 11, 2006 Proposed rules validated by Joint Committee on Agency Rule Review (JCARR)
- December 22, 2006 Adopted final rules
- January 1, 2007 Rules effective

Ohio EPA's trading rules and related information are available through the Division of Surface Water's Water Quality Trading Program web page: [http://www.epa.state.oh.us/dsw/WQ\\_trading/index.html](http://www.epa.state.oh.us/dsw/WQ_trading/index.html)

The web page also includes documents related to current Ohio water quality trading activities, other trading-related documents, links to U.S. EPA's 2003 trading policy, its *Water Quality Trading Assessment Handbook*, and the web sites for other states' trading programs.

A comprehensive source of information on water quality trading is the Environmental Trading Network: [www.envtn.org](http://www.envtn.org) . Use the "Water Quality Trading" link.

## The Purpose of Ohio's Water Quality Trading Rules

- To facilitate watershed-based approaches to improving water quality.
- To improve water quality and minimize the costs of achieving and maintaining water quality standards.
- To provide economic incentives for voluntary pollutant reductions from point and nonpoint sources.
- To achieve additional environmental benefits beyond pollutant reductions.

## Current Water Quality Trading Activities in Ohio

*Great Miami River Basin* - This is a watershed-scale program with the Miami Conservancy District acting as a third party broker. Wastewater treatment plants will participate by funding nonpoint source nutrient reduction projects in the Stillwater River sub-basin. There is an approved TMDL for the Stillwater basin. A TMDL for the Great Miami River mainstem is projected for 2013.

*Sugar Creek, Tuscarawas River Basin* - The Alpine Cheese Company installed treatment for part of its required phosphorus reduction. They will fund nonpoint source projects to generate credits for the remainder of the reduction. The Holmes County Soil and Water Conservation District will act as third party broker. There is an approved TMDL for this area.

*Upper Little Miami River Basin* - Provisions that allow trading to meet Phase 2 phosphorus reductions are included in the NPDES permits of wastewater treatment plants. There is an approved TMDL for this area. Greene County may use a point source/point source trade and a point source/nonpoint source trade to achieve TMDL limits.

## Trading Glossary

**Ancillary Benefits:** Environmental benefits beyond the pollutant loading reductions. Examples of these added benefits include creation and restoration of wetlands, flood plains and wildlife and/or waterfowl habitat.

**Baseline:** The baseline defines the level of pollutant reduction that must be achieved before credits can be generated. For point sources, the baseline could be a water quality based effluent limit or a TMDL-based wasteload allocation. For nonpoint sources, the baseline could be the pollutant load associated with existing land uses and management practices or a TMDL-based load allocation.

**Best Management Practice (BMP):** Structural, vegetative, or managerial practices that reduce or prevent the discharge of pollutants to waters of the state, typically from a nonpoint source.

**Credit or Water Quality Credit:** The quantity of a pollutant that is available for a trade after applying the appropriate trading ratio. Credits are generated within a specified period of time and are based on loading reductions that are greater than those required by a regulatory requirement or established under a TMDL.

**Downstream Trade:** A trade in which one source purchases credits for pollutant reductions that are made by another source located downstream of buyer's location.

**Load Allocation (LA):** The portions of a TMDL that are assigned to nonpoint sources of a pollutant.

**Permitted Source Liability:** In the event of default by another source generating credits, the NPDES permit holder is responsible for complying with the effluent limits or other provisions that would apply if the trade had not occurred.

**Point Source/Point Source Trade:** A trade in which the person using credits and the person generating credits are both NPDES permit holders.

**Point Source/Nonpoint Source Trade:** A trade in which the person using credits is an NPDES permit holder and the person generating credits is a nonpoint source.

**Total Maximum Daily Load (TMDL):** A quantitative expression of the amount of a pollutant that can be present in a waterbody without causing an impairment of the applicable water quality standard for any portion of that water. A TMDL must include wasteload allocation(s) for point sources and load allocation(s) for nonpoint sources plus a margin of safety. Information on Ohio EPA's TMDL program is available at: <http://www.epa.state.oh.us/dsw/tmdl/index.html>.

**Trading Ratio:** A trading ratio is the ratio of the mass of pollutant reduced using a BMP to the mass of pollutant that would need to be reduced at a treatment plant through plant upgrades. For example, a trading ratio of 3:1 means that a BMP would have to remove 3 pounds of phosphorus for a treatment plant to receive credit for 1 pound of phosphorus reduction.

**Upstream Trade:** A trade in which one source purchases credits for pollutant reductions that are made by another source located upstream of buyer's location.

**Wasteload Allocation (WLA):** The portions of a TMDL that are assigned to individual point sources of a pollutant.