



Trading Framework Concepts

July 25, 2018

UNRBA Path Forward Committee

Department of Environmental Quality



Scope and Purpose

- Of the trading framework:
 - “The primary purpose of this document is to provide guidance regarding nutrient trading options in North Carolina as presently authorized in legislation and rule.”
 - Secondary purpose: inform concurrent or future rule development
- Of today’s presentation:
 - Provide an overview of trading and joint compliance options for local governments
 - Provide updates on trading framework direction
 - Incorporate feedback into next framework draft

Trading Framework Development Timeline

Overview

- NSAB presentation: Trading Framework Concepts
 - June 2017
- NSAB presentation and Framework Discussion Draft released
 - September 2017
- DWR Memo providing summary of comments, response
 - October 2017
- NSAB presentation: Trading Framework Concepts II
 - April 2018
- NSAB presentation and Discussion Draft II released
 - June 2018
- Nutrient offset rule proceeding separately through rules readoption process.

Terminology and Concepts

- Direct compliance vs. joint compliance vs. trading
 - Direct compliance- 1 regulated entity, 1 rule
 - Trading: state-regulated exchange of offset credits or allocation
- Joint compliance: individual reduction requirements merged among parties, bubble concept
 - Offset credits not needed
 - Group compliance: multiple entities, 1 rule
 - Jurisdictional compliance: 1 entity, multiple rules
 - Combined compliance: multiple entities, multiple rules

Chapter 3: Nutrient Offset Credit



- Credit trading overview (3.1, pg. 12)
 - Life cycle of a credit, from generation to retirement
- Eligibility for generating offset credits (3.1.2, pg. 13)
 - Working interpretation: local governments eligible to apply
- Provider to local government (3.3, pg. 15)
 - Acquire credits from private providers, then DMS
 - Maintain credit ledger
- NPDES permittee-responsible offsets (3.5, pg. 17)
 - Local government or utility option to establish bank(s)
 - Wastewater vs. stormwater “overtreatment”
- Summary of offset trading options (3.7, pg. 19)

Chapter 5: Joint Compliance

- Group compliance (5.3, pg. 23)
 - Notice to DWR in local program and annual reporting
 - Document contractual relationship with DWR
- Jurisdictional compliance (5.4, pg. 24)
 - Utilize wastewater overtreatment credit
 - Local government vs. WASA
 - Staggered reporting planned
- Combined compliance (5.5, pg. 24)
 - Most likely scenario, credit from high performing WWTF supports multiple jurisdictions
- Summary of options (5.6, pg. 24)

Next Steps

- Feedback from today?
- Tentative plan:
 - New draft by September and a 30-day comment period
 - Director's signature by end of year

Shared Credit Generation: Ag/Existing D

- Discussions underway among UNRBA, NCFB, DSWC, and DWR
- Potential application: practices on agricultural land supported by local governments (e.g., cattle exclusion)
- Proportional credit
 - Existing D credit as described in practice standards
 - Agriculture credit through NLEW
- Credits are not additive, different units (load vs. loss)
- Potential method of implementation: MOA between UNRBA and DSWC
 - Financing from UNRBA members
 - Contracting and implementation support from DSWC

Nutrient Offset Rule Revision Update

- Nutrient offset rule (15A NCAC 02B .0240) being readopted
- Nutrient strategy rule package through WQC
- Fiscal note under development
- Notable provisions:
 - Permanent and temporary credit options
 - Potential change re: nutrient offset/stream credit stacking
 - PS:NPS trading ratio
 - Universal application, 1.1 to 1
 - Presently unspecified in Falls

QUESTIONS? FEEDBACK?



Jim Hawhee | jim.hawhee@ncdenr.gov | (919) 807-6438

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