

Overview

Water quality trading – sometimes called pollutant trading – uses the market concept to help achieve water quality goals.

Trading relies on the fact that many different facilities and activities – such as businesses and industries, wastewater treatment facilities, urban stormwater systems, and agricultural sites – may discharge the same pollutant into a water body, yet each may face substantially different costs to control that pollutant.



The use of trading allows pollution reduction activities to be assigned a water quality improvement value in the form of credits. These credits can then be traded in a local market to achieve cost-effective water quality improvements. The objective of a water quality trading program is to facilitate economic exchanges that demonstrably reduce pollution and clean up polluted surface waters more quickly.

Water quality trading must meet the requirements and objectives of Washington's water quality standards and the federal Clean Water Act. Having a TMDL (Total Maximum Daily Load) study or water cleanup plan in place is also highly recommended. Washington trading programs must also comply with the U.S. Environmental Protection Agency (EPA) trading policy, which recommends that state programs provide:

- Timely public access to information on trades.
- Public participation during program development and implementation.
- Mechanisms to monitor progress, evaluate program effectiveness, and revise the program as necessary.
- Legal mechanisms to facilitate trading.
- Clearly defined units of trade.
- Methods to quantify credits and address uncertainty.
- Compliance and enforcement provisions.
- Accountability for all trades.
- Assurance that NPDES (water quality) permit holders meet their permit limits.

Current status

To date, no water quality trading programs are established in Washington State. Ecology is currently working with interested parties in Spokane to develop a water quality trading program to reduce phosphorus in the Spokane River watershed. The program is being designed within the framework of the recently approved TMDL. The Spokane watershed has a very protective water cleanup plan in place. Many of the point source dischargers are looking at trading as a way to help them meet their effluent limits for their water quality permits.

To see a list of completed TMDLs go to: www.ecy.wa.gov/programs/wq/tmdl/index.html

Trading programs must be designed to achieve compliance with applicable TMDLs. In addition, water quality trading works when there is a point source purchaser who sees trading as a cost-effective way to meet a very specific pollutant reduction target. If there is no specific target (as provided in a TMDL and permit limit), then trading is not likely to be a good investment.

Ecology's perspective

Ecology supports water quality trading programs that meet the requirements of Washington water quality standards and guidelines under the federal Clean Water Act. That being said, our experience in Spokane is showing that water quality trading programs can be complex and challenging to set up. They are not for the faint of heart. We strongly encourage anybody thinking of starting a water quality trading program to work directly with Ecology and to have a TMDL in place.

Contact

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