



PRESS RELEASE

Nutrient credit trading could lower cost of Bay's pollution diet, analysis finds

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Nutrient credit trading could significantly reduce the billion-dollar price tag for cleaning up the Chesapeake Bay, according to a new analysis done for the Chesapeake Bay Commission.

According to the study developed for the Commission by RTI International, a prominent economic think-tank, the potential cost savings from nutrient credit trading could range from 20 percent to 80 percent, depending upon implementation parameters.

Nutrient credit trading is a system that enables one pollution source to meet its pollution reduction goals by purchasing those reductions from another source.

Sewage treatment plants, urban storm water systems, farms, and other sources are required by the federal Chesapeake Bay Total Maximum Daily Load (the Bay's "pollution diet") to reduce the amount of nitrogen and phosphorus pollution they contribute to the Bay. In the study, RTI estimated the potential cost savings when allowing for nutrient credit trading among several pollution sources (e.g., sewage treatment plants, urban storm water districts, and farms) within a variety of geographic regions (e.g., within a state, within a river basin, or throughout the entire watershed).

"Our study looked at established costs of pollution reduction from several sources and then estimated the extent to which nutrient credit trading could, under a series of different conditions, reduce those costs," said George Van Houtven, the lead investigator from RTI. The results show the dramatic potential nutrient credit trading offers to lowering the costs of restoring the Chesapeake.

For example, allowing agricultural nonpoint sources to participate in a trading program introduces relatively low-cost options for reducing nutrient pollution. These options are particularly attractive to localities where pollution reduction from urban stormwater sources is particularly expensive.

Beth L. McGee, Ph.D., Senior Regional Water Quality Scientist at the Chesapeake Bay Foundation, said, "This study shows that local governments that are struggling with the costs of reducing urban stormwater pollution would benefit the most from nutrient trading programs. If

they could purchase credits to meet even a fraction of the necessary pollution reductions, the cost-savings would be significant.”

To date, four states in the Chesapeake watershed – West Virginia, Virginia, Maryland and Pennsylvania – have initiated water quality trading programs. The Commission’s economic analysis will help policymakers as they consider the future of these state programs.

Ann Swanson, Executive Director of the Chesapeake Bay Commission, stressed that the study also strongly confirms the need to ensure that any trading program actually delivers pollution reductions. To maximize the cost benefits from trading and ensure that trading produces reductions, the report recommended that Federal, state, and local governments define trading rules and protocols, provide information and technical assistance, and ensure compliance and enforcement.

Peter Hughes, a principal in Red Barn Trading Company, a Pennsylvania company currently engaged in trading said “This was the first technical report that I have seen that encapsulated monitoring and verifying as well as performance of pollution reduction measures as a part of transaction costs associated with nutrient trades. Many times these important factors are left out of the analysis, making it impossible to accurately vet the true costs associated with non-point source trading.”

The analysis was undertaken as part of the Chesapeake Bay Commission’s mission to provide policy research and options to its member states of Pennsylvania, Maryland and Virginia.

“This study shows the potential economic outcomes that nutrient credit trading has to offer” said Sen. Emmett W. Hanger, Jr., the Chairman of the Commission and a Virginia state senator. “If we can accomplish verifiable pollution reductions, and do them more cheaply by trading nutrient credits, then we must give serious consideration to use of this tool.”

The full study, a summary, and related documents on nutrient trading are available at: www.chesbay.us or you can go directly to the full study at the full study at: www.chesbay.us/nutrienttrading.htm

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