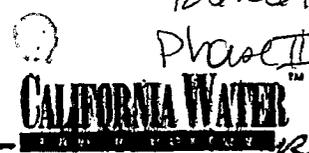


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Reporter

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REGULATORY DEVELOPMENTS

EPA RELEASES DRAFT FRAMEWORK FOR WATERSHED BASED TRADING

In an effort to provide flexibility in meeting water quality objectives, the U.S. Environmental Protection Agency (EPA) has released for public review and comment its Draft Framework for Watershed Based Trading. EPA has been developing the Draft Framework since January 1996, expanding upon a January 18 policy statement setting forth EPA's support of the pollutant trading concept as a means of achieving water quality objectives.

The Draft Framework is modeled after the air pollution trading program under the 1990 Clean Air Act Amendments. Under the Draft Framework, dischargers who choose to reduce pollutants below permit limits would accumulate "credits." The credits could be sold to other dischargers within the same waterbody at lower cost than acquiring the technology necessary for those dischargers to meet water quality standards.

The Draft Framework sets forth eight effluent trading principles designed to ensure that trades are consistent with the laws, regulations, and policies for attaining water quality. They are:

1. Trading partners meet applicable Clean Water Act rechnology-based requirements;
2. Trades are consistent with water quality standards throughout a watershed, and are consistent with other requirements of the Clean Water Act, other federal laws, state laws, and local ordinances;
3. Trades are developed within a "total maximum daily load" process or other equivalent analytical and management framework;
4. Trades must occur in the context of current regulatory and enforcement mechanisms;
5. Trading boundaries generally coincide with watershed or waterbody segment boundaries, and trading areas are of a manageable size;

6. Trading will generally add to existing ambient monitoring;

7. Careful consideration is given to the types of pollutants traded; and

8. Stakeholder involvement and public participation are key components of trading.

The Draft Framework includes a screening process and worksheet for evaluating the "make or break issues" of effluent trading opportunities. The Draft Framework identifies three major issues on which the potential for trading hinges: (1) are trades consistent with water quality and other environmental objectives; (2) will any potential trading partners benefit from trading; and (3) are administrative arrangements available to support trading.

Five types of acceptable trades within a watershed are identified: (1) point source to point source trading; (2) intra-plant trading; (3) pretreatment trading; (4) point source to nonpoint source trading; and (5) nonpoint source to nonpoint source trading. With regard to each category of trades, the Draft Framework discusses regulatory issues, economic issues, data related issues, technical and scientific issues; institutional issues; administrative issues, and issues of accountability and enforcement. The Draft Framework also includes a screening process and worksheet for evaluating the potential success for proposed trades in each category.

The Draft Framework is a good resource for water quality management issues. For example, the Draft Framework sets forth a comprehensive summary of existing and potential future trading programs throughout the country, references to numerous relevant EPA publications and a helpful glossary of terms. (SMT)