

EPA's Water Quality Trading Proposed Policy

The United States Environmental Protection Agency's (EPA's) Office of Water is renewing efforts to support the development and implementation of market-based approaches to improving water quality. This water quality trading initiative builds on EPA's efforts over the last seven years. In 1996, EPA issued an [Effluent Trading in Watersheds Policy](#) and [Draft Framework for Watershed-Based Trading](#). EPA has previously funded and provided support for a number of demonstration trading projects including those in Cherry Creek Reservoir, Colorado; Long Island Sound; the Fox Wolf Basin in Wisconsin; Kalamazoo River in Michigan; Lower Boise River in Idaho; and the Chesapeake Bay. These projects have provided lessons and approaches that EPA believes will be potentially useful in other efforts to restore and maintain water quality.

In the proposed policy on water quality trading presented here for public comment, EPA draws on these lessons and experience to provide policy guidance to states, tribes, and others for the design and implementation of trading programs. The purpose of the proposed policy is to signal EPA support for soundly designed water quality trading programs developed by states and tribes and to identify components that EPA believes are appropriate for programs to operate successfully and protect water quality.

EPA supports development of water quality trading programs by states and tribes to restore or maintain water quality, and believes that trading programs can potentially achieve these water quality goals more efficiently and at lower cost while providing additional benefits such as habitat restoration. Implementation of water quality trading programs occurs within the existing regulatory framework. The proposed policy is intended to be fully consistent with this existing framework and includes many provisions intended to ensure program consistency with regulatory requirements.

The proposed policy addresses trading to maintain water quality in unimpaired waters, trading in impaired waters before development of a TMDL, and trading to meet TMDLs. While the focus is on nutrients and sediment, the policy also discusses the potential for trading other pollutant reductions under certain circumstances. The policy acknowledges some of the challenges encountered in trading programs, such as estimation of nonpoint source load reductions, and offers possible approaches. The importance of monitoring and program evaluation are also emphasized.

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