

# LDEQ'S WATER QUALITY TRADING PROGRAM

Beaux Jones

# ACT 371, 2017 REGULAR SESSION

- Signed by Gov. 6/23/17
- Amends 30:2074(B)(9)
- Replaces previous effluent reduction credit banking system
- Authorizes LDEQ to promulgate regs. and develop a pilot project

ENROLLED  
**ACT No. 371**

2017 Regular Session  
HOUSE BILL NO. 423  
BY REPRESENTATIVE LEOPOLD

AN ACT

To amend and reenact R.S. 30:2074(B)(9)(a), (b), and (c) and to repeal R.S. 30:2074(B)(9)(d) and (e), relative to water quality; to provide for the powers and duties of the secretary of the Department of Environmental Quality; to provide for the establishment and administration of a water quality trading program; to provide for certain criteria for credits; to provide for limitations on use of credits; to provide for records; to provide for a pilot program; to provide for legislative oversight; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 30:2074(B)(9)(a), (b), and (c) are hereby amended and reenacted to read as follows:

§2074. Water quality control; secretary of environmental quality; powers and duties

\* \* \*

B. The secretary shall have the following powers and duties:

\* \* \*

(9)(a) To adopt and promulgate regulations necessary to establish and administer a point source to point source effluent reduction credit banking system for the state's watersheds where Total Maximum Daily Load limitations are in place water quality trading program as an inducement to reduce discharges of pollutants into waters of the state. This water quality trading program may include point source and nonpoint source participation. Nonpoint sources may participate in the program through a written agreement between the department and the appropriate

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CODING: Words in struck through type are deletions from existing law; words underscored are additions.

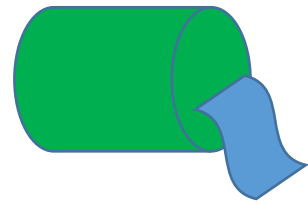
# WATER QUALITY TRADING: WHAT IS IT?

- A voluntary, market-based solution to improve water quality through the trading of water quality credits generated by best practices
- Derived from EPA National Water Quality Trading Policy, January 2003
- Does not change discharge permit limits; provides options
- Credits bought by facilities with higher effluent control costs from facilities or entities with lower effluent control costs

# WATER QUALITY TRADING: HOW IT WORKS?

**Refinery A** 

- Needs 120lb reduction of constituent X

**Refinery B** 

- Needs 50lb reduction of constituent X

TECHNOLOGY  
200 lb. reduction

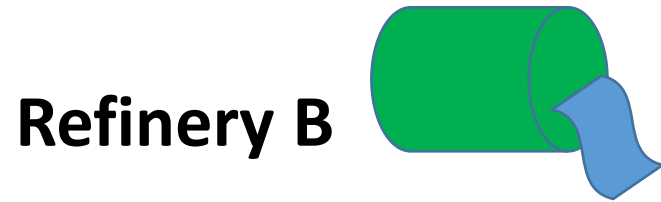
- Balance of 80 lbs.

50 lbs. worth  
of credits

# WATER QUALITY TRADING: HOW IT WORKS?



- Permit Compliance
- Financial opportunity to sell excess credits



- Permit Compliance
- Narrowly-tailored, more cost-effective reduction strategy

# WATER QUALITY TRADING: WHAT IS IT?

- Credits can also be generated by:
  - A point source sustaining operations below permit limits (doesn't require new technology investment)
  - Non-point sources through best management practices to be sold to point sources
- Cannot be used to meet TBEL
- Market cannot cause an exceedance of a TMDL cap
- Tradable Pollutants: total nitrogen, total phosphorus, sediment, temperature (case by case), heavy metals, ~~PBTs~~

# WQ TRADING AROUND THE COUNTRY



Available online at <http://www.epa.gov/waterqualitytrading/tradingmap.html>

# BACK TO LOUISIANA: WHAT DO WE KNOW FROM ACT 371?


- Will be a regulatory (as opposed to statutory) creation
- May include point source and non-point source
- May allow for inter-watershed trading
- Not limited to watersheds with TMDL cap




# WHAT HAS LDEQ SAID ABOUT THE SUBSTANCE OF THE FUTURE PROGRAM?

Will be based on National Network on Water Quality Trading Document (June 2015)

**Building a Water Quality Trading Program: Options and Considerations**  
Version 1.0 | June 2015: Point-Nonpoint Trades  
A Product of the National Network on Water Quality Trading



The logos represent groups and organizations serving as National Network participants with the USDA as a technical advisor.

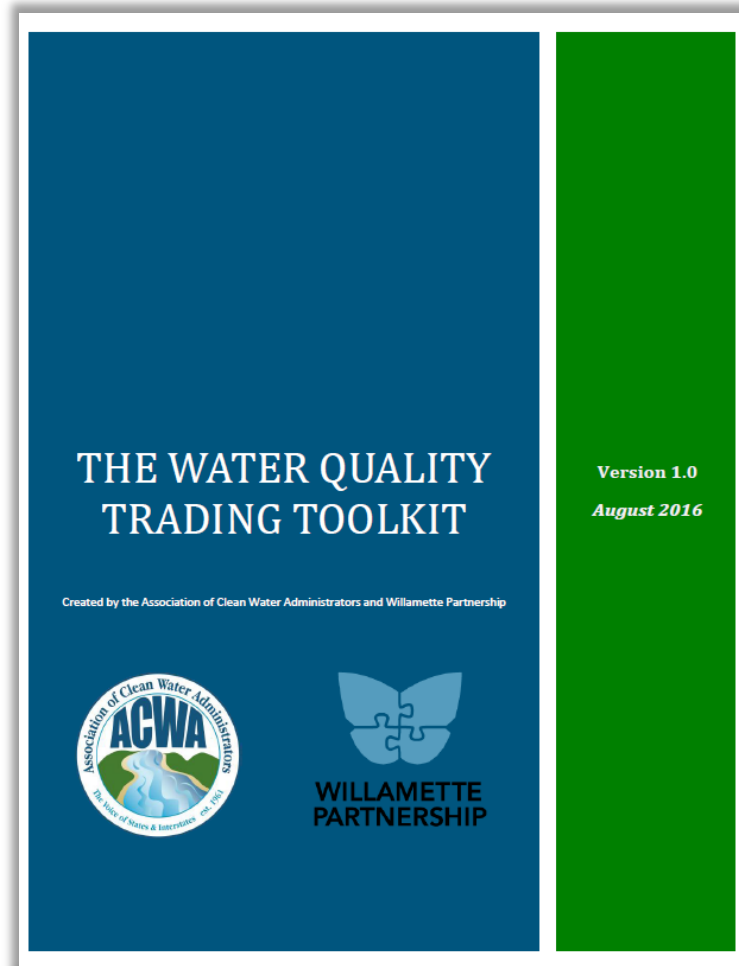


DISCLAIMER: The contributors to the National Network engaged in an extensive dialogue to develop the publication, *Building a Water Quality Trading Program: Options and Considerations*, and believe that it represents a comprehensive, contextual, balanced, and robust collection of information on different, representative water quality trading programs. New and evolving water quality trading programs should look to this document as an important source of information as they build and update their trading programs.

This document does not represent a consensus opinion, endorsement, or particular recommendation from any one National Network contributor. It seeks to cover the broad range of topics related to water quality trading to assist local stakeholders to develop and implement trading frameworks that meet local needs and conditions. This document does not create any binding requirements or standards of practice. Ultimately, local stakeholders, state regulators, and/or U.S. EPA will clarify those requirements that apply to any particular trading programs or trading program participants.

# WHAT HAS LDEQ SAID ABOUT THE SUBSTANCE OF THE FUTURE PROGRAM?

Association of Clean  
Water Administrators  
Water Quality Trading  
Toolkit templates



# STATUS OF LOUISIANA'S PROGRAM

- Small Workgroup formed to develop Draft Guidance
  - LDEQ, LDAF, CPRA, USDA-NRCS and Water Synergy Project
- Timeline:
  - Stakeholder interaction in 2018
    - Kickoff meeting early 2018
    - Pilot Phase through late summer 2018
  - Draft Rule proposed by end of 2018
  - Final Rule promulgated by end of 2019

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QUESTIONS?

