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## EPA's Water Quality Trading Plan Wins Support

By J.R. Pegg

WASHINGTON, DC, January 13, 2003 (ENS) - The Bush administration believes market incentives can be more effective than conventional regulations in reducing the pollution runoff that continues to contaminate waterways across the United States. Unlike many of the administration's environmental policies, today's announcement found support among states, industry groups and environmentalists.

The new National Water Quality Training Program, unveiled today by the Environmental Protection Agency (EPA), calls for states and local municipalities to develop and put into practice water quality trading programs that allow polluters to trade, sell and buy pollution reduction credits.



EPA Administrator Christie Whitman  
(Photo courtesy EPA)

"This policy is a real win for the environment," said EPA Administrator Christie Whitman at today's media briefing at the National Press Club. "It uses the power of the market to achieve the next generation of progress in water quality. It will result in cleaner water, at less cost and in less time."

The EPA has made \$800,000 available to fund 11 pilot programs, Whitman said, and this new market based policy represents "the wave of the future for environmental protection."

"It is unusual to find an environmental organization supporting administration policy, but this is sound environmental policy coming out of the EPA and we welcome it," said Paul Faeth, managing director of the World Resources Institute (WRI). "Trading can be a

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cheaper answer to solving water quality problems in the United States and around the world."

As described by the EPA, water quality trading programs allow pollution sources to meet regulatory obligations by purchasing credits from facilities that have exceeded their mandated water quality standards or from non-regulated sources, such as farmers. The water quality standards stay the same, the EPA says, but the efficiency of implementing the standards is increased and costs decreased.

"This provides greater flexibility to the states in addressing extremely complex pollution problems," said Roberta Savage, executive director of the Association of State and Interstate Water Pollution Control Administrators.

These programs will largely target phosphorous, nitrogen and other nutrient runoff that can cause water pollution. Trading programs, Whitman said, provide economic incentives for those with lower costs of compliance to cut pollution levels further.

**Lilies and pondweeds along Michigan's Munuscong River** (Photo courtesy Michigan Sea Grant/Michigan State U. Extension)



"Within a watershed the most effective and economical way to reduce pollution is to provide incentives to encourage action by those who can achieve the reduction more easily and more cost effectively," Whitman said.

The administration believes this approach will be integral in its efforts to reduce non-point source pollution, without putting additional burdens on America's farmers and ranchers, said Whitman.

Nonpoint source pollution, unlike pollution from industrial and sewage treatment plants, comes from many diffuse sources. It is caused by rain or snowmelt moving over and through the ground. As the runoff moves, it picks up and carries away natural and

manufactured pollutants, depositing them into lakes, rivers, wetlands, coastal waters, and underground sources of drinking water.

The pollutants may include excess fertilizers, herbicides, and insecticides from agricultural lands and residential areas; oil, grease, and toxic chemicals from urban runoff and energy production; sediment from improperly managed construction sites, crop and forest lands, and eroding streambanks; salt from irrigation practices and acid drainage from abandoned mines; bacteria and nutrients from livestock, pet wastes, and faulty septic systems, according to the EPA.

But not all environmental organizations are convinced today's announcement is good policy.

The Natural Resources Defense Council (NRDC) says that it supports trading programs that improve water quality by setting pollution limits that decline over time, called "cap and trade" programs.

But NRDC charges that this new EPA policy does not require a cap, does not require polluters to reduce their discharges over time, and allows polluters to avoid compliance by simply buying credits.



**Jug Bay, Maryland is part of the Chesapeake Bay - Maryland National Estuarine Research Reserve**  
(Photo courtesy NOAA)

In addition, the NRDC believes the new policy could be proven illegal because it violates the premise that the Clean Water Act should protect all waterways from pollution.

"Under this scheme, the water quality in some of our lakes, streams and rivers will be traded away for the benefit of other waterways," said Nancy Stoner, director of NRDC's Clean Water Project. "The EPA is trading good quality water for bad."

"Under this policy, our waterways are for sale," Stoner charged. "Only corporate polluters will benefit."

The 11 pilot programs include a program that targets nitrogen reduction in the Chesapeake Bay, one that aims to reduce selenium levels in tributaries of the Lower Colorado River as well as a project to explore the feasibility of trading to reduce mercury levels in the Sacramento River.

The possible trading of toxics, such as mercury, is another concern for NRDC which is concerned that this could create toxic hot spots that threaten the health of children who play in, drink from, or eat fish from contaminated water.

"Poor communities, disadvantaged communities and minority communities will bear the brunt of this misguided policy," said Stoner. "They are the least likely to have the resources to protect themselves from corporate polluters."

The EPA says its policy does not support any trading activity that would cause a toxic effect, exceed a human health criterion or cause an impairment of water quality. Administration officials said the EPA currently does not support trading of persistent bioaccumulative toxic pollutants.

**Connecticut  
River at  
Middletown.  
Connecticut  
(Photo courtesy  
Middlesex  
Corporate  
Center)**



The  
administrat  
cited  
Connecticut  
as one  
state that

has successfully pushed ahead with a trading program. According to state officials, a nitrogen trading program among publicly owned wastewater treatment works in Connecticut has saved the state some \$200 million in avoided costs in sewage treatment plant reconstruction projects.

"This policy is a key tool to achieve the next level of pollution control," said Tom Morrissey, director of planning and standards for the Connecticut Department of Environmental Protection.

The Connecticut plan relies on trading between point sources of pollution, rather than between non-point and point sources.

EPA officials said this new trading plan is drawing on the experience it has with a similar trading program for reducing acid rain. That program is credited with cutting sulfur dioxide emissions some 34 percent since 1990.

The new trading policy relied heavily on a World Resources Institute report, authored by Faeth, which states that in the United States today, some 3,400 waterways are impaired by nutrient pollution.



**Paul Faeth of the World Resources Institute** (Photo courtesy [WRI](#))

Faeth examined the potential effectiveness of a trading program between point and non-point sources and found it could cut the cost of compliance by some 60 to 80 percent. His report, "Fertile ground: Nutrient trading's potential to cost effectively improve water quality," analyzed the cost of controlling phosphorous loadings in three watersheds in Minnesota, Michigan and Wisconsin.

There is concern that the EPA's excitement over its new policy is not matched by the research. No one at the press conference could cite a scholarly study or analysis of water quality trading other than the WRI report or an internal EPA review that began under the Clinton administration.

That review, according to EPA Assistant Administrator for Water Tracy Meehan, indicated water quality trading programs could ultimately save the nation up to \$7.5 billion in cleanup costs. He said, "This is a new frontier for the water program and this is only the beginning."

For more information on the EPA's policy and water

quality trading programs, see:

<http://www.epa.gov/owow/watershed/trading.htm>

Read the World Resources Institute report "[Fertile ground](#)."

To prevent non-point source pollution, the Alliance for Chesapeake Bay offers advice for householders at:

<http://www.epa.gov/owow/nps/abc.html>

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