

Breakout 2B: Getting it Right: Baselines for Agricultural Non-Point Sources

Panelists:

- Cy Jones, World Resources Institute
- David Primozich, Fresh Water Trust
- Susan Payne, Maryland Department of Agriculture
- Mark Kieser, Kieser & Associates
- Moderated by Carl Lucero, USDA Office of Environmental Markets

Abstract:

In a credit trading program, a baseline is the minimum set of practices or minimum level of performance which a participant must meet before he/she may implement additional practices from which tradable environmental credits can be generated. Determining the level of a baseline for agricultural non-point sources is critical to the success of water quality trading (WQT) programs. A baseline has implications that ripple throughout the rest of the trading system, affecting the supply and price of credits, the agricultural sector's level of participation, general support for the program, and more. WQT programs being developed in the U.S. must select some form of baseline requirements that would make participants eligible to generate tradable credits, but their approaches to setting baselines differ markedly.

The U.S. EPA's 2003 Water Quality Trading Policy explains that a baseline for generating WQT credits should be derived from, and be consistent with existing water quality standards. The Policy defines a credit as a pollutant reduction greater than what is required by a regulatory requirement or other mechanism established under a Total Maximum Daily Load (TMDL). The specific definitions for baselines, however, differ between WQT programs in the U.S. thereby causing confusion for potential participants. Non-point source baselines can be set to be very restrictive, can be set quite low, or can change over time. Each approach presents its merits and challenges. This panel session will delve into these issues with subject matter experts providing their perspective and with a moderated discussion with the audience.

1. Brief description about what each panelist covered in their respective discussions

- Lucero: described value of baselines for prices and participation
- Jones: farmers not happy with TMDL, don't believe they cause pollution, think TMDLs will put them out of business
- Payne: Maryland works hard to keep bay clean; requires all farmers to have N and P management plan; has nutrient reduction targets for tributaries; farmers must meet baselines; have developed certification tools
- What were the overarching themes? How do the discussions and questions raised relate to ecosystem services and markets? What are the key takeaways?

- Kieser: Must get baselines right; must make systems simple; do you establish a baseline or make status quo the baseline
- Primozich: Doesn't see nutrient problems solved with regulation; prefers to design system that involves producers meeting multiple objectives

2. Overarching themes and key takeaways

- There is no universal agreement on what a baseline should be, how it should be determined. But all agree that baselines have a large impact on participation by landowners and success of market. Not clear how to help farmers meet baselines. Who pays?

3. The most surprising finding or discussion

- Maryland department of the Agriculture really has it's act together and is backed up by strong laws.

4. Finding or discussion that had the most audience consensus

- What mechanisms are available to avoid disincentives for conservation and gaming the system and are these factors important in the coarse analysis. Do high credit process done and conversion away from crop production?