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**Agriculture & Natural Resources  
Committee**

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**HB 2454**

**Brief Description:** Developing a water quality trading program in Washington.

**Sponsors:** Representatives Blake, Buys, Lytton and Smith.

**Brief Summary of Bill**

- Directs the State Conservation Commission, in partnership with the Department of Ecology, to develop at least three site specific proposals for actual sites where the concept of regulatory compliance through water quality trading can be tested.

**Hearing Date:** 1/30/14

**Staff:** Jason Callahan (786-7117).

**Background:**

Generally speaking, a conservation market is a program that facilitates payments to landowners for environmental improvements. The theory behind conservation markets is that regulatory requirements can be met by paying landowners for conservation projects. Conservation markets are also known as ecosystem service markets, conservation and mitigation banks, and water quality trading programs.

In 2008, the State Conservation Commission (Commission) was directed by the Legislature to conduct a study on the feasibility and desirability of establishing farm and forestry-based conservation markets in Washington. To carry out this study, the Commission was given the authority to enter into a contract with an entity that has knowledge and experience in agriculture and of conservation markets. The study required the Commission to:

- evaluate agricultural conservation markets operating in other states;
- collaborate with farm and small forest landowners' organizations and agricultural special purpose districts to determine interest in and to assess market-ready products;

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- identify opportunities for conservation markets that could provide ongoing revenue to farm and small forestry operations to improve their long-term viability; and
- work with public agencies to determine potential demand and their willingness to use these products.

The Commission was to present its findings and recommendations by December 1, 2008. If the study determined that conservation markets were feasible and desirable, the Commission was to conduct two demonstration projects. In its official report, the Commission found that pilot projects were warranted and that the Commission, together with the Department of Natural Resources, should lead efforts to identify and pursue projects in farm and forest communities. The Commission recommended that particular attention should be focused on pilots that could demonstrate the potential of greenhouse gas and water quality markets. The pilot projects were not completed due to budget concerns.

**Summary of Bill:**

The Commission, in partnership with the Department of Ecology (Department), is directed to build upon the conservation market report it delivered to the Legislature in 2009 and further explore the options for developing a water quality trading program. In particular, the Commission must develop at least three site specific proposals for actual sites where water quality trading can be tested. Each test site must be located in a different watershed and, if possible, address a different water quality concern.

The test water quality trading proposals developed by the Commission must answer several questions, such as how potential sellers and buyers will be identified, how accountable deductions in pollution inputs will be measured, how monitoring would be assured, what standards would be applied to an approval process, and what costs can be expected.

The final recommendations must be delivered to the Legislature by October 31, 2017. However, the Commission and the Department are authorized to implement any of the proposals without further legislative direction if they deem that action warranted.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.