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**SUBSTITUTE HOUSE BILL 2454**

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**State of Washington                      63rd Legislature                      2014 Regular Session**

**By** House Agriculture & Natural Resources (originally sponsored by Representatives Blake, Buys, Lytton, and Smith)

READ FIRST TIME 02/05/14.

1            AN ACT Relating to developing a water quality trading program in  
2 Washington; adding a new section to chapter 89.08 RCW; creating a new  
3 section; and providing an expiration date.

4            BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            NEW SECTION.    **Sec. 1.** (1) The legislature finds that water quality  
6 trading is an innovative approach adopted in at least seventeen other  
7 states that can lead to a more efficient achievement of water quality  
8 goals. The premise of water quality trading is based on the fact that  
9 certain sources in a given watershed can have very different costs to  
10 control the same pollutant. Trading programs allow facilities facing  
11 higher pollution control costs to meet their regulatory obligations by  
12 purchasing environmentally equivalent or superior pollution reductions  
13 from another source at a lower cost. This trading achieves the same  
14 water quality improvement at lower overall cost.

15            (2) The legislature further finds that the United States  
16 environmental protection agency has been supportive of water quality  
17 trading programs since 1993 when it issued an initial document called  
18 the National Water Quality Trading Policy. With this publication, the

1 environmental protection agency sent a clear signal of federal support  
2 for this innovative, market-based approach to improving water quality.

3 (3) The legislature further finds that water quality trading is,  
4 and should remain, a voluntary option that regulated point sources can  
5 use to meet the discharge limits in their national pollutant discharge  
6 elimination system permits.

7 (4) The legislature recognizes that setting up a water quality  
8 trading program can be a complex task that needs to be transparent,  
9 must have real, accountable deductions in pollution inputs, must be  
10 defensible, and must be enforceable. A water quality trading program  
11 may not be suitable for many watersheds in the state. However, the  
12 legislature also finds that the state of Washington should explore the  
13 option as a tool for achieving water quality goals and investigate  
14 whether this tool is viable given the specific, local water quality  
15 concerns facing Washington's water bodies.

16 (5) The legislature further recognizes that the department of  
17 ecology has produced a draft water quality trading framework that  
18 enables trading in Washington and that to date a major barrier to  
19 trading is a lack of interested credit purchasers.

20 NEW SECTION. **Sec. 2.** A new section is added to chapter 89.08 RCW  
21 to read as follows:

22 (1) The state conservation commission, in partnership with the  
23 department of ecology, shall build upon the report on conservation  
24 markets produced pursuant to chapter 133, Laws of 2008 and explore  
25 whether there are potential buyers and sellers in Washington watersheds  
26 for a water quality trading program. Specifically, the state  
27 conservation commission should examine watersheds in which total  
28 maximum daily loads have been produced, and assess whether there are  
29 potential buyers, or permit holders, and sellers of credit to support  
30 a water quality trading program consistent with the water quality  
31 trading framework developed by the department of ecology.

32 (2) The state conservation commission must coordinate with Indian  
33 tribes, the department of agriculture and other state agencies, local  
34 governments, and other interested stakeholders in completing the  
35 assessment and report required by this section. Prior to finalizing  
36 the assessment and report, the state conservation commission must

1 ensure that the department of ecology concurs with its determination of  
2 whether or not there is the potential for a viable water quality  
3 trading program.

4 (3) The state conservation commission must report its findings to  
5 the legislature consistent with RCW 43.01.036 by October 31, 2017.

6 (4) This section expires June 30, 2018.

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