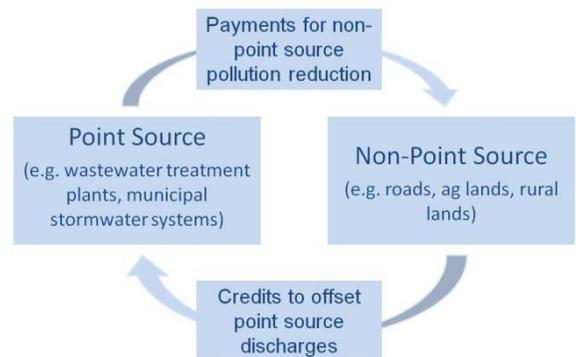


## Water Quality Credit Trading in the Laguna de Santa Rosa

The Sotoyome Resource Conservation District (RCD), in partnership with the Gold Ridge RCD, is undertaking an effort to develop the first California Water Quality Credit Trading Market in the Laguna de Santa Rosa (Laguna) Watershed. This two-year effort, funded by a USDA Conservation Innovation Grant and the City of Santa Rosa, will engage federal, state and local stakeholders, and technical experts to develop, test and implement the tools and infrastructure necessary to enable a functioning trading market. The market will allow for agricultural credit supply to meet urban credit demand. Though this will be developed specifically for the Laguna Watershed, it may also serve as a model for similar efforts throughout the North Coast and the State.

### Water Quality Credit Trading

Water quality credit trading is a concept that allows point source dischargers (e.g., wastewater treatment plants or municipal stormwater systems) to help meet pollution reduction needs by paying for nonpoint source reductions elsewhere in the watershed (e.g., manure management projects or erosion controls). Where voluntary nonpoint source reductions can be quantified, credits may be generated. For example, if a streambank restoration project or agricultural buffer can prevent 5,000 pounds of nitrogen and phosphorus from entering a waterbody through erosion reduction, then that project could possibly be used to generate credits that will offset an equivalent nutrient discharge from the point source. This helps municipalities continue to cost-effectively operate vital services such as sewer systems and stormwater drainage systems while improving water quality and providing opportunities to improve infrastructure and management practices on rural and Ag lands.



Water quality credit trading has been successfully carried out in other states in the U.S., and this project will draw on resources from many of these programs in order to develop a market that will be locally effective.

### Project Background

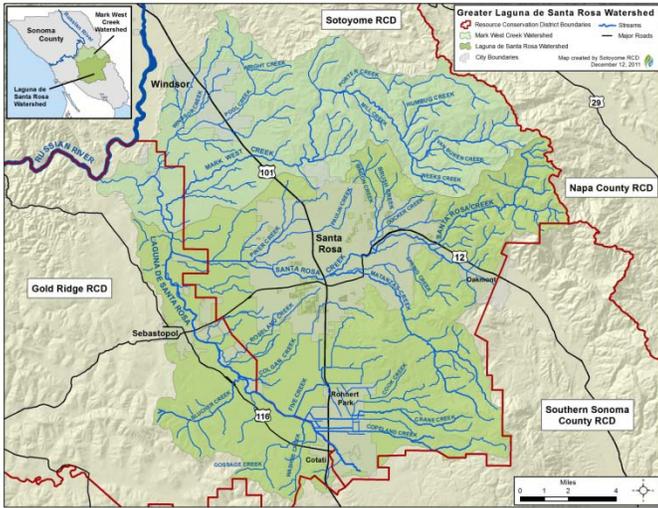
Though there has been substantial market activity in habitat and wetland mitigation banking, to date there are no state-level policies or rules for water quality credit trading in California. Until now, there has also been no demand for nutrient credits from agriculture. The City of Santa Rosa must offset its treated wastewater nutrient discharges to the Laguna de Santa Rosa, in effect becoming the first buyer to create demand for water quality credits. This project presents the first real opportunity for agriculture in California to respond to water quality credit demand at a local level where a variety of pressures facing production agriculture may be relieved with innovative market-based trading opportunities. As such, this project serves as the cornerstone for future nutrient trading in California for agriculture and has thus garnered the support of the regulatory and conservation agencies of the State as engaged project leaders.

In 2008, the North Coast Regional Water Quality Control Board set forth a resolution that stipulates a zero discharge for the City's wastewater treatment facility which seasonally discharges treated wastewater to the Laguna. The City cannot cost-effectively reduce its remaining nutrient discharges during the winter months to meet this requirement. They must therefore seek offsets for approximately 50,000 pounds per year of phosphorus and nitrogen for the period of the Resolution, under an Approved Nutrient Offset Program specified by the Board. The Resolution remains in effect until a nutrient TMDL for the Laguna is developed and approved. The TMDL will continue to restrict the city's nutrient discharges into the Laguna once approved, and it is anticipated that the TMDL may also place restrictions on stormwater and other municipal discharges within the watershed that could also be offset through water quality credit trading.

The current process to secure credits under the Nutrient Offset Program is administratively burdensome and continuously evolving as there are no standardized methods or protocols for calculating credits from Ag conservation practices, no infrastructure or tools to readily facilitate trades, and no formal means to engage agriculture in this existing (and growing) marketplace. The future framework will be much simpler and localized through the RCDs.

### Project Area

The project area encompasses the entire Laguna de Santa Rosa Watershed, an ecologically and economically important area of Northern California. The Laguna is the largest tributary of the Russian River, draining approximately 254 square miles through approximately 435 stream miles, and is the largest freshwater wetlands complex on the northern California coast. The Laguna is home to the City of Santa Rosa, the largest city in California’s North Coast Region, and the 12th largest metropolitan area in California. In addition to urban development, the Laguna watershed contains over 70 square miles (over one quarter of the watershed’s area) of important farmland, as designated by the California Department of Conservation.



### Stakeholder and Technical Input

A Project Advisory Committee and Stakeholder Advisory Committee will convene regularly throughout the process to provide feedback on all elements of the program.

The *Project Advisory Committee* represents a broad assortment of expertise, and committee members will provide feedback on elements such as program framework, credit calculations, regulatory consistency, and statewide applicability of the program. Members include:

- CA Department of Conservation
- North Coast Regional Water Quality Control Board
- USDA-Natural Resources Conservation Service
- Sonoma County Ag Preservation & Open Space District
- City of Santa Rosa
- City of Rohnert Park
- Kieser & Associates, LLC (*lead technical consultant*)
- Willamette Partnership
- Merritt Smith Consulting
- Texas Institute for Applied Environmental Research
- Laguna de Santa Rosa Foundation

The *Stakeholder Advisory Committee* will include representatives of various agricultural sectors that are active in the Laguna de Santa Rosa. As potential future sellers of water quality credits in the Laguna, input from these Ag stakeholders is vital to developing an effective program.

### Project Timeframe

October 1, 2012 through September 31, 2014

For more information, please contact:



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