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AS I SEE IT JEREMY ROWLAND

Nutrient credit trading can cut costs, ease bay pollution

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In a recent article and editorial, The Harrisburg Authority was criticized for considering a nutrient credit purchase plan versus a full sewage treatment plant upgrade and expansion to meet its nutrient reduction goals for the Chesapeake Bay. This claimed "right to pollute" is more accurately described as a "right to effectively reduce pollution costs."

Calling the establishment of a market-based program to reduce nutrient pollution a "right to pollute" ignores the fact that these policies are driven by a full accounting of total nutrient loads originating from Pennsylvania's watersheds, inclusive of both "point" (i.e. treatment plants) and "non-point" (i.e. farms) sources. The state Department of Environmental Protection's nutrient credit trading program was established to allow for the most cost-effective means to reduce nutrient pollution, thereby creating savings for the region's utility ratepayers.

A workable nutrient credit trading program can reduce nutrient pollution cost effectively, regardless of the size of the reduction project, by meeting the needs of even the largest point source dischargers, such as The Harrisburg Authority.

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For example, Bion Environmental Technologies has a DEP credit-approved technology that treats animal waste and has secured agreements with regional farms that could result in an initial generation of two million nitrogen

credits at a cost far less than the projected operating and maintenance costs of many municipal waste treatment facilities (with parallel reductions in on-farm odor, greenhouse gas emissions and soluble nutrients in the effluent).

If the DEP credit program policy can leverage such a credit exchange, it could virtually eliminate the need on the part of the municipal authorities to issue bonds for significant debt to pay for capital upgrades at treatment plants.

Significant ratepayer savings are even more appreciable for smaller municipal authorities such as the Borough of Danville's proposed \$12,000,000 upgrade to comply with the DEP's nutrient reduction mandates. Bion projects that this upgrade will cost Danville's 2,300 ratepayers approximately \$400-\$500 per household in 2010 versus a credit purchase agreement for as low as \$25 per household. While the numbers are different for each municipality, the concept of leveraging least cost reductions for ratepayers is the same throughout the watershed and would provide welcome relief to overburdened ratepayers.

It is important to note that the environment is the beneficiary of credit transactions as well. Not only is the watershed assured to benefit from the nutrient reductions whether originating from a point or non-point source (municipal plant vs. farm), there are numerous safety factors added to the credit transaction to ensure a net reduction of nutrient flows to the environment for each transaction. Safety factors include "edge of segment" ratios, "delivery load" ratios, and even a 10 percent banking requirement that is applied to every trade.

Another positive consideration is what DEP's program could mean relative to enticing private capital investments in the Lancaster County region. The concentration of livestock in this region has the potential to generate tens of millions of credits-- almost dwarfing the 7.5 million tons of reduction required for all treatment plants in the watershed, and luring investments from outside municipalities eager to cut compliance costs. THE CHESAPEAKE BAY states of Virginia and Maryland, and correlating federal agencies are considering the establishment of a bay-wide nutrient credit trading program, which could further benefit the Lancaster County regional economy as a larger swatch of municipalities are allowed to search for the most cost-effective credits. Such a program could inject much-needed investments into Pennsylvania's agricultural sector, leading to more stable and long-term economically and environmentally sustainable operations.

As DEP continues to refine its nutrient credit trading policies to enable the above referenced investments, the end result will be a seamless extension of traditional end-of-pipe regulatory controls. Such a program also opens up an important role for a credit aggregator to constrain perceived market risks and enable a more efficient and transparent program.

Clearly, the establishment of a workable nutrient credit trading policy for Pennsylvania's Chesapeake Bay watershed will improve, not limit, the expediency and cost-effectiveness of compliance with the Chesapeake Bay Tributary Strategy. Credits also provide for a non-regulatory mechanism for farms to benefit from investments in the reduction of non-point source nutrient pollution, one of the known intractable sources of pollution into Pennsylvania's rivers and streams.

Finally, and perhaps most importantly, such a program will save money for ratepayers.

JEREMY ROWLAND is chief operating officer of Bion Environmental Technologies.