

## **Notice of Future Plans of the Nitrogen Trading Program**

**To: Connecticut Nitrogen Trading Program Participants**

**From: Connecticut Department of Energy and Environmental Protection and the Connecticut Nitrogen Credit Advisory Board**

The Connecticut Department of Energy and Environmental Protection (DEEP), working with the Nitrogen Credit Advisory Board (NCAB), have initiated steps regarding the future plans of the Nitrogen Trading Program.

### **Nitrogen Trading Approach**

The Nitrogen Trading Program has been an innovative approach to cost effectively meeting the 2014 TMDL goal by:

- Encouraging denitrification at sewage treatment plants (STPs) with enhanced Clean Water Fund grants
- Spreading nitrogen removal upgrades over thirteen years with the southwestern and larger STPs moving first, thereby reducing the impact on the Clean Water Fund (CWF)
- Allowing smaller more distant STPs to purchase credits rather than upgrading to meet 65% removal requirements.

Fifty-three (53) of the 79 eligible STPs have become “Project Facilities” completing construction for nitrogen removal through 2013, with an expected total of sixty (60) “Project Facilities” completing construction by 2018. Through 2013 the total amount of grants and loans invested by the CWF for these nitrogen removal upgrade projects is over \$330 million with an expected total over \$450 million through 2018. It is estimated that \$300 – 400 million have been saved by not requiring all STPs to upgrade.

### **Success towards TMDL Compliance**

Steady progress has been made towards achieving the 2014 TMDL allocation of 9,141 equalized pounds of nitrogen per day (eq. lbs N/day). The performance of the STPs in 2013 was 8,851 eq. lbs N/day, which was under the 2014 TMDL limit. The exceptional job performed by the operators at the STPs assisted in the reduction of pounds of nitrogen discharged.

The DEEP is projecting that in the future, the state will continue to comply with the TMDL as an additional seven STPs with very significant nitrogen loads are forecast to complete nitrogen removal projects by 2018. This will be aided by the continued ability of the operators to optimize nitrogen removal at the STPs.

### **Increasing State Subsidy Strains State Budget**

In 2012, thirty-three STPs were required to purchase credits in order to maintain compliance with the Nitrogen General Permit at a value of \$1,506,203. In the same year, forty-seven STPs sold credits valued at \$3,932,232. This left an excess of credits valued at \$2,426,029 that the State had to purchase in 2013.

In 2013, thirty-eight STPs were required to purchase credits equal to \$2,408,402 and forty-one STPs produced credits valued at \$3,429,365. This left an excess of credits available valued at \$1,020,963 that the State will have to purchase this year.

The projections for 2018, following the current program and based on an average performance year, have the State subsidizing the program in that year at over \$5 million. This level of continued subsidization is not sustainable for a variety of reasons.

## **Proposed Program Change to Self-Sufficiency**

To address the unsustainable state subsidization of the Nitrogen Trading Program and to avoid discontinuing the program, the DEEP and the NCAB recommend moving the trading program to self-sufficiency, exploring legislative changes to support the near-term goals of the trading program and providing public outreach to the municipalities that participate in the trading program. Different scenarios were evaluated with the outcome resulting in the following near-term goals for the trading program to become self-sufficient:

- Maintain compliance with the TMDL by continuing to encourage optimizing denitrification at STPs consistent with requirements in STP NPDES permits
- Continue the use of the Nitrogen General Permit by seeking general permit renewal in 2015
- Maintain options for future compliance should the TMDL be modified
- Move the trading program to self-sufficiency to eliminate continuing state subsidy by the 2015 trading year
- Include necessary administrative support in a self-sufficient program such as water quality monitoring
- Seek statutory changes to the Nitrogen Trading Program as necessary to enable program self-sufficiency

The self-sufficiency scenario consists of the buyers buying the credits they need to meet their General Permit limit with those payments being shared by the sellers proportionally. Most sellers will receive a reduction in the amount received as the state would no longer be subsidizing credits and the number of buyers is decreasing. The future trading program projection for 2015 and 2018 (self-sufficiency scenario) included in Attachment A is based on an average performance year and with the anticipated upgraded STPs that will be in operation for the given trading year. The future program consists of the buyers buying the credits they need to meet their General Permit limit with those payments being shared by the sellers proportionally.

## **Next Steps**

The next steps to comply with the near-term goals of the trading program are to:

- Renew the nitrogen general permit before December 31, 2015 for five years;
- Continue trading in the same manner since the program was implemented in 2002 for the 2014 trading year;
- Move to a self-sufficient program where the buyers would purchase the equivalent nitrogen credits necessary to meet the TMDL for the 2015 trading year;
- Outreach to STPs about proposal program changes; and
- Continue discussion of alternative funding mechanisms.

## **How Your Voice Can Be Heard**

On September 17 at 10:00 you are invited to participate in a forum to learn more about the near-term goals of the nitrogen trading program at the Department of Energy and Environmental Protection Phoenix Auditorium located at 79 Elm St in Hartford.

For more information about the Nitrogen Control Program for Long Island Sound please go to [http://www.ct.gov/deep/cwp/view.asp?a=2719&q=325572&deepNav\\_GID=1635](http://www.ct.gov/deep/cwp/view.asp?a=2719&q=325572&deepNav_GID=1635).

Please call Iliana Raffa at (860)424-4758 if you have any questions or you can send your comments to her at [Iliana.Raffa@ct.gov](mailto:Iliana.Raffa@ct.gov).

Sincerely,

Betsey Wingfield /s

Betsey Wingfield  
Bureau Chief  
Bureau of Water Protection and Land Reuse