



USDA-CSREES 2006 National Water Quality Conference

Predicting Water Quality Trading Success

Many policy makers are advocating the use of water quality trading as a cost-effective means to preserve and improve water quality. To date, over forty water quality trading programs have been established in the U.S. and at least an additional thirty programs are currently in development. However, very little trading activity has resulted. Researchers from the Georgia Water Policy and Planning Center, a consortium of several Georgia universities, have been examining the potential use of water quality trading in Georgia watersheds. In this research, we have sought to develop explanations for the dearth of trading activity elsewhere. Our efforts have included the development of cost estimates for point source treatment of phosphorus (a common focus of water quality trading programs), and the application of these estimates to analyses of water quality trading scenarios. This effort has demonstrated the complexity of accurately estimating the demand for water quality trading credits *ex ante*, and the implications of depending on faulty estimates of demand in building a case for water quality trading. This presentation will examine the findings of our cost estimates research and the implications of these estimates for the future of water quality trading.

Author: Kristin Rowles