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Dept. of Natural Resources: Water quality trading clearinghouse contract established in Wisconsin

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MADISON, Wis. – The Wisconsin Department of Natural Resources (DNR) today announced that the State of Wisconsin has entered into a contract to establish the nation's first market-based water quality trading clearinghouse. The clearinghouse is an innovative solution to water quality issues that compensates farmers and landowners, saves wastewater facilities money and protects Wisconsin's water resources.

"By working collaboratively, both point and nonpoint sources of nutrient pollution can be controlled through water quality trading. The clearinghouse now provides for an innovative, streamlined approach to facilitate and encourage water quality trading efforts throughout Wisconsin," said DNR Secretary Adam N. Payne.

The selected entity, Wisconsin Clearinghouse, LLC, is a wholly-owned subsidiary of Resource Environmental Solutions (RES). Although the organization is slated to launch an online platform to connect sellers and buyers of water quality trading credits in April 2023, the organization is prepared to begin processing transactions immediately.

Municipalities and industries throughout Wisconsin that own and operate wastewater treatment plants can now contract with the Wisconsin Clearinghouse to find and obtain water quality trades to help them meet their wastewater permit requirements. This approach allows treatment plant owners to protect local water quality while saving money on costly treatment upgrades. This clearinghouse model also encourages farmers and landowners to adopt pollution-reducing practices on their land in exchange for monetary compensation.

Water quality trading works by keeping pollution from entering surface water. For example, a participating farmer may let a field go to native prairie vegetation rather than planting row crops. This would allow phosphorus to stay on the field and be available for plants to absorb rather than flowing into surface water during heavy rains. The farmer can sell these phosphorus credits to a municipal wastewater plant that is required to reduce the amount of phosphorus it discharges.

Bipartisan legislation to create the water quality trading clearinghouse was passed into law in 2020. The legislation directs the Department of Administration (DOA) and the DNR to collaborate on a competitive solicitation process to procure a clearinghouse entity and then work on completing a contract with the selected entity. The contract was signed by DOA and RES on March 20, 2023. The DNR provided written approval of the contract.

Establishing the clearinghouse is one of several efforts to protect Wisconsin’s vast water resources. Phosphorus limits were first adopted in Wisconsin in 2010 to protect surface waters from the harmful effects of excessive nutrient pollution. As part of the 2010 rule, water quality trading was promoted as a mechanism for point source dischargers to work with landowners and farmers to offset their phosphorus discharges by completing projects on the landscape to reduce nonpoint source phosphorus pollution from entering surface water.