



## FACTS ABOUT:

### Maryland's Innovative **Accounting for Growth (AFG)** Proposal – Using “Market forces” to Reduce Pollution Control Costs and Accelerate Bay Restoration

#### Why Do We Need To Account For Growth?

- To restore the Chesapeake Bay, Maryland not only needs to reduce its current pollution load (the amount of nitrogen, phosphorus and sediment entering the Bay), but also hold the line against new pollution from increased population and new development
- Maryland is expected to add an estimated 478,000 households by 2035, that will add more than 2 million pounds of nutrient pollution to the Bay per year

#### How Will We Account For Growth?

- Maryland's plan for addressing pollution load from new development depends on:
  - the strategic allotment of nutrient loads to large wastewater treatment plants; and
  - the requirement that all other new loads be **offset** by securing pollution reduction credits
- To ensure that there are sufficient credits available, the State is designing its AFG policy to induce a **robust nutrient trading market** in Maryland, which will, in turn, accelerate the Bay's restoration and lower pollution reduction costs, especially for local government, developers, and tax and rate payers

#### How Will Accounting For Growth Be Implemented?

- Maryland plans to implement AFG by the end of CY 2013
- Under Maryland's envisioned AFG policy:
  - MDE would issue a regulation requiring developers to offset pollution from their projects
  - Developers would calculate the pollution from their projects and offset it with pollution reduction credits
  - Loads to wastewater treatment plants with room under their nutrient caps would not have to be offset



- Redevelopment (broadly defined) and “infill” development would be exempt from having to offset stormwater loads
- **Extra** pollution reduction practices (credits) would be generated by farmers, developers, non-profits, governments and others for sale in Maryland’s nutrient trading market
- The purchase and sale of credits (trading) would be guided by State policy
- Brokers and aggregators would likely purchase and manage most of the credits generated for sale
- The State and independent 3<sup>rd</sup> party verifiers would ensure compliance

### **Benefits Of Maryland’s Proposed Accounting For Growth Policy**

- Under Maryland’s envisioned AFG policy:
  - Maryland’s Bay restoration efforts would accelerate due to expedited WIP compliance and the lower costs and innovation associated with market forces
  - Local governments would be allowed to trade to lower their Bay restoration costs
  - Efforts to preserve Maryland’s valuable forest and agricultural lands would be strengthened
  - Farmers and other pollution credit generators would benefit financially from the sale of credits
  - Jobs would be created by the acceleration of Bay restoration efforts and the expansion of nutrient trading markets
  - Local jurisdictions would be encouraged to better manage their growth and offset capacity
  - Developers would be encouraged to develop in a manner that added the least amount of pollution to the State’s waters and the Bay
  - AFG maximizes Maryland’s growth potential while maintaining a healthy Chesapeake Bay

