

DEVELOPMENT OF ADMINISTRATIVE INFRASTRUCTURE FOR CERTIFYING, AGGREGATING AND MARKETING ECOSYSTEM SERVICE CREDITS IN THE SAUK RIVER WATERSHED, MINNESOTA

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Project Costs: **Agreed 2-year contract for \$140,000**

Project Completion: **2008-Present**

American Farmland Trust (AFT) proposes a project to position farmers in the Sauk River Watershed to improve the environmental management of their farms and, in doing so, accrue credits that can be sold to industry as verified units of improved water quality. By assisting farmers in making environmental improvements as well as giving them incentive to make these improvements, the project will reduce phosphorus, nitrogen and fine sediments and improve hydrology in the selected watershed. As a result of improved management practices, farmers will sequester more carbon in their soils—improving soil quality and helping to mitigate climate change. These multiple environmental benefits (or “eco-services”) will provide new income streams for farmers. This is the first test of a real water quality trading and “eco-services” market involving point sources and agriculture in the Midwest.

The Sauk River Watershed has promising attributes for a successful project, including:

- High potential for environmental benefits and replicability: the Sauk River Watershed, located in the Upper Mississippi River Basin, is among the highest contributors of pollutant loads in the entire Mississippi River Basin. This project has potential to not only reduce agriculture’s direct impact on the Basin, but also to serve as a model for other watersheds interested in ecosystem markets.
- Multiple “drivers” for water quality trades, including:
 1. A soon-to-be-issued total maximum daily load (TMDL) for the watershed, meaning that the Sauk would restrict National Pollution Discharge Elimination System (NPDES) permits for dischargers.
 2. Indications of agricultural nitrate contamination of well water in at least one Sauk River Watershed municipality (the municipality would become a buyer of credits to help address this problem).
- Local commitment: stakeholders have already formed the *Sauk River Ecoservices Team* to investigate trading opportunities within the watershed. Furthermore, the Sauk River Watershed District and Stearns County Soil and Water Conservation District have a long-standing track record of being state leaders in watershed management and protection.

The Sauk River Watershed was selected by two different MPCA staff as a top candidate to start a market-based agricultural pollution reduction program. Next steps for this project include:

- Target best management practices most appropriate to this watershed (research conducted in 2008, and methods communicated to farmers throughout project)
- Hold listening session in Sauk River Watershed (Spring 2008)
- Recruit farmers and build cohort of committed participants (2008-2009)
- Work directly with farmers (2008-2009 finalize mechanics of trading)
- Line up credit aggregators and point sources (2008-2009)
- Plan for additional markets and new partnerships (2009)