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## **The Chesapeake Bay Reboot Plan: The Real Cost**

**MANHEIM, Pa. – (March 1, 2016)** – In a [recent presentation](#) of the Pennsylvania Department of Environmental Protection's (DEP's) Chesapeake Bay Reboot Plan, DEP Secretary John Quigley stated:

“The most reliable estimate of the amount of resources required to fully implement nonpoint source best management practices (BMPs) called for in Pennsylvania’s Watershed Implementation Plan (WIP) is an August 2013 report from the Pennsylvania State University (PSU) Environmental and Natural Resources Institute. That report provides two estimates. The first estimate shows a need for \$3.6 billion in capital costs to fully implement all nonpoint source BMPs in the WIP, in incremental levels between 2011 and 2025. The second estimate annualizes costs through 2025 and includes operation and maintenance (O&M) costs, resulting in a figure of \$378.3 million per year.”

The PSU 2013 study projection of \$378 million per year for 15 years including O&M totals \$5.6 billion to install a sufficient number of designated BMPs to achieve reductions of 24 million pounds of nitrogen annually.

### **The “Uncertainty Factor”**

In 2014, the [United States Environmental Protection Agency \(EPA\)](#) published a study that determined that the very same modeled BMPs proposed in the 2013 PSU study were seriously flawed as to their actual effectiveness in reducing nutrients. As a result, EPA required an “uncertainty factor” of a minimum of two-to-one be imposed to compensate for their inefficiency. In short, the EPA determined that BMPs delivered half (or less) of what they claimed, and therefore these additional uncertainty factors were necessary to adjust for modeling errors.

### **Pennsylvania Uncertainty Factor**

Agreeing and going a step further, the Pennsylvania DEP adopted a three-to-one uncertainty factor for modelled reductions in 2015.

### **The Reboot Real Compliance Cost**

Secretary Quigley failed to acknowledge these massive cost increases at a recent hearing or elsewhere. As a result, the price tag for taxpayers would increase from the current PSU estimate of \$5.6 billion to as high as \$16 billion in order to reduce the very same 24 million pounds of nitrogen annually.

### **Recommendation of the Coalition for an Affordable Bay Solution**

It is not feasible for Pennsylvania to spend either \$6 billion or \$16 billion on Chesapeake Bay agricultural Bay mandates. The Coalition for an Affordable Bay Solution (CABS) calls upon the Pennsylvania Legislature and the Wolf administration to stop spending on Chesapeake Bay mandates until a realistic plan is proposed and adopted that is affordable, transparent, accountable and whose highest priority is to meet the mandate at the lowest cost to the taxpayer. The Reboot Plan does not meet that hurdle.

As Secretary Quigley is well aware, private sector companies have offered to privately finance and build large-scale nitrogen reduction projects using proprietary technology. These projects would provide verified nutrient credits under long term contracts in the range of \$8 to \$12 per pound of nitrogen, including debt service and O&M. It is anticipated that these technologies will become less expensive over time.

No federal or state grants, loans or other support are required for these private-sector projects and there is no risk to the taxpayer for non-performance. The Commonwealth would only pay for nutrient credits after they have been produced and then verified by the DEP. These projects could reduce the ongoing compliance cost to approximately \$200 million annually, or less than \$2 billion total versus PSU's updated cost of \$16 billion, depending upon the number of available qualified projects. The Reboot Plan continues to exclude these verified low-cost alternatives from being part of the solution.

The Secretary continues to make representations that are clearly misleading, at best. If the PSU study represents the best cost estimate, the \$200 million annually for verified private sector credits is significantly less than either \$5.6 billion or \$16 billion. Secretary Quigley said there were \$1 credits available from the trading program. If that's the case, then why is there a Bay default, since the DEP can simply buy these credits? Secretary Quigley can't have it both ways. If credits are available at \$1, then there is no need for more money. If the PSU study is the best estimate, then \$8 credits are 80 to 90 percent less costly.

The argument that BMPs, which are designed to re-capture nutrients after they have been released to the atmosphere, would be more cost-effective than onsite treatment, where you have concentration and scale, is absurd, particularly in light of the added uncertainty factors. Yet, the Secretary continues to advance this argument. The Assembly's own Legislative Budget & Finance Committee (LBFC) study published in 2013 determined that the excessive cost problem was systemic. Further, the LBFC determined that replacing the existing unaccountable system – based on the political distribution of both mandates and taxpayer funds to the many local government and quasi-government agencies – with competitive bidding would reduce Bay compliance costs by up to 80 percent.

The DEP has opposed all attempts to implement the LBFC study.

On February 29, 2016, the U.S. Supreme Court declined to hear a challenge from 22 states and farmers to the EPA's Chesapeake Bay clean-up plan, upholding a lower court ruling that sided with EPA. This will only intensify the need for cost-effective nitrogen reduction alternatives. CABS continues to believe that the LBFC recommendations represent the path forward and further Bay spending should be suspended until a comprehensive Bay plan is proposed and adopted.

### **About the Coalition for an Affordable Bay Solution**

The Coalition for an Affordable Bay Solution (CABS) is a single-issue advocacy group consisting of private sector interests focused on reducing the massive cost of Bay compliance. CABS will continue to post studies on our website and welcome new supporters. Membership is free. For more information on the Coalition for an Affordable Bay Solution, please visit [AffordableBaySolutions.org](http://AffordableBaySolutions.org).

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