



Adapting and Applying Water Quality
Trading in the Lower Fox River Watershed

Fox P Trade Market Structures Workshop

Evaluating Different Market Structures for
Water Quality Trading in the Lower Fox River Watershed

Appleton, WI

January 28, 2015

WQT Market Structures

Four Basic Types



WQT Market Structures

Participant Roles

- There are a variety of potential WQT participants.
 - Their roles change depending on the market structure.

Buyer

Seller

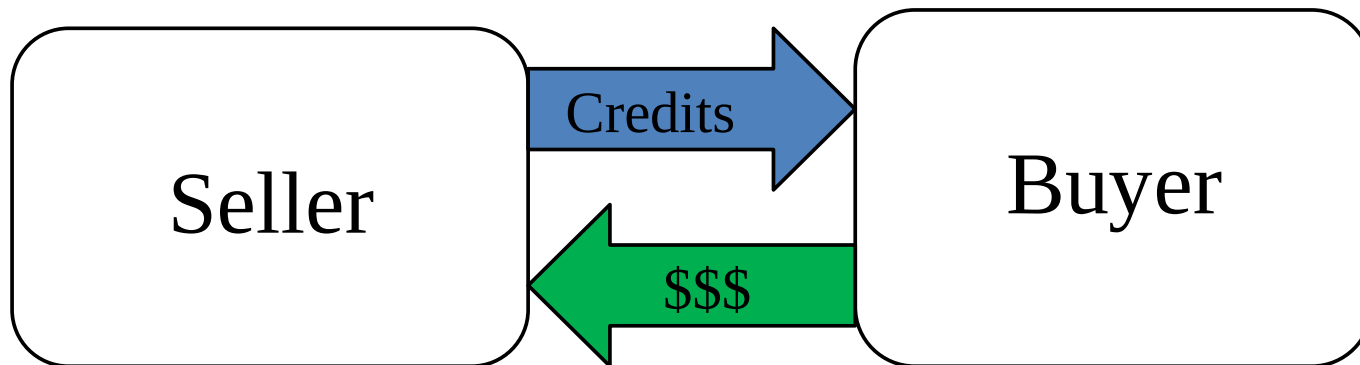
Intermediary
Broker; Clearinghouse;
Exchange, Etc.

Verifier

Others

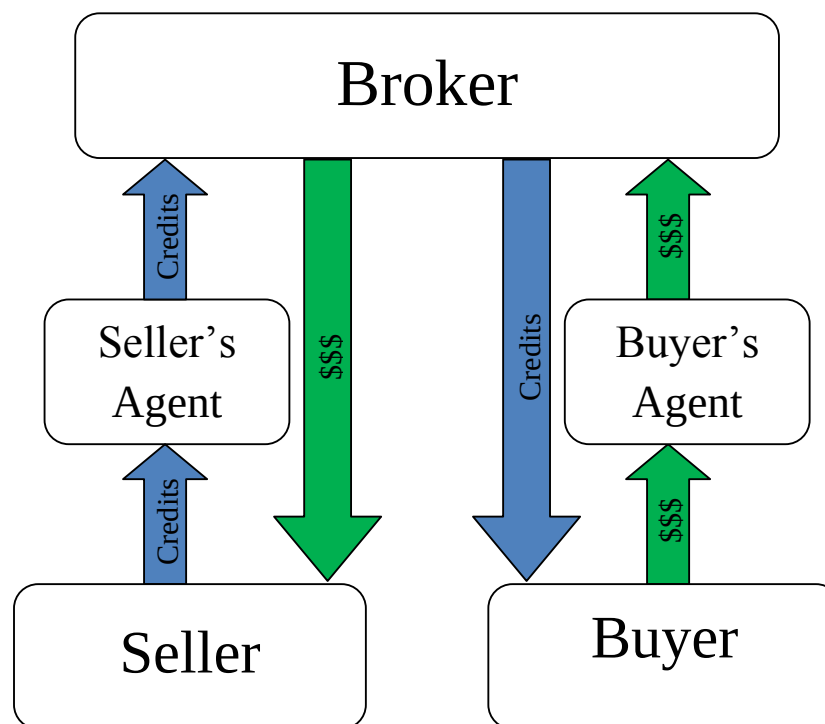
Bilateral Negotiations (Unbrokered)

Uniform Goods?	Pricing	Trans. Costs	Intermediary	Credit Qual. Liability	Potential for LFRW WQT
No	Negotiated	High	None	Seller	Low (high trans. costs)



Bilateral Negotiations (Brokered)

Uniform Goods?	Pricing	Trans. Costs	Intermediary	Credit Qual. Liability	Potential for LFRW WQT
No	Negotiated	Medium	Broker	Seller and maybe Broker	Medium (lower trans. costs)



Clearinghouse

Uniform Goods?	Pricing	Trans. Costs	Intermediary	Credit Qual. Liability	Potential for LFRW WQT
Yes	Set by Clearinghouse	Depends	Clearinghouse	Clearinghouse	Low (thin market)



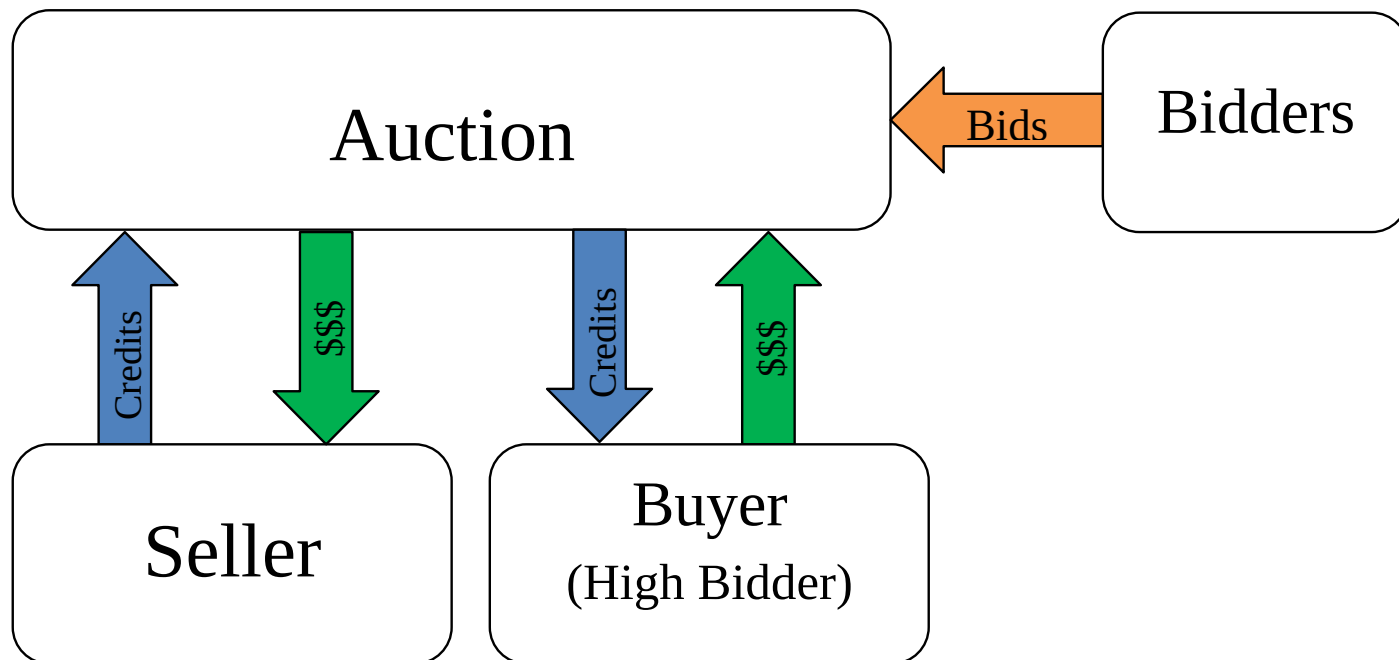
Exchange

Uniform Goods?	Pricing	Trans. Costs	Intermediary	Credit Qual. Liability	Potential for LFRW WQT
Yes	Mkt. Forces (supply & demand)	Low	Exchange	Exchange and/or Seller	Low (thin market)



Auction Platform

Uniform Goods?	Pricing	Trans. Costs	Intermediary	Credit Qual. Liability	Potential for LFRW WQT
Yes or No (either is OK)	Highest Bidder Wins	Low	Auction	Auction and/or Seller	Low (thin market)



Thank you!

