



Photo by Harrison Fitts

# *AUCTION RULES:*

## PHOSPHORUS REDUCTION AUCTION IN THE KALAMAZOO RIVER WATERSHED

June 2021

Version 2.1

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## ACKNOWLEDGEMENTS

This project has been funded wholly or in part by the United States Environmental Protection Agency under assistance agreement GL00E02796 to Delta Institute. The contents of this document do not necessarily reflect the views and policies of the Environmental Protection Agency, nor does the EPA endorse trade names or recommend the use of commercial products mentioned in this document.

This program is being implemented in partnership with the Allegan Conservation District.

Delta Institute would also like to acknowledge the Allegan Conservation District and Michigan Farm Bureau for their generous contributions to the project.

For more information, email [auction@delta-institute.org](mailto:auction@delta-institute.org)



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## *AUCTION GOOD TO BE SOLD*

Reduction of phosphorus runoff measured in pounds of total phosphorus.

## *AUCTION OBJECTIVE*

The auction will serve as a marketplace for phosphorus reductions. Phosphorus is a valuable nutrient when it can be properly integrated into the soil. It is also pollutant if it flows into waterways. Reducing phosphorus on the field from running off requires different practices than conventional agriculture. By implementing new conservation practices such as cover crops or conservation tillage, farmers that participate in the auction are able to sell their phosphorus reductions. Participants will submit bids reflecting the cost of implementing the practices.

Delta Institute will buy phosphorus reductions by selecting bids based on cost effectiveness, at the lowest price per pound of phosphorus reduced with a ceiling determined by the auction rules. Winning bidders will be notified after the auction closes and receive payment for the phosphorus kept on the fields. The goal of the auction is to maximize adoption and cost-effectiveness of reducing phosphorus loss and improving water quality.

## *ELIGIBILITY*

### **Participants**

Eligible participants include

- Landowners or
- Operators with legal authority to make decisions about conservation practices.

### **Practices**

Practices eligible for enrollment in the program are new applications of:

- Cover crops,
- No till,
- Strip till, and
- Combinations of the above tillage and cover cropping practices if appropriate.

Practices shall be implemented according to the Natural Resources Conservation Service (NRCS) standards as outlined in the Verification Section of the Rules.

Eligible practices already receiving cost-share from an Environmental Quality Incentive Program (EQIP), Conservation Stewardship Program (CSP), Conservation Reserve Program (CRP), or

other federal conservation program are ineligible for the auction. Cover crops may not be harvested and sold, per NRCS standards.

Participants are not allowed to participate in other phosphorus-related ecosystem market programs where incentive payments are based on performance. Eligibility to participate in other environmental market programs (e.g. carbon) depends on that program rules.

## Land

Eligible fields are those which have not had the selected practice(s) implemented on them within the past year. A field is eligible if any portion of the field is located within the project area. The subwatersheds that make up the project area are:

- Woodside Cemetery (HUC 040500030703),
- Trowbridge Dam (HUC 040500030905),
- Schnable Brook (HUC 040500030904), and
- Tannery Creek (HUC 040500030906).

A project area map can be found in the Appendix.

## CONTRACT LENGTH

The program is expected to run from February 2021 to February 2023. Contract length will be set to maximum allowed by remaining program duration. For example, if bids are awarded in the 2021 auction, the contract will be for two years and the participant will be required to implement the practices for two years to receive payment.

## BIDS

### Submission

Sealed bids must be submitted to Allegan Conservation District using the **Bid Application Form** (page 11-12, [available here](#)<sup>1</sup>, at the Allegan Conservation District office, or mailed upon request).

Participants must submit separate bids for each field. Participants may submit multiple bids for all the fields they would like to implement phosphorus reducing practices on. Multiple bids can be submitted with one Bid Application Form. There is no limit on the maximum number of bids each participant can submit.

<sup>1</sup> [https://delta-institute.org/wp-content/uploads/2021/06/Bid-Application-Form-Phosphorus-Reduction-Auction\\_v2.1\\_FINAL.pdf](https://delta-institute.org/wp-content/uploads/2021/06/Bid-Application-Form-Phosphorus-Reduction-Auction_v2.1_FINAL.pdf)

## Bid price

The [Great Lakes Watershed Management System<sup>2</sup>](#) modeling platform will be used to determine phosphorus reductions and their associated cost-effectiveness. The model is free to use and publicly available to sellers to simulate practice implementation and resulting reductions. Participants are encouraged to work with Program staff to use the model and estimate phosphorus reduction potential to inform bids. If a bid is submitted without modeling results, Program staff will run the model and determine expected reductions and cost-effectiveness.

NOTE: Fields with steep slopes that are at higher risk for erosion are expected to result in greater reductions.

## Bid Selection

Bids will be ranked based on cost-effectiveness of the practice, i.e. the cost per pound of phosphorus reduced by implementing the practice. A maximum price per pound of phosphorus will be set once the bids are received and may change from auction to auction. Once the maximum price is set, winning bids will be those that fall below maximum price.

The auction will be uniform-priced, and all winning sellers get paid the same price per pound of phosphorus at the rate of the top winning bid. This means that **your contract payment may be higher than your bid price, but it will never be lower than your bid.**

The **Bid Application Form** shall be submitted and filled out completely to enter the auction and participate. The program administrator reserves the right to reject bids if the application is incomplete. Expected total pounds of phosphorus reduced per year will be based on modeling results, to estimate cost-effectiveness (price/lb P).

- Bidders will be notified when their bid application is received within 7 days of receipt.
- Bids will be ranked in order of cost-effectiveness
- Participants will be notified by phone 2 weeks following the auction close date, and within 2 weeks after the auction close date by mail and email regarding the status of their application.
- Notice of Award and Contract will be mailed and emailed to participants with winning bids within 2 weeks after the auction close date.
- Participants will have 2 weeks to accept the award and execute the Contract following notification of award.
- If participant submitted and awarded multiple bids, they will be included in one Contract

Program administrator reserves the right to accept bid modifications including but not limited to field boundaries or conservation practices.

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<sup>2</sup> [www.iwr.msu.edu/glwms/](http://www.iwr.msu.edu/glwms/)



## AUCTION DATES

Auctions will occur twice each year during the program period. The winter auction cycle will open December 1<sup>st</sup> and close February 28<sup>th</sup>. The summer auction cycle will open June 1<sup>st</sup> and close August 31<sup>st</sup>. Participants may submit a sealed bid any time during the period when the auction is open.

## CONTRACTS

Contracts must be executed within two weeks of receiving a Notice of Award letter to accept the award. The contract will be between the eligible participant and Delta Institute, the organization administering the Program. Delta Institute is the fiscal agent of grant, provided by the United States Environmental Protection Agency, that funds this program under assistance agreement GL00E02796. **Winners must submit a completed [W9](#)<sup>3</sup> form and documentation of land ownership/lease** together with a contract to receive payment.

## PAYMENTS

Phased payments will be made upon contract execution and verification of implementation, based upon contract duration. For one-year contracts, payments will be split evenly into two parts, with 50 percent payable upon contract execution and 50 percent payable upon verification. For two-year contracts, payments will be split into three parts, with 35 percent upon contract execution, 35 percent at the conclusion of year one verification, and 30 percent at the conclusion of year two verification.

The initial payments will be processed within 30 days and mailed within 60 days of contract execution. There will be two payment windows in addition to the contract execution payment:

- September 1-30, for tillage practices, verification documentation submitted by August 1st
- January 1-31 for cover crops, verification documentation submitted by December 1st

All verification documentation must be submitted to Delta Institute in order to receive payment (outlined in the Verification section). If implementation and/or verification is delayed due to adverse weather conditions or other extraneous circumstances, verification and payments will be made during the following payment period.

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<sup>3</sup> <https://www.irs.gov/pub/irs-pdf/fw9.pdf>



## VERIFICATION

Program staff will arrange appointments in advance and conduct field visits to verify practice implementation after planting for tillage practices, and after harvest for cover crops. Participants consent to program staff site visits.

The following guidelines will be used to certify the contracted practice and explain what is needed in order to successfully complete installing the chosen practices. USDA-NRCS practice standards and job sheets will be provided for each practice the participant has chosen. For all practices, the report from GLWMS outlining expected modeling reductions will be generated by Program staff to supplement the **Bid Application Form**.

The following practices are all eligible to be installed under the guidelines of this project:

- No Till (329) – 1-year practice lifespan
- Strip Till (329) – 1-year practice lifespan
- Cover Crops (340) – 1-year practice lifespan

Each practice will have specific requirements that need to be met in order to be certified:

**No Till/Strip Till** - Fields will be inspected for residue cover after planting with a goal of 80 percent soil coverage (may differ based on cropping history). This practice will be clearly defined in the practice standard and the job sheet (to be attached to the contract). To meet the no till or strip till practice requirements, photo documentation will be obtained by Program staff.

**Cover Crops** - Job sheet should be thoroughly discussed with Program staff to help determine appropriate cover crop species, variety, and planting dates (utilizing resources such as: Midwest Cover Crop Council and the NRCS seeding calculator). Planting dates may need to be adjusted according to weather conditions. MSU Enviro Weather can be used to determine if a larger planting window will be feasible. Details will be spelled out in job sheets attached to the contract. Photo documentation will be obtained by Program staff. If Program staff are not able to get pictures, a date stamped picture from the producer will be accepted. Participants must provide Program staff with seeding rate and cover crop species information.

## CONTRACT IMPLEMENTATION AND MODIFICATION

Practices are to remain as planned, designed, and implemented as indicated in the contract between the participant and Delta. If a multi-year agreement is signed, it is understood that the participant may terminate the cover crop to plant a commodity crop for that growing year. The cover crop may not be the participant's commodity crop (e.g. winter wheat that will be harvested for commodity purposes the following spring/summer). Once the commodity crop is harvested, it is understood that the participant will follow with a cover crop, meeting USDA-NRCS standards and specifications.

If a multi-year agreement is signed, it is understood that practices will be implemented as indicated in the job sheet. Agreement modifications will be addressed according to the following steps:

- If the area where a planned practice has less than a 25 percent change in implementation, the participant must provide a verbal notification to Program staff stating why there was a change in implementation.
- If the area where a planned practice has greater than a 25 percent change in implementation, the participant must provide written documentation to Program staff to request contract modification and appropriate rationale for the change in implementation. The payment will be adjusted accordingly to reflect expected phosphorus reduction. The price per pound of phosphorus will remain unchanged. Program administrator reserves the right to accept or deny the change requested.
- If any change in implementation is requested and accepted by the Program administrator, Program staff will work with the participant to see if implementation can be applied on any other eligible land that the participant owns, leases or otherwise has the right to farm in order to maintain the contracted phosphorus reductions.
- If for any reason written documentation was not provided, and implementation did not meet the signed contract, the Program administrator reserves the right to require the participant to return all funds paid to the participant through this agreement.

# PROJECT AREA MAP

