



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Department of Environment and Natural Resources Wetland Mitigation Credit Determinations

Summary

This special report responds to the controversy surrounding the certification and purchase of nutrient offset credits offered by the Environmental Banc and Exchange, an ecosystem restoration firm. The Program Evaluation Division examined mitigation credit certification and transactions that were the crux of the controversy, including the context, events, and response to those events.

The review focused on the overlap of mitigation credits that prompted allegations of “double dipping,” wherein mitigation credits based on ecological assets not serving discrete mitigation functions were certified by the North Carolina Department of Environment and Natural Resources (DENR), Division of Water Quality and paid for twice, once by the North Carolina Department of Transportation in 2000 and again by DENR’s Ecosystem Enhancement Program in 2009.

DENR provided information to the Program Evaluation Division showing the overlap consisted of credits generated by the same 46 acres of wetlands. This property generated wetland credits purchased in 2000 and nutrient offset credits purchased in 2009. The result of this overlap was that, of the full \$910,920 paid in 2009, \$698,372 did not purchase any additional mitigation value above and beyond what was associated with credits sold in 2000.

In response to this controversy, DENR’s Division of Water Quality issued a moratorium on certifying nutrient offset credits based on land that had already been used to generate wetland credits. In addition, the division has drafted policies and rules related to the controversy that would prohibit the problem from occurring in the future. However, the division decided that it would continue to honor overlapping credits even though they were derived from land that had previously been used for wetland credits sold in 2000.

The Division of Water Quality’s decisions related to this controversy resulted in actual and potential future losses to the environmental integrity of the Neuse River basin. The actual and potential loss incurred by certifying nutrient offset credits that overlap wetland credits already allotted comprise a net loss to North Carolina’s environment.