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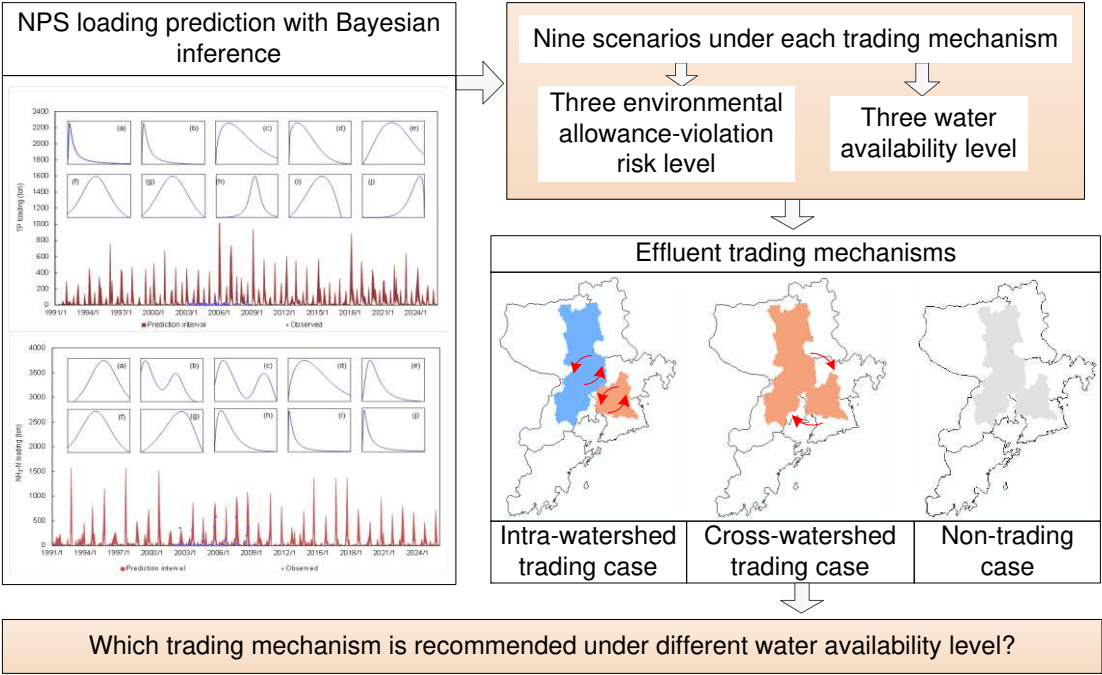
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39 **Graphical Abstract**



40

41

42 **Highlights**

43

44 ► Bayesian inference provides random NPS loading prediction for optimization process.

45 ► The effects of allowance-violation risk and water availability level are analyzed.

46 ► Non-trading case generates highest benefits under low water availability level.

47 ► Cross-watershed trading performs best at medium and high water availability level.

48 ► The trading scale under cross-watershed trading would be highest.

49

50 **Abstract**

51

52 Multiple rivers flowing into the same bay can be correlated in water quality management and
53 together determine the environmental status of the bay. Nonpoint source pollution management
54 for multi-watershed aiming to alleviate environmental contamination can be under additional
55 challenges and yield considerable economic and environmental benefits. In this study, a Bayesian
56 simulation-based multi-watershed effluent trading designing model (BS-METM) is established
57 for multi-watershed nonpoint source pollution management through incorporating techniques of
58 water quality simulation, uncertainty analysis with Bayesian inference, optimal design for
59 effluent trading, as well as mechanism analysis. BS-METM is capable of reflecting parameter
60 uncertainties in nutrient simulation, disclosing the detailed optimal trading schemes under the
61 impact of uncertainties and vital factors, and identifying optimal effluent trading mechanisms
62 through revealing interaction among trading processes of multiple watersheds. BS-METM is
63 applied to a real case of adjacent coastal watersheds (i.e. Daguhe and Moshuihe watersheds),
64 which are identified as major sources of total phosphorus and ammonia nitrogen loadings to
65 Jiaozhou Bay, China. Effluent trading optimization under multiple mechanisms, including
66 intra-watershed trading, cross-watershed trading and non-trading, are conducted. The optimized
67 industry scales and trading processes are obtained. The effects of vital factors on the trading
68 process (i.e. environmental allowance-violation risk level and water availability level) are
69 investigated. The interactions between water availability level and trading mechanism are also
70 analyzed. It is proved that non-trading mechanism would be recommended under low water
71 availability level and cross-watershed trading mechanism would be recommended under medium
72 and high water availability level. The results provide a solid scientific basis for nonpoint source

73 pollution management as well as effective sustainable development for multi-watershed region.

74

75 **Keywords:** Bayesian inference; Constraint-violation risk; Multi-watershed management;

76 Nonpoint source; Trading mechanism

77

78 **1. Introduction**

79

80 The prevalence of nonpoint source (NPS) pollution, such as pollution generated by agricultural
81 activities, has dramatically accelerated water quality deterioration (Zhang et al., 2009). Multiple
82 rivers flowing into the same bay can be correlated in water quality management and together
83 determine the environmental status of the bay. NPS management for multi-watershed aiming to
84 alleviate environmental contamination can be under additional challenges and yield considerable
85 economic and environmental benefits (Sith et al., 2019; Alnahit et al., 2020).

86

87 Effluent trading program provides flexibility of discharge permits to nonpoint and point sources
88 and achieves optimal configuration for discharge permits, which can be a promising water quality
89 management measure for pollution control across watersheds (Zeng et al., 2016). A number of
90 literatures have been dedicated to designing trading system and recognizing optimal
91 environmental and political factors (Clark et al., 2008; Nguyen et al., 2013; Chen et al., 2016;
92 Zolfagharipoor and Ahmadi, 2017). For example, Hung and Shaw (2005) designed a trading-ratio
93 system (TRS) for discharge permits in controlling water pollution, utilizing the unidirectional
94 flow property of water; the TRS can meet the predetermined environmental quality standards
95 within minimum aggregate abatement costs. Zhang et al. (2019) developed a Bayesian
96 risk-induced interval stochastic modeling framework to disclose the interactions of trading ratio
97 and treatment rate on effluent trading under system risk. Corrales et al. (2017) applied an
98 integrated hydrology-economic modeling framework for assessing the effectiveness of effluent
99 trading across two watersheds in Lake Okeechobee; the two-watershed phosphorus credit trading
100 effort achieved a lower cost compared with command-and-control methods. Cross watershed

101 trading has the potential to facilitate the water quality management system by enabling permit
102 transaction among pollution sources with surplus discharge permits in multiple watersheds. The
103 multi-watershed trading policy has a favorable role in promoting the development of green
104 economy under certain conditions (Wang and Pang, 2019). Nevertheless, there have been few
105 studies assessing factors on success of multi-watershed effluent trading programs as well as
106 identifying optimal trading mechanisms.

107

108 In practical effluent trading, the trading planning can be affected due to various uncertainties.
109 They are derived from variability in nutrient loadings and fluctuation in economic coefficients.
110 Many stochastic mathematical programming methods have been extensively studied for
111 supporting optimization modeling in water quality management under uncertainty (Li and Huang,
112 2006; Maeda et al., 2009; Xu and Qin, 2010; Miao et al., 2014; Liu et al., 2016; Pastori et al.,
113 2017). Among them, two-stage stochastic programming (TSP) can tackle decision-making
114 problems related to randomness, which can utilize probability event of environmental penalties in
115 the second-stage to rectify initial (first-stage) decision (Zeng et al., 2015; Rong et al., 2017; Chen
116 et al., 2019; Wang, 2020). Chance constrained programming (CCP) is a programming method in
117 addressing random variables' uncertainties on the right-hand side of the optimal models; it is
118 capable of obtaining trading decision making through providing the trade-off analysis between
119 system benefits and risk at different risk levels (Zhang et al., 2019). On the other hand, optimal
120 design of trading planning can also be restricted by errors in hydrology/water quality simulation
121 associated with a variety of complicated physical processes and spatiotemporal heterogeneity
122 (Alam and Dutta, 2012; Shang et al., 2012; Shen et al., 2015; Shrestha and Wang, 2020). The
123 errors in watershed process simulation lead to the research of Markov chain Monte Carlo

(MCMC) sampling method (Laloy et al., 2013; Rajabi et al., 2015; Vrugt and Beven, 2018; Wu et al., 2020). For example, Zhai et al. (2020a) quantified the parameter uncertainties of the dynamic constitutive model accurately by using Bayesian theory with Differential Evolution Adaptive Metropolis algorithm (DREAM). MCMC provides an efficient way to draw samples of parameter values from complex, high-dimensional statistical distributions in a Bayesian framework. Thus an integration model framework with Bayesian inference based simulation efforts and optimization approaches is desired to be developed for improving the accuracy in nutrient fate modeling as well as to accounting for uncertainties in water quality management problems.

Therefore, this study aims to propose a Bayesian simulation-based multi-watershed effluent trading designing model (BS-METM) for multi-watershed water quality management. BS-METM combines uncertainty analysis of SWAT model with MCMC, constraint-violation risk-based two-stage stochastic programming (CRTSP) and mechanism analysis into a general framework. According to the water quality protocols based on SWAT model, Bayesian estimation (DREAM algorithm) is used to analyze the parameters' posterior distributions and the nutrient loadings' simulated uncertainty ranges for agriculture. The uncertainty ranges can provide random inputs of NPS loading in order to gain optimal effluent trading schemes. CRTSP couples TSP, CCP and interval parameter linear programming (ILP) optimization approaches, which is capable of disclosing optimal industry scales and trading process as well as identifying the best trading mechanism. The mechanism analysis can compare the trading schemes under intra-watershed trading, cross-watershed trading and non-trading cases based on the performance of net system benefits, excess nutrient emissions, trading amount of pollution permits and eliminated permits from trading market. The BS-METM will be applied in a real case of water

147 quality management for two agricultural watersheds, Daguhe and Moshuihe watersheds, close to
148 Jiaozhou Bay, China. The modeling framework will (i) disclose the detailed optimized effluent
149 trading planning between every pair of pollutant sources under multiple uncertainties and system
150 risks; (ii) reveal the effects of vital factors on the trading process (i.e. environmental
151 allowance-violation risk level and water availability level); (iii) analyze effluent trading under
152 different trading mechanisms and select the best mechanism to make policy suggestions.

153

154 **2. Methodology**

155

156 *2.1 DREAM algorithm within Bayesian inference*

157

158 Dream is a multi-chain and self-adaptive differential evolutionary probability sampling method
159 based on Bayesian theory (Vrugt JA, 2016). It generally does not depend on the prior distribution
160 determined artificially. In addition, the offset abnormal chains can be removed (Zhai et al.,
161 2020a). DREAM procedure steps are as follows (Vrugt JA, 2009; Sheng et al., 2019):

162 1) Each Markov chain's initial value is derived from determined the parametric prior
163 distribution, denoted as ϕ^i ($i= 1, 2, ..., N$).

164 2) The initial value's likelihood of each chain can be calculated:

$$165 \quad \pi(\phi^i) = f(\phi^i | \delta) \quad (1)$$

166

167 3) Candidate samples are generated by mutation operation. In addition, perform candidate
168 samples are cross-operated according to the crossover probability $CR \in [0, 1]$, namely the

crossover probability. The likelihood and receptance rate of the newly gained candidate sample $Z_{j,t+1}$ are computed. If the receptance rate $\alpha(\phi_{j,t}, Z_{j,t+1}) > U$ (sampling from uniform distribution $U(0, 1)$), otherwise refuse. The Inter-Quartile-Range (IQR) method can remove the useless chain.

4) Exit conditions on account of convergent judgment are calculated. If the convergence criterion is reached, the calculation will end. Or else, step (3) will always be repeated to develop the Markov chain. When the scale down factor of each parameter in DREAM algorithm: $R_{stat} < 1.2$, the posterior distribution of the parameter is stably converged. The formula for R_{stat} is:

$$R_{stat} = \sqrt{\left(1 - \frac{1}{J}\right) + \frac{N+1}{NW} \frac{B}{J}} \quad (2)$$

where, J is the sample number of each chain, N is the number of Markov chains, B/J is the variance of the mean value of J Markov chains. W is the mean value of the variance of J Markov chains. DREAM algorithm is used for uncertainty analysis for parameters in SWAT model. Nutrient (e.g. $\text{NH}_3\text{-N}$ and TP) migration equations etc. based on SWAT are shown in Appendix A.

2.2 Interval two-stage stochastic programming with constraint-violation risk

In a decision problem with risk or penalty, two-stage stochastic programming method will be provided to deal with stochastic uncertainty of parameters (Li et al., 2008). The basic idea is the

190 concept of recourse, which is to take up remedial measures, reduce the environment penalties or
 191 curtail activity plans after the occurrence of a random event. In this problem, a first-stage decision
 192 of production targets are formulated before the random nutrient emission is achieved (Li and
 193 Huang, 2008). For example, the decision variables of the first stage can be the scales of livestock
 194 and poultry industry and fishery, production level of companies as well as targeted area of
 195 agriculture. In order to minimize the possible penalties owing to the infeasibility of the first-stage
 196 decision after a random event has occurred, the recourse action to correct the benefits of the first
 197 stage through the second-stage penalties would be taken. For example, the second-stage variables
 198 can be the excess annual $\text{NH}_3\text{-N}$ and TP loadings from the nonpoint sources. Although the
 199 stochastic uncertainty of nutrient loadings emission would be effectively reflected with the
 200 two-stage stochastic programming model, the uncertainties of other parameters couldn't be
 201 addressed with it. For example, the parameters on economy, energy and protein may not be used
 202 as definite values. So, interval parameters are introduced on the basis of TSP framework to reflect
 203 the uncertainty of this kind of parameters, transmitting the uncertain information in economic,
 204 energy and protein parameters to the optimization process, which forms an interval two-stage
 205 stochastic programming (ITSP) model (Huang, 2000; Zhang, 2019):

$$206 \quad \text{Max } f^{\pm} = \sum_{j=1}^{n_1} c_j^{\pm} x_j^{\pm} - \sum_{j=1}^{n_2} \sum_{h=1}^v p_h d_j^{\pm} y_{jh}^{\pm} \quad (3a)$$

207 Subject to:

$$208 \quad \sum_{j=1}^{n_1} a_{rj}^{\pm} x_j^{\pm} \leq b_r^{\pm}, r = 1, 2, \dots, m_1 \quad (3b)$$

$$209 \quad \sum_{j=1}^{n_1} a_{tj}^{\pm} x_j^{\pm} + \sum_{j=1}^{n_2} a_{tj}^{\pm} y_{jh}^{\pm} \geq w_t^{\pm}, t = 1, 2, \dots, m_2 \quad (3c)$$

$$x_j^\pm \geq 0, j = 1, 2, \dots, n_1 \quad (3d)$$

$$y_{jh}^\pm \geq 0, j = 1, 2, \dots, n_2; h = 1, 2, \dots, v \quad (3e)$$

212

213 where superscripts “−” and “+” represent the lower and upper bounds of an interval parameter
 214 or variable, respectively; j denotes the pollution sources; t and r are marks of constraints; h
 215 represents the probability level; $f^\pm, c_j^\pm, d_j^\pm, a_{rj}^\pm, a_{ij}^\pm, a_{ij}^{\prime\pm}, b_r^\pm, x_j^\pm, y_{jh}^\pm$ and w_t^\pm are
 216 interval coefficients/objectives that are presented as interval numbers. For example, letting b_r^-
 217 and b_r^+ be lower and upper bounds of interval number b_r^\pm , meanwhile, $b_r^\pm = [b_r^-, b_r^+]$.

218

219 However, the right-hand side parameters (e.g. environmental capacity of NH₃-N in Daguhe
 220 watershed) involve randomness originating from spatiotemporal heterogeneity in practical
 221 effluent trading. The above problem cannot be addressed with the interval two-stage stochastic
 222 programming model. While, Chance-constrained programming (CCP) is introduced to deal with
 223 the random uncertainties and analyze constraint-violation risk effectively (Zhu et al., 2012; Piao
 224 et al., 2014), as follows:

$$Max f = C(t)X \quad (4a)$$

226 Subject to:

$$\Pr[\{t \mid A_u(t)X \geq b_u(t)\}] \geq \alpha_u \quad (4b)$$

$$A_u(t) \in A(t), b_u(t) \in B(t), u = 1, 2, \dots, U \quad (4c)$$

$$X \geq 0 \quad (4d)$$

$$\alpha_u \in [0,1] \quad (4e)$$

231

232 where X denotes a vector of decision variables; $A(t)$, $B(t)$, and $C(t)$ are sets with
 233 random elements defined on a probability space T , $t \in T$; model (4b) consists of a prescribed
 234 level of probability $\alpha_u \in [0,1]$ for each constraint u and imposes a condition that the
 235 constraint is satisfied with at least a probability of $1 - \alpha_u$ (Xie et al., 2011). When $A(t)$ are
 236 deterministic and $b_u(t)$ are stochastic, constraint (4b) becomes linear:

$$A_u X \geq b_u(t)^{1-\alpha_u} \quad (5)$$

238

239 Equation (5) is equivalent to equation (4b), given the cumulative distribution function of b_u and
 240 the probability of violating constraint u . Accordingly, CCP and ITSP can be integrated to deal
 241 with multiple uncertainties existing in the objective function and constraints, which leads to a
 242 two-stage stochastic programming with constraint-violation risk (TSPCR) model as follows:

$$Max f^\pm = \sum_{j=1}^{n_1} c_j^\pm x_j^\pm - \sum_{j=1}^{n_2} \sum_{h=1}^v p_h d_j^\pm y_{jh}^\pm \quad (6a)$$

244 Subject to:

$$\sum_{j=1}^{n_1} a_{rj}^\pm x_j^\pm \leq b_r^\pm, r = 1, 2, \dots, m_1 \quad (6b)$$

$$\sum_{j=1}^{n_1} a_{tj}^\pm x_j^\pm + \sum_{j=1}^{n_2} a_{tj}^\pm y_{jh}^\pm \geq (w_t^\pm)^{1-\alpha_u}, t = 1, 2, \dots, m_2 \quad (6c)$$

$$x_j^\pm \geq 0, j = 1, 2, \dots, n_1 \quad (6d)$$

$$y_{jh}^{\pm} \geq 0, j = 1, 2, \dots, n_2; h = 1, 2, \dots, v \quad (6e)$$

249

250 In above model, $(w_t^{\pm})^{1-\alpha_u}$ is the stochastic coefficient under period t and under
 251 constraint-violation probability α_u . Model (6) can be transformed into two sub-models which
 252 correspond to lower and upper bounds of the target function values (Huang et al., 2000). Then the
 253 interval solutions can be gained by solving two sub-models in sequence.

254

255 **3. Case Study**

256

257 *3.1 Study area*

258

259 Daguhe watershed is the largest river of all the rivers flowing into Jiaozhou Bay, with a length of
 260 more than 140 km. And the total area is 4631 km², which is located between latitudes of
 261 36°10'N-37°12'N and longitudes of 120°03'E-120°25'E in the northwestern part of Qingdao,
 262 China (Chen et al., 2010). It flows through Laixi, Pingdu, Jiaozhou and Jimo cities, accounting
 263 for 45% of the total area of Qingdao. The region has an average annual precipitation of 707.4 mm
 264 and an average annual temperature of 10-11 °C with a warm temperate coastal humid monsoon
 265 climate in North China. Brown soil, tidal soil and sandy ginger and black soil are the main soil
 266 types within the watershed (Liao et al, 2010; Sun et al, 2016). Moshuihe watershed has a length
 267 of 21.3 km and a total area of 276.1 km² with an average annual precipitation of 680 mm (Qiao et
 268 al., 2012). Moshuihe watershed flows through Jimo city into Jiaozhou Bay, which includes four
 269 main tributaries including Liucun River, Longquan River, Tuqiaotou River and Xifengliu River.

270 The main agricultural crops for the two watersheds are wheat, corn and peanut, chinese cabbage,
271 celery, carrot, potato, apple, pear, peach and grape and the main livestock are chicken, pig, cattle
272 and cow.

273

274 On one hand, Daguhe and Moshuihe watersheds are agricultural watersheds. To meet the
275 increasing food demand, long-term utilization of fertilizers and manures make agricultural
276 nitrogen and phosphorus pollution be in a high status. Intensive livestock and poultry industry
277 and fishery can also be factors that trigger NPS pollution, which can be regarded as a major threat
278 to water quality of the two watersheds and Jiaozhou Bay. $\text{NH}_3\text{-N}$ and TP are two main
279 contaminants for the watersheds. The amount of TP flowing into Jiaozhou Bay through Daguhe
280 watershed accounts for 55.34% of total TP loading to the Bay. The amount of $\text{NH}_3\text{-N}$ accounts for
281 24.18% of total $\text{NH}_3\text{-N}$ loading to Jiaozhou Bay (Li et al., 2009). On the other hand, Daguhe
282 watershed and Moshuihe watershed are two adjacent rivers flowing into Jiaozhou Bay and
283 correlated in water quality management. They together determine the environmental status of
284 Jiaozhou Bay. Thus, it is desired that an effective system analysis method be advanced to
285 accomplish a sound decision scheme for multi-watershed NPS pollution control. Figure 1 shows
286 the general framework of the advocated BS-METM. The system incorporates uncertainty
287 analysis of SWAT model with MCMC, constraint-violation risk-based two-stage stochastic
288 programming (CRTSP) and mechanism analysis. Each part has a distinctive contribution as
289 shown in introduction to improve the capability of the model in dealing with complexities in
290 effluent trading planning.

291 -----

292 Place Figure 1 here

293

294

295 3.2 Modeling formulation

296

297 The ecological environment of Daguhe and Moshuihe watersheds is extremely vulnerable
298 because of the excessive nutrient emission. The improper allocation of discharge permits strategy
299 may lead to the inefficiency of environmental management even lead to the issue of hot spots.
300 Instead, effluent trading would contribute to allocate discharge permits with optimal economic
301 benefits or enhanced environmental benefits. In addition, those with pollution sources that are not
302 easy to mitigate or who choose to heighten production can purchase the unused permits deriving
303 from the others within the trading system, without paying huge environmental penalties. TP and
304 NH₃-N are selected as water quality indicators.

305

306 As shown in Figure 2, firstly, six reaches have been demarcated in the two watersheds for
307 avoiding the issue of hot spots in trading, including 4 reaches in Daguhe watershed and 2 reaches
308 in Moshuihe watershed (Xu, 2004; Ning et al., 2017). Secondly, there are 18 major pollution
309 sources in the two watersheds, including 10 nonpoint sources in Daguhe watershed (i.e. four
310 agricultural zones, three livestock and poultry industry zones and three fishery zones) as well as
311 one agricultural zone in Moshuihe watershed. Besides, seven companies in Moshuihe watershed
312 are also considered. The planning period in this study is one year (2021), and the discharge
313 permit trading of three levels of water availability (high level ($w = 1$), low level ($w = 2$) and
314 medium level ($w = 3$)) is respectively planned. In study area, TP and NH₃-N discharge permits
315 would be allocated to 18 pollution sources in two watersheds, which include multiple human

activities (i.e. agriculture, livestock and poultry industry, fishery and company). The initial allocation is based on the proportion of their own ecological, economic benefits and pollutant emissions. BS-METM can be formulated under three trading mechanism cases. Under Case 1, the discharge permits are forced to be traded only within the pollution sources from the same watershed. Under Case 2, cross-watershed effluent trading is allowed, which means that the pollution sources in Daguhe watershed can be traded with those in Moshuihe watershed. Under Case 3, cross-watershed environmental constraints are allowed but all pollution sources are not traded for discharge permits. The models of effluent trading under Case 1 and 3 are provided in Compressed File. The model of effluent trading scheme under Case 2 can be formulated as follows:

Place Figure 2 here

329

330

$$\begin{aligned}
 Maxf = & \sum_{i=1}^5 \sum_{j=1}^{11} \sum_{w=1}^3 AB_j^{\pm} \cdot (X_{ij}^{-} + \Delta X_{ij} \cdot o_{ijw}) + \sum_{n=1}^3 \sum_{r=1}^4 \sum_{w=1}^3 W_r^{\pm} \cdot (N_{nr}^{-} + \Delta N_{nr} \cdot r_{nrw}) \\
 & + \sum_{p=1}^3 \sum_{w=1}^3 SB_p^{\pm} \cdot (Z_p^{-} + \Delta Z_p \cdot s_{pw}) + \sum_{m=1}^7 \sum_{w=1}^3 CB_m^{\pm} \cdot (Y_m^{-} + \Delta Y_m \cdot e_{mw}) \\
 & - \sum_{i=1}^5 \sum_{k=1}^3 \sum_{w=1}^3 h_k \cdot EDPA_{ikw}^{\pm} \cdot PF^{\pm} - \sum_{n=1}^3 \sum_{w=1}^3 EDPR_{nw}^{\pm} \cdot PF^{\pm} \\
 & - \sum_{p=1}^3 \sum_{w=1}^3 EDPP_{pw}^{\pm} \cdot PF^{\pm} - \sum_{m=1}^7 \sum_{w=1}^3 EDPC_{mw}^{\pm} \cdot PF^{\pm} \\
 & - \sum_{i=1}^5 \sum_{s=1}^3 \sum_{w=1}^3 k_s \cdot EDNA_{isw}^{\pm} \cdot NF^{\pm} - \sum_{n=1}^3 \sum_{w=1}^3 EDNR_{nw}^{\pm} \cdot NF^{\pm} \\
 & - \sum_{p=1}^3 \sum_{w=1}^3 EDNP_{pw}^{\pm} \cdot NF^{\pm} - \sum_{m=1}^7 \sum_{w=1}^3 EDNC_{mw}^{\pm} \cdot NF^{\pm}
 \end{aligned} \tag{7a}$$

331

332 The objective is to maximize the ultimate net system benefit, which is calculated with the total
 333 environmental penalty and the total initial net system benefit which removes the cost. The
 334 ultimate system net benefit considers the total initial net system benefits and the total
 335 environmental penalties of agriculture, livestock and poultry industry, fishery and company. The
 336 constraints to be complied with can be divided into the following groups:

337

338 1. Constraints for TP permit reallocation

$$339 \quad \sum_{j=1}^{11} (X_{ij}^- + \Delta X_{ij} \cdot o_{ijw}) \cdot CWP A_k^\pm - EDPA_{ikw}^\pm \leq ACEP_{iw} \quad (7b)$$

$$340 \quad \sum_{r=1}^4 (N_{nr}^- + \Delta N_{nr} \cdot r_{nrw}) \cdot CWPR_r^\pm - EDPR_{nw}^\pm \leq LCEP_{nw} \quad (7c)$$

$$341 \quad (Z_p^- + \Delta Z_p \cdot s_{pw}) \cdot DWP^\pm \cdot CWPP^\pm - EDPP_{pw}^\pm \leq SCEP_{pw} \quad (7d)$$

$$342 \quad (Y_m^- + \Delta Y_m \cdot e_{mw}) \cdot DWM_m^\pm \cdot CWPM_m^\pm - EDPC_{mw}^\pm \leq CCEP_{mw} \quad (7e)$$

343

344 2. Constraints for NH₃-N permit reallocation

$$345 \quad \sum_{j=1}^{11} (X_{ij}^- + \Delta X_{ij} \cdot o_{ijw}) \cdot CWN A_s^\pm - EDNA_{isw}^\pm \leq ACEN_{iw} \quad (7f)$$

$$346 \quad \sum_{r=1}^4 (N_{nr}^- + \Delta N_{nr} \cdot r_{nrw}) \cdot CWN R_r^\pm - EDNR_{nw}^\pm \leq LCEN_{nw} \quad (7g)$$

$$347 \quad (Z_p^- + \Delta Z_p \cdot s_{pw}) \cdot DWP^\pm \cdot CWN P^\pm - EDNP_{pw}^\pm \leq SCEN_{pw} \quad (7h)$$

$$348 \quad (Y_m^- + \Delta Y_m \cdot e_{mw}) \cdot DWM_m^\pm \cdot CWN M_m^\pm - EDNC_{mw}^\pm \leq CCEN_{mw} \quad (7i)$$

349

350 Constraints (7j)-(7m) and (7n)-(7q) represent the trading process. The discharge permits are
 351 traded among 18 sources of pollution, including cross-watershed agricultural zones, livestock and
 352 poultry industry zones, fishery zones and companies. In addition, the reallocated TP and NH₃-N
 353 discharge permits for each pollution source in Daguhe and Moshuihe watersheds are equal to that
 354 the initial discharge permits plus the purchasing permits, and minus the selling permits.

355

356 3. Constraints for TP trading rules

$$\begin{aligned}
 & \sum_{i'=1}^5 TP_{ii'w} + \sum_{n=1}^3 TP_{S_{inw}} + \sum_{p=1}^3 TP_{S_{ipw}} + \sum_{m=1}^7 TP_{S_{imw}} \\
 & \leq TPI_{iw} + \sum_{i'=1}^5 TP_{i'iw} / tp_{i'i} + \sum_{m=1}^7 TP_{b_{miw}} / tp_{mi} + \sum_{n=1}^3 TP_{b_{niw}} / tp_{ni} + \sum_{p=1}^3 TP_{b_{piw}} / tp_{pi}
 \end{aligned} \tag{7j}$$

$$\begin{aligned}
 & \sum_{n'=1}^3 TP_{nn'w} + \sum_{i=1}^5 TP_{S_{niw}} + \sum_{p=1}^3 TP_{S_{npw}} + \sum_{m=1}^7 TP_{S_{nmw}} \\
 & \leq TPN_{nw} + \sum_{n'=1}^3 TP_{n'nw} / tp_{n'n} + \sum_{i=1}^5 TP_{b_{inw}} / tp_{in} + \sum_{p=1}^3 TP_{b_{pnw}} / tp_{pn} + \sum_{m=1}^7 TP_{b_{mnw}} / tp_{mn}
 \end{aligned} \tag{7k}$$

$$\begin{aligned}
 & \sum_{p'=1}^3 TP_{pp'w} + \sum_{i=1}^5 TP_{S_{piw}} + \sum_{n=1}^3 TP_{S_{pnw}} + \sum_{m=1}^7 TP_{S_{pmw}} \\
 & \leq TPP_{pw} + \sum_{p'=1}^3 TP_{p'pw} / tp_{p'p} + \sum_{n=1}^3 TP_{b_{npw}} / tp_{np} + \sum_{i=1}^5 TP_{b_{ipw}} / tp_{ip} + \sum_{m=1}^7 TP_{b_{mpw}} / tp_{mp}
 \end{aligned} \tag{7l}$$

$$\begin{aligned}
 & \sum_{m'=1}^7 TP_{mm'w} + \sum_{i=1}^5 TP_{S_{miw}} + \sum_{n=1}^3 TP_{S_{mnw}} + \sum_{p=1}^3 TP_{S_{mpw}} \\
 & \leq TPM_{mw} + \sum_{m'=1}^7 TP_{m'mw} / tp_{m'm} + \sum_{i=1}^5 TP_{b_{imw}} / tp_{im} + \sum_{n=1}^3 TP_{b_{nmw}} / tp_{nm} + \sum_{p=1}^3 TP_{b_{pmw}} / tp_{pm}
 \end{aligned} \tag{7m}$$

361

362 4. Constraints for NH₃-N trading rules

$$\begin{aligned}
& \sum_{i'=1}^5 TN_{ii'w} + \sum_{n=1}^3 TNs_{inw} + \sum_{p=1}^3 TNs_{ipw} + \sum_{m=1}^7 TNs_{imw} \\
& \leq TNI_{iw} + \sum_{i'=1}^5 TN_{i'iw} / tn_{i'i} + \sum_{m=1}^7 TNb_{miw} / tn_{mi} + \sum_{n=1}^3 TNb_{niw} / tn_{ni} + \sum_{p=1}^3 TNb_{piw} / tn_{pi}
\end{aligned} \tag{7n}$$

$$\begin{aligned}
& \sum_{n'=1}^3 TN_{nn'w} + \sum_{i=1}^5 TNs_{niw} + \sum_{p=1}^3 TNs_{npw} + \sum_{m=1}^7 TNs_{nmw} \\
& \leq TNN_{nw} + \sum_{n'=1}^3 TN_{n'nw} / tn_{n'n} + \sum_{i=1}^5 TNb_{inw} / tn_{in} + \sum_{p=1}^3 TNb_{pnw} / tn_{pn} + \sum_{m=1}^7 TNb_{mnw} / tn_{mn}
\end{aligned} \tag{7o}$$

$$\begin{aligned}
& \sum_{p'=1}^3 TN_{pp'w} + \sum_{i=1}^5 TNs_{piw} + \sum_{n=1}^3 TNs_{pnw} + \sum_{m=1}^7 TNs_{pmw} \\
& \leq TNP_{pw} + \sum_{p'=1}^3 TN_{p'pw} / tn_{p'p} + \sum_{n=1}^3 TNb_{npw} / tn_{np} + \sum_{i=1}^5 TNb_{ipw} / tn_{ip} + \sum_{m=1}^7 TNb_{mpw} / tn_{mp}
\end{aligned} \tag{7p}$$

$$\begin{aligned}
& \sum_{m'=1}^7 TN_{mm'w} + \sum_{i=1}^5 TNs_{miw} + \sum_{n=1}^3 TNs_{mnw} + \sum_{p=1}^3 TNs_{mpw} \\
& \leq TNM_{mw} + \sum_{m'=1}^7 TN_{m'mw} / tn_{m'm} + \sum_{i=1}^5 TNb_{imw} / tn_{im} + \sum_{n=1}^3 TNb_{nmw} / tn_{nm} + \sum_{p=1}^3 TNb_{pmw} / tn_{pm}
\end{aligned} \tag{7q}$$

367

368 Constraints (7j)-(7m) and (7n)-(7q) can contribute to ensure that the selling TP and NH₃-N
369 discharge permits from pollution sources should be larger than the initial permits they possess,
370 respectively.
371

372 5. Constraints for TP environmental limit

$$ACEP_{iw} \leq TPA_{iw}, \quad LCEP_{nw} \leq TPL_{nw} \tag{7r}$$

$$SCEP_{pw} \leq TPS_{pw}, \quad CCEP_{mw} \leq TPC_{mw} \tag{7s}$$

$$ACEP_{iw} + LCEP_{nw} + SCEP_{pw} \leq TPGF_{qw} \quad \forall i = n = p, i = 1, 2, 3, q \neq 4 \tag{7t}$$

$$ACEP_{iw} \leq TPGF_{qw} \quad i=4, q=4 \quad (7u)$$

$$ACEP_{5w} + CCEP_{3w} + CCEP_{4w} + CCEP_{5w} + CCEP_{6w} \leq TPWF_{1w} \quad (7v)$$

$$CCEP_{1w} + CCEP_{2w} + CCEP_{7w} \leq TPWF_{2w} \quad (7ai)$$

$$\sum_{i=1}^4 ACEP_{iw} + \sum_{n=1}^3 LCEP_{nw} + \sum_{p=1}^3 SCEP_{pw} \leq TPG_w^{1-p_h} \quad (7w)$$

$$ACEP_{iw} + \sum_{m=1}^7 CCEP_{mw} \leq TPW_w \quad i=5 \quad (7x)$$

$$\sum_{i=1}^5 ACEP_{iw} + \sum_{n=1}^3 LCEP_{nw} + \sum_{p=1}^3 SCEP_{pw} + \sum_{m=1}^7 MCEP_{mw} \leq TPT_w \quad (7y)$$

382

383 6. Constraints for NH₃-N environmental limit

$$ACEN_{iw} \leq TNA_{iw}, \quad LCEN_{nw} \leq TNL_{nw} \quad (7z)$$

$$SCEN_{pw} \leq TNS_{pw}, \quad CCEN_{mw} \leq TNC_{mw} \quad (7aa)$$

$$ACEN_{iw} + LCEN_{nw} + SCEN_{pw} \leq TNGF_{qw} \quad \forall i=n=p, i=1,2,3, q \neq 4 \quad (7ab)$$

$$ACEN_{iw} \leq TNGF_{qw} \quad i=4, q=4 \quad (7ac)$$

$$ACEN_{5w} + CCEN_{3w} + CCEN_{4w} + CCEN_{5w} + CCEN_{6w} \leq TNWF_{1w} \quad (7ad)$$

$$CCEN_{1w} + CCEN_{2w} + CCEN_{7w} \leq TNWF_{2w} \quad (7ae)$$

$$\sum_{i=1}^4 ACEN_{iw} + \sum_{n=1}^3 LCEN_{nw} + \sum_{p=1}^3 SCEN_{pw} \leq TNG_w^{1-p_h} \quad (7af)$$

$$ACEN_{iw} + \sum_{m=1}^7 CCEN_{mw} \leq TNMM_w \quad i=5 \quad (7ag)$$

$$\sum_{i=1}^5 ACEN_{iw} + \sum_{n=1}^3 LCEN_{nw} + \sum_{p=1}^3 SCEN_{pw} + \sum_{m=1}^7 CCEN_{mw} \leq TNT_w \quad (7ah)$$

393

394 The environmental restrictions for TP and NH₃-N are set for the four industries, the four reaches
 395 in Daguhe watershed, the two reaches in Moshuihe watershed, the whole Daguhe watershed, the
 396 whole Moshuihe watershed and the cross watersheds in constraints (7r)-(7y) and (7z)-(7ah).

397

398 7. Energy and protein requirements constraints for cross-watersheds

$$\sum_{i=1}^5 \sum_{j=1}^{11} AP_{ij}^{\pm} \cdot (X_{ij}^{-} + \Delta X_{ij} \cdot o_{ijw}) \cdot PE_j - \sum_{n=1}^3 \sum_{r=1}^4 LE_r \cdot (N_{nr}^{-} + \Delta N_{nr} \cdot r_{nrw}) - DP \cdot NE - MP \cdot NE \geq 0 \quad (7ai)$$

$$\sum_{i=1}^5 \sum_{j=1}^{11} AP_{ij}^{\pm} \cdot (X_{ij}^{-} + \Delta X_{ij} \cdot o_{ijw}) \cdot CE_j - \sum_{n=1}^3 \sum_{r=1}^4 LP_r \cdot (N_{nr}^{-} + \Delta N_{nr} \cdot r_{nrw}) - DP \cdot NP - MP \cdot NP \geq 0 \quad (7aj)$$

401

402 Constraint (7ai) and (7aj) represent that the energy and digestible protein content in
 403 cross-watersheds crops should be larger than the demands of humans and livestock, respectively.

404

405 8. Technical and non-negativity constraints

$$0 \leq o_{ijw} \leq 1, 0 \leq r_{nrw} \leq 1, 0 \leq s_{pw} \leq 1, 0 \leq e_{mw} \leq 1 \quad (7ak)$$

407

408 Besides, the technology and non-negative constraints comprise other decision variables in the
 409 model, including the excess TP and NH₃-N emission of each pollution source and the trading
 410 amount between two sources. In addition, the excess TP and NH₃-N emission of each pollution

source are lower than the total TP and NH₃-N emission from the source, respectively; the sources' reallocated TP and NH₃-N emission permits should be higher than the minimum reallocated emission permits, which are set as 25% of the initial emission permits in this study; the TP and NH₃-N emission permits sold from source A to source B should be equal to the emission permits purchased from source A by source B, such as $TPb_{niw} = TP s_{niw}$, and the TP and NH₃-N trading amount should be lower than the initial pollutant discharge permit of the source. Nomenclature of the model is as shown in Appendix B.

3.3 Data collection

In this study, a range of general meteorological data associated with model inputs are demanded for watershed hydrological simulation, including maximum and minimum temperature and daily rainfall data during the period of 1991–2018 (China Meteorological Data Service Center: CMDC). Using digital elevation model (DEM), the physical characteristics, flow direction and hydrological network of rivers are calculated. DEM data set is gained from the Geospatial Data Cloud site, Computer Network Information Center, Chinese Academy of Sciences (<http://www.gscloud.cn>), with a resolution of 90 m. The 2000, 2010 and 2018 land use datasets were provided by Data Center for Resources and Environmental Sciences, Chinese Academy of Sciences (RESDC) (<http://www.resdc.cn>). The 1:1 million soil map was collected from Soil and Terrain (SOTER) database (Zhang and Zhao, 2008). The relevant uncertain data of each pollution source, represented by interval values due to the uncertainty of the obtained information were derived from historical records (e.g. Qingdao statistical yearbook) and by field survey. The

433 discharge permits initially allocated to each industry are based on nutrient loadings, net economic
434 benefits and net ecological benefits. The analytic hierarchy process (AHP) was used to determine
435 three factors concerning weights.

436

437 **4. Results and Discussion**

438

439 *4.1 Prediction of nutrient loadings with SWAT*

440

441 In this study, parameters' uncertainties in modeling the fate of TP and NH₃-N from nonpoint
442 sources were assessed; the associated nutrient loadings with random characteristics were
443 predicted. The results would be used as the random inputs of optimization process to gain the
444 sound effluent trading schemes. Twenty most sensitive parameters for TP and NH₃-N in modeling
445 nutrient loadings were identified with LH-OAT (Latin Hypercube One-factor-at-a-time)
446 technique as shown in Table 1. The parameter uncertainties for the sensitive parameters and the
447 related nutrient fate simulation were addressed by using MCMC method with DREAM
448 (Differential Evolution Adaptive Metropolis) algorithm. Parameters were estimated with eight
449 Markov chains comprising 20,000 iterations for each parameter, and the first 10% of which
450 would be removed as burn in period. Their prior densities were designed to be uniform within
451 their limits as shown in Table 1.

452 -----

453 Place Table 1 here

454 -----

455

456 The marginal posterior probability density distributions for the parameters of TP and NH₃-N are
457 highlighted as shown in Figures 3 and 4. The prediction intervals of TP and NH₃-N loadings are
458 acquired by running SWAT model for years 1991-2025 (Figures 3 and 4). The parameter
459 uncertainties are analyzed based on the observed data for TP and NH₃-N loadings, which are
460 highlighted with blue circles. The results depict that 31.3% and 51.3% of the observed TP and
461 NH₃-N loadings are captured by the uncertain range, respectively. The simulated lower and upper
462 time series of TP and NH₃-N loading are statistically analyzed in order to obtain random inputs
463 for the effluent trading planning. Figure 5 shows the cumulative probability distribution function
464 (CDFs) under the three generation levels and lower- and upper-bound TP loading. The best
465 cumulative probability distributions for the upper- and lower-bound time series of TP loading at
466 any emission level are Rician and Rayleigh distributions, respectively. Figure 6 displays the
467 cumulative probability distribution function (CDFs) under the three generation levels of lower-
468 and upper-bound NH₃-N loading. The best cumulative probability distributions for the upper- and
469 lower-bound time series of NH₃-N loading at any emission level are Weibull and Gamma
470 distributions, respectively. Table 2 shows loading distributions and the associated probabilities for
471 TP and NH₃-N, respectively.

472 -----

473 Place Table 2 and Figures 3 to 6 here

474 -----

475

476 *4.2 Optimal trading scheme*

477

478 In this study, totally 9 scenarios based on each trading mechanism are examined considering

479 three levels of water availability (w) and three environmental allowance-violation risk levels (p).
480 The trading ratio is introduced to ensure that the water quality between the trading sources is
481 equivalent. It is determined according to the hazard degree of pollutants produced by each
482 industry, the location of pollution sources and the water quality standard of the discharged
483 watershed.

484

485 In tables 3 to 6, the results are provided in forms of “selling amount/purchasing amount”. The
486 selling and purchasing amount would be different because of trading ratio. Tables 3 and 4 show
487 the detailed optimal trading schemes for TP and $\text{NH}_3\text{-N}$ permits when $p = 0.01$ under Case 1 and
488 $w = 1$. Under Case 1, transactions are implemented across different reaches within same
489 watershed. For example, Jiaozhou agricultural zone would purchase 79.7 ton of $\text{NH}_3\text{-N}$ permits
490 from Laixi livestock and poultry industry zone (selling amount of 154.6 ton) ($w = 1$) under Case
491 1 as shown in Table 4. 74.9 ton of $\text{NH}_3\text{-N}$ permits would be eliminated in this trading section
492 because of trading ratio. Tables 5 and 6 illustrate the detailed optimal trading schemes for TP and
493 $\text{NH}_3\text{-N}$ permits when p takes 0.01 under Case 2 and $w = 1$. The transactions are implemented
494 across different reaches and watersheds to satisfy the discharge allowance for all the sections. For
495 example, Moshuihe Jimo agricultural zone would sell 134.08 ton of $\text{NH}_3\text{-N}$ permits to Pingdu
496 livestock and poultry industry zone (purchasing amount of 134.08 ton) ($w = 1$) under Case 2
497 (Table 6). The detailed trading processes under $p = 0.01$ in medium level of water availability are
498 shown in Compressed File, Table S1-S4.

499 -----

500 Place Tables 3 to 6 here

501 -----

502

503 The excess total TP and NH₃-N emissions from agricultural zones, total TP and NH₃-N emissions,
504 system net benefits and total trading amounts are investigated under the three environmental
505 allowance-violation risks (p). Table 7 shows the total excess TP and NH₃-N emissions from
506 agriculture at different p . The results indicate that generally the total excess TP and NH₃-N
507 emissions from agriculture would be decreased as p is increased except for the scenarios under no
508 excess TP and NH₃-N. Table 8 shows the total excess TP and NH₃-N emissions at different p .
509 From the results, the total excess TP and NH₃-N emissions would also be decreased as p is
510 increased accordingly. For example, under Case 1 and $w = 2$, the total excess TP emissions would
511 be decreased from 521.48 ton to 520.30 ton as p is raised from 0.01 to 0.1. Figure 7 shows the net
512 system benefits at different p . The results illustrate that net system benefits would be increased as
513 p is improved due to the decreased total excess TP and NH₃-N emissions. For example, under
514 Case 1 and $w = 2$, the net system benefits would be RMB¥ 17947.415×10^6 ($p = 0.01$) and
515 RMB¥ 17947.578×10^6 ($p = 0.1$). Figure 8 shows the total TP and NH₃-N trading amounts at
516 different p . The results indicate that TP and NH₃-N trading amounts under $p = 0.01$ are higher
517 than those under $p = 0.1$ because the decreased total excess pollution emissions would decrease
518 the desire for TP and NH₃-N permits trading program. Above results imply that the total excess
519 TP and NH₃-N emissions from agricultural zones would be decreased when p is raised. Then the
520 total excess TP and NH₃-N emissions would be decreased, leading to the increased net system
521 benefits and decreased total trading amounts.

522 -----

523 Place Tables 7, 8 and Figures 7, 8 here

524 -----

525

526 The total trading amounts, excess total TP and NH₃-N emissions and system net benefits are
527 investigated under three levels for water availability (w). From the results in Figure 8, when the
528 level of water availability varies from low to high, the total TP and NH₃-N trading amounts
529 would increase. For example, under Case 2 and when p takes 0.01, the NH₃-N trading amounts
530 would be 54.87 ton and 1139.11 ton when $w = 2$ and $w = 1$, respectively. This is mainly because
531 the existence of demand and more supply for TP and NH₃-N permits when the level of water
532 availability is high. The demand represents the existence of excess pollution emissions from
533 many pollution sources which need to require more pollution permits. The supply represents that
534 the total surplus TP and NH₃-N permits would be increased by 0.76 ton and 1287.49 ton before
535 trading when the level of water availability rises from low to high. This implies that the effluent
536 trading would be promoted in high level of water availability. The total excess TP and NH₃-N
537 emissions would be decreased when the level of water availability is raised due to the increased
538 total trading amounts (Table 8). For example, when $p = 0.01$ under Case 2, the total excess
539 NH₃-N emissions would be decreased from 1195.66 ton to 614.11 ton. What's more, the net
540 system benefits would be increased accordingly (Figure 7). For example, when $p = 0.01$ under
541 Case 2, the net system benefits are RMB¥ 17970.639×10^6 and RMB¥ 17947.415×10^6 under $w =$
542 1 and $w = 2$. Above the results indicate that the total trading amounts would be increased when
543 the level of water availability is raised. After that, the total excess TP and NH₃-N emissions
544 would be decreased and net system benefits would be increased.

545

546 *4.3 Interactive effects between the water availability level and trading mechanism*

547

Firstly, from the results in Table 8, the total excess TP and NH₃-N emissions under Cases 1 and 2 would be lower than those under Case 3 when $w = 1$. For example, when $p = 0.1$ and $w = 1$, the total excess TP emissions under Cases 1, 2 and 3 are 238.63 ton, 231.96 ton and 240.82 ton. Figure 9 depicts the amounts of the eliminated TP and NH₃-N permits from trading market under three levels for water availability as well as Cases 1 and 2. The eliminated TP and NH₃-N permits imply the reduced emission permits under Cases 1 or 2 over Case 3. From the results, there are some eliminated TP and NH₃-N permits under Cases 1 and 2 when $w = 1$. This leads to strict environmental allowances under Cases 1 and 2. In addition, from the results of Figure 7, the net system benefits under Cases 1 and 2 would be higher than those under Case 3 when $w = 1$. For example, when $p = 0.1$ and $w = 1$, the net system benefits are RMB¥ 17970.439×10^6 (Case 1), 17970.639×10^6 (Case 2), 17970.028×10^6 (Case 3). Based on the above results, trading cases perform better than non-trading case in high level of water availability. This is mainly because the trading cases can achieve the optimal configuration for pollution permits. Secondly, the total excess TP and NH₃-N emissions under Cases 1 and 2 would be higher than those under Case 3 when $w = 2$ (Table 8). For example, when $p = 0.1$ and $w = 2$, the total excess TP emissions under Cases 1, 2 and 3 are 520.30 ton, 520.30 ton and 519.05 ton. In addition, the increased amounts of total excess TP and NH₃-N emissions under Case 1 and 2 compared with Case 3 are similar to the eliminated permits under Case 1 and 2. Furthermore, the net system benefits under Cases 1 and 2 would be lower than those under Case 3 when $w = 2$ (Figure 7). For example, when $p = 0.1$ and $w = 2$, the net system benefits are RMB¥ 17947.578×10^6 (Case 1), 17947.578×10^6 (Case 2), 17947.768×10^6 (Case 3). The above results imply that the system in low level of water availability is suitable for non-trading mechanism. This is mainly because there is almost no surplus pollution discharge permits for all pollution sources in low level of water availability.

571 Thirdly, the total excess TP emissions under Cases 1 and 2 would be higher than those under
572 Case 3 when $w = 3$ (Table 8). But total excess $\text{NH}_3\text{-N}$ emissions under Cases 1 and 2 would be
573 lower than those under Case 3. For example, when $p = 0.1$ and $w = 3$, the total excess TP ($\text{NH}_3\text{-N}$)
574 emissions under Cases 1, 2 and 3 are 380.95 ton (732.82 ton), 372.88 ton (732.82 ton) and 370.46
575 ton (750.31 ton). In addition, from the results in Figure 9, there are some eliminated TP and
576 $\text{NH}_3\text{-N}$ permits under Cases 1 and 2 when $w = 3$. This leads to strict environmental allowances
577 under Cases 1 and 2. Furthermore, the results indicate that the net system benefits under Cases 1
578 and 2 would be higher than those under Case 3 when $w = 3$ (Figure 7). For example, when $p = 0.1$
579 and $w = 3$, the net system benefits are RMB¥ 17963.202×10^6 (Case 1), 17963.444×10^6 (Case 2),
580 17963.080×10^6 (Case 3). The above results indicate that trading cases perform better than
581 non-trading case in medium level of water availability. This is mainly because trading cases can
582 achieve the optimal configuration for pollution permits.

583 -----

584 Place Figure 9 here

585 -----

586

587 From the results in Table 8, the total excess TP emissions under Case 1 would be increased by
588 [6.67, 11.2] ton compared with Case 2 when $w = 1$. This is mainly because certain surplus
589 pollution permits would be traded between pollution sources under cross-watershed trading case,
590 but they cannot be traded under intra-watershed trading. The results illustrate that the eliminated
591 TP permits under Case 1 would almost be equivalent to those under Case 2 when $w = 1$ (Figure
592 9). The above results imply that the TP trading under Case 2 can better achieve pollution permits'
593 optimal configuration than Case 1. In addition, the total excess $\text{NH}_3\text{-N}$ emissions would be same

594 under Cases 1 and 2 when $w = 1$ (Table 8). However, the eliminated $\text{NH}_3\text{-N}$ permits under Case 1
 595 would be increased by [234.39, 292.02] ton compared with Case 2 (Figure 9). This results in the
 596 stricter environmental allowance for $\text{NH}_3\text{-N}$ under Case 1. This is mainly because the total
 597 agricultural $\text{NH}_3\text{-N}$ reallocation emission permits under case 1 would be higher than Case 2 when
 598 the total agricultural excess $\text{NH}_3\text{-N}$ emissions are all 0 ton with the same total agricultural $\text{NH}_3\text{-N}$
 599 emissions under Cases 1 and 2. This leads to [321.22, 335.76] ton of surplus $\text{NH}_3\text{-N}$ permits
 600 under Case 2. Therefore, the above results imply that $\text{NH}_3\text{-N}$ trading under intra-watershed
 601 trading case performs better than cross-watershed trading case. From the results in Figure 7, the
 602 net system benefits under Case 2 would be higher than those under Case 1 when $w = 1$. For
 603 example, when $p = 0.01$ and $w = 1$, the net system benefits under Cases 1 and 2 would be
 604 RMB¥ 17970.303×10^6 and RMB¥ 17970.639×10^6 . All the above results imply that
 605 cross-watershed trading case would be better than intra-watershed trading case due to the
 606 increased net system benefits. But the environmental allowance for $\text{NH}_3\text{-N}$ is stricter under
 607 intra-watershed trading case than cross-watershed trading case. From the results in Table 8, the
 608 total excess TP emissions under Case 1 would be increased by [2.65, 8.06] ton compared with
 609 Case 2 when $w = 3$. This is mainly because the certain surplus pollution permits would be traded
 610 between pollution sources under cross-watershed trading case, but they cannot be traded under
 611 intra-watershed trading. In addition, the results illustrate that the eliminated TP permits under
 612 Case 1 would almost be equivalent to those under Case 2 when $w = 3$ (Figure 9). The above
 613 results imply the TP trading under Case 2 that can better obtain the optimal configuration for
 614 pollution permits. In addition, the total excess $\text{NH}_3\text{-N}$ emissions would be equivalent under Cases
 615 1 and 2 when $w = 3$ (Table 8). And the eliminated $\text{NH}_3\text{-N}$ permits under Case 1 would be

616 decreased by [4.43, 7.73] ton compared with Case 2 when $w = 3$ (Figure 9). This leads to the
 617 stricter environmental allowance for $\text{NH}_3\text{-N}$ under Case 2. The above results imply that the
 618 optimal configuration for pollution permit of the trading for $\text{NH}_3\text{-N}$ under cross-watershed
 619 trading case is better than intra-watershed trading case in medium level of water availability. The
 620 net system benefits under Case 2 would be higher than those under Case 1 when $w = 3$. For
 621 example, when $p = 0.01$ and $w = 3$, the net system benefits would be RMB¥ 17963.282×10^6
 622 (Case 1) and RMB¥ 17963.595×10^6 (Case 2). All the above results imply that the trading under
 623 cross-watershed trading case would be better in optimal configuration for pollution permit due to
 624 the increased net system benefits. Meanwhile, the environmental allowance for TP and $\text{NH}_3\text{-N}$ is
 625 stricter under cross-watershed trading case than intra-watershed trading case.

626

627 Figure 10 shows the TP and $\text{NH}_3\text{-N}$ detailed trading processes for agriculture, livestock and
 628 poultry industry, fishery and company under Cases 1 and 2. From the results, Firstly, under Case
 629 1, the main selling (purchasing) industries for TP permits are agriculture (fishery), livestock and
 630 poultry industry (agriculture) and livestock and poultry industry (agriculture) under the three w ,
 631 respectively. And the main selling (purchasing) industries for $\text{NH}_3\text{-N}$ permits are agriculture
 632 (livestock and poultry industry), livestock and poultry industry (agriculture) and agriculture
 633 (livestock and poultry industry) for the three w . For example, under $p = 0.01$ and when $w = 1$, the
 634 TP ($\text{NH}_3\text{-N}$) trading amounts for agriculture, livestock and poultry industry, fishery and company
 635 would be 27.83 ton (392.17 ton), 7.44 ton (-75.53 ton), -2.76 ton (-34.47 ton) and 0.25 ton (1.29
 636 ton) under Case 1. Secondly, agriculture (livestock and poultry industry) is the main selling

637 (purchasing) industry for TP and $\text{NH}_3\text{-N}$ permits in the trade under Case 2 for the three w , except
638 for $\text{NH}_3\text{-N}$ permits when $w = 1$.

639 -----

640 Place Figure 10 here

641 -----

642

643 From the results in Figure 8, the total TP and $\text{NH}_3\text{-N}$ trading amounts under Case 2 would
644 generally be higher than those under Case 1, except for $\text{NH}_3\text{-N}$ trading amount when $w = 1$. For
645 example, when p takes 0.01 and $w = 2$, the total TP and $\text{NH}_3\text{-N}$ trading amounts would be 8.97
646 ton and 36.06 ton under Case 1; the total TP and $\text{NH}_3\text{-N}$ trading amounts would be 21.29 ton and
647 54.87 ton under Case 2. This is mainly because when cross-watershed effluent trading (Case 2) is
648 allowed, the permits in pollution sources from Daguhe watershed can be sold to other sources
649 from Moshuihe watershed. This implies that cross-watershed effluent trading can motivate the
650 market's vitality.

651

652 5. Conclusions

653

654 In this study, a Bayesian simulation-based multi-watershed effluent trading designing model
655 (BS-METM) has been proposed to support multi-watershed nonpoint source pollution
656 management. BS-METM combines Bayesian estimation with DREAM, nutrient fate modeling by
657 using SWAT, optimal design for effluent trading and mechanism analysis within a framework.
658 BS-METM has several advantages in: (i) estimating the uncertainties of parameters in modeling
659 fate of nutrients from nonpoint sources through Bayesian inference; (ii) disclosing the detailed

660 optimal effluent trading schemes considering multiple uncertainties as well as system risk; (iii)
 661 revealing the influences of vital factors on the trading process (i.e. environmental
 662 allowance-violation risk level and water availability level); (iv) identifying optimal effluent
 663 trading mechanism through revealing interaction among trading processes of multiple
 664 watersheds.
 665
 666 BS-METM has been applied to multi-watershed effluent trading design for two agricultural
 667 watersheds, i.e., Daguhe and Moshuihe watersheds, China, where TP and NH₃-N are selected as
 668 water quality indicators. The optimized industry scales and trading processes are obtained. The
 669 effects of important factors on the trading process (i.e. environmental allowance-violation risk
 670 level and water availability level) are investigated. The interactions between water availability
 671 level and trading mechanism are also analyzed. Several results are revealed: (i) the increased
 672 level of environment allowance leads to the decreased total excess TP and NH₃-N emissions and
 673 trading amounts as well as the increased net system benefits; the net system benefits would be
 674 increased by RMB¥ $[0, 227] \times 10^3$ with environmental allowance-violation risk level; (ii) the total
 675 trading amounts should be enlarged under high water availability level because of the existence
 676 of demand and more supply for TP and NH₃-N permits; high water availability level also
 677 corresponds to high net system benefits; (iii) the total TP and NH₃-N trading amounts under
 678 cross-watershed trading would be generally higher than those under intra-watershed trading; this
 679 implies that cross-watershed effluent trading can motivate the trading market's vitality; (iv) the
 680 trading cases would be recommended due to the optimal configuration for pollution permit in
 681 medium and high levels of water availability; and the net system benefits under trading cases

682 would increase by RMB¥ $[47, 611] \times 10^3$ compared with non-trading case; but non-trading case
683 would be recommended in low water availability level because there is almost no surplus
684 pollution discharge permits in the region; (v) in medium and high water availability level,
685 cross-watershed trading case would be recommended compared with intra-watershed trading case,
686 with increased net system benefits of RMB¥ $[200, 336] \times 10^3$ and $[80, 242] \times 10^3$ for the two
687 levels; strict environmental management of $\text{NH}_3\text{-N}$ should be strengthened due to less eliminated
688 discharge permits under cross-watershed trading.

689

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691

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696

697 Appendix A

698

699 The assessment of SWAT model parameters contains uncertainties originating from errors and
700 spatiotemporal heterogeneity, which may encounter difficulties in accurately depicting nutrient
701 fate with an unrealistic estimation of parameter uncertainty. MCMC will provide a valid way that
702 would account for parameter uncertainty in a Bayesian inference. The Bayesian theorem can be
703 showed as follows (Zhang et al., 2019):

$$704 \quad f_{post}(\theta|y_{obs}) = \frac{f_{pri}(\theta) \cdot f_M(y_{obs}|\theta)}{\int f_{pri}(\theta) \cdot f_M(y_{obs}|\theta) d\theta} \quad (A1)$$

705

706 where $f_{post}(\theta|y_{obs})$ represents the posterior distribution of parameter set θ that is dated from
707 the prior distribution $f_{pri}(\theta)$ conditioned on observed data y_{obs} ; $f_M(y_{obs}|\theta)$ is the likelihood
708 function. In the study, the simulation errors are assumed to be independent and identically
709 normally distributed, which determines the construction of the likelihood function and is the basis
710 of the entire Bayesian calibration process. The likelihood function is (Raje and Krishnan, 2012):

$$711 \quad f_M(y_{obs}|\theta_M) = \prod_t \frac{1}{\sqrt{2\pi}\sigma_e} \exp\left[-\frac{(y_t - y_{obs,t})^2}{2\sigma_e^2}\right] \quad (A2)$$

712

713 where y_t is the simulated nutrient loading with SWAT at time step t ; $y_{obs,t}$ is the observed data
714 at time step t ; σ_e^2 is the variance of the simulation errors.

715

716 Phosphorous (P) and Nitrogen (N) are transported by attaching to eroded soil or being dissolved

717 in surface runoff, which is simulated based on spatial information on climate, topography, soil
 718 properties, land use and management practices. The process simulation of nitrogen (N) in soil can
 719 be divided into two main parts, including nitrate transport and organic nitrogen N loss. Nitrate is
 720 transported by dissolving in surface runoff, lateral flow, or percolation. The nitrate concentration
 721 in mobile water can be calculated by the following equation:

$$722 \quad w_{3surf} = Q_{surf} + Q_{lat,ly} + w_{perc,ly} \quad (A9)$$

$$723 \quad NO_{3surf} = \frac{\beta_{NO_3} Q_{surf} NO_{3ly} \{1 - \exp[-w_{mobile} / (1 - \theta_e) SAT_{ly}]\}}{w_{mobile}} \quad (A10)$$

724
 725 where NO_{3surf} is the nitrate removed in surface runoff (kg/ha); β_{NO_3} represents the nitrate
 726 percolation coefficient; NO_{3ly} is the amount of nitrate in the soil layer (kg/ha); w_{mobile} represents
 727 the amount of mobile water in the layer (mm H₂O); θ_e is the fraction of porosity from which
 728 anions are excluded; SAT_{ly} is the water content of the soil layer; $Q_{lat,ly}$ represents the water
 729 discharged from the layer by lat-eral flow (mm H₂O); and $w_{perc,ly}$ denotes the amount of water
 730 percolating to the underlying soil layer (mm H₂O). The organic N runoff loss based on the
 731 organic N concentration in the top soil layer and the sediment yield can be calculated by using the
 732 following equation:

$$733 \quad orgN_{surf} = \frac{0.001 conc_{orgN} \epsilon_{sedN} sed}{area_{hru}} \quad (A11)$$

734
 735 where $orgN_{surf}$ is the amount of organic N transported to the chief channel in surface runoff

736 (kg/ha); $conc_{orgN}$ denotes the organic N concentration in the top 10 mm (g/kg); $area_{hru}$ is the
 737 HRU area (ha); and ε_{sedN} represents the N enrichment ratio. SWAT simulates the dynamics of
 738 three forms of phosphorous (P), including organic P which exists in humus, insoluble mineral P
 739 and soluble P. The amount of organic P transported with sediment to the stream is simulated with
 740 a loading function as depicted in organic N as follows:

$$741 \quad orgP_{surf} = 0.001 conc_{orgP} \varepsilon_{sedP} sed / area_{hru} \quad (A12)$$

742
 743 where $orgP_{surf}$ is the amount of organic P transported to the main channel in surface runoff
 744 (kg/ha); $conc_{orgP}$ denotes the organic P concentration in the top 10 mm (g/kg); and ε_{sedP}
 745 represents the P enrichment ratio. Because of the low mobility of soluble P, SWAT only considers
 746 the loss of the soluble P with surface runoff based on labile P concentration in the top soil layer.
 747 The migration of soluble P in surface runoff is:

$$748 \quad P_{surf} = \frac{10 P_{soluble,surf} Q_{surf}}{\rho_b k_{d,surf}} \quad (A13)$$

749
 750 where P_{surf} represents the amount of soluble P lost in surface runoff (kg/ha); $P_{soluble,surf}$ is the
 751 amount of soluble P in the top 10 mm (kg/ha); ρ_b denotes the bulk density of the top 10 mm
 752 (Mg/m³); and $k_{d,surf}$ the P soil partitioning coefficient (m³/Mg).

753
 754

i	Agricultural zone, $i = 1, 2, 3, 4, 5$; $i = 1$ for Laixi zone, $i = 2$ for Pingdu zone, $i = 3$ for Jiaozhou zone, $i = 4$ for Daguhe Jimo zone, $i = 5$ for Moshuihe Jimo zone.
j	Species of crops, $j = 1, 2, 3, 4, \dots, 11$; $j = 1$ for wheat, $j = 2$ for corn, $j = 3$ for peanut, $j = 4$ for chinese cabbage, $j = 5$ for celery, $j = 6$ for carrot, $j = 7$ for potato, $j = 8$ for apple, $j = 9$ for pear, $j = 10$ for peach, $j = 11$ for grape.
n	Livestock and poultry industry zone, $n = 1, 2, 3$; $n = 1$ for Laixi zone, $n = 2$ for Pingdu zone, $n = 3$ for Jiaozhou zone.
r	Species of livestock, $r = 1, 2, 3, 4$; $r = 1$ for chicken, $r = 2$ for pig, $r = 3$ for cattle, $r = 4$ for cow.
p	Fishery zone, $p = 1, 2, 3$; $p = 1$ for Laixi zone, $p = 2$ for Pingdu zone, $p = 3$ for Jiaozhou zone
m	company, $m = 1, 2, 3, 4, 5, 6, 7$; $m = 1$ for Qingdao Zhengyuan Iron and Steel Co., Ltd $m = 2$ for Qingdao Tongyuanchang Steel Co., Ltd $m = 3$ for Qingdao Hehe Chemical Co., Ltd $m = 4$ for Qingdao Zeyukaisheng Machinery Manufacturing Co., Ltd $m = 5$ for Qingdao Huataida Machinery Manufacturing Co., Ltd $m = 6$ for Qingdao Jingrui Machinery Manufacturing Co., Ltd $m = 7$ for Qingdao Jinguangxin Textile Co., Ltd
i'	Other agricultural zone except zone i
n'	Other livestock and poultry industry zone except zone n
r'	Other species of livestock except r

p'	Other fishery zone except zone p
m'	Other company except company m
w	The level of water availability, $w = 1, 2, 3$; $w = 1$ for high level, $w = 2$ for low level, $w = 3$ for medium level.
q	Reaches in Daguhe watershed, $q = 1, 2, 3, 4$; $q = 1$ for Laixi reach, $q = 2$ for Pingdu reach, $q = 3$ for Jiaozhou reach, $q = 4$ for Jimo reach.
o	Reaches in Moshuihe watershed, $o = 1, 2$
k	TP-generation level of agriculture
s	NH ₃ -N-generation level of agriculture
h	A prescribed level of probability for each constraint
AB_j^\pm	Net benefit of crop j (RMB¥/ha)
AP_{ij}^\pm	Production level of crop j in agricultural zone i (kg/ha)
$X_{ij}^-, \Delta X_{ij}$	Lower bound and range of area target for crop j in zone i (ha)
$O_{ijw}, r_{nrw}, s_{pw}, e_{mw}$	Decision variables which are used for identifying the optimized targets of cropped area, the scale of livestock and poultry industry, the scale of fishery and the production level of company
SB_p^\pm	Net benefit of zone p (RMB¥/ha)
$Z_p^-, \Delta Z_p$	Lower bound and range of the scale of fishery zone p
CB_m^\pm	Net benefit of per unit product of company m (RMB¥)
$Y_m^-, \Delta Y_m$	Lower bound and range of the production level of company m
h_k	Probability of TP generation rate in agriculture
k_s	Probability of NH ₃ -N generation rate in agriculture
PF	Penalties per ton excess TP effluents exceeding to discharge permits from pollution source (RMB¥/ton)
NF	Penalties per ton excess NH ₃ -N effluents exceeding

$$EDPA_{ikw}^{\pm}, EDPR_{nw}^{\pm}, EDPP_{pw}^{\pm}, EDPC_{mw}^{\pm}$$

$$EDNA_{isw}^{\pm}, EDNR_{nw}^{\pm}, EDNP_{pw}^{\pm}, EDNC_{mw}^{\pm}$$

$$DWP^{\pm}, DWM_m^{\pm}$$

$$CWPA_k^{\pm}, CWPR_r^{\pm}, CWPP^{\pm}, CWPM_m^{\pm}$$

$$CWNA_s^{\pm}, CWNr_r^{\pm}, CWNp^{\pm}, CWNm_m^{\pm}$$

$$TPI_{iw}, TPN_{nw}, TPP_{pw}, TPM_{mw}$$

$$TNI_{iw}, TNN_{nw}, TNP_{pw}, TNM_{mw}$$

$$ACEP_{iw}, LCEP_{nw}, SCEP_{pw}, CCEP_{mw}$$

$$ACEN_{iw}, LCEN_{nw}, SCEN_{pw}, CCEN_{mw}$$

$$TP_{i'iw}, TP_{sniw}, TP_{spiw}, TP_{smiw}$$

to discharge permits from pollution source
(RMB¥/ton)

Excess annual TP loading for agricultural zone i ,
livestock and poultry industry zone n , fishery
zone p and company m (ton)

Excess annual NH₃-N loading for agricultural zone
 i , livestock and poultry industry zone n , fishery
zone p and company m (ton)

Effluent generation rate of fishery zone and
company m (m³/ha; m³/ton, item)

TP generation rate of agricultural zone i ,
livestock r , fishery zone p and company m
(ton/ha; ton/item; ton/m³; ton/m³)

NH₃-N generation rate of agricultural zone i ,
livestock r , fishery zone p and company m
(ton/ha; ton/item; ton/m³; ton/m³)

TP discharge permit allocated to agricultural zone
 i , livestock and poultry industry n , fishery zone
 p and company m in level w , respectively
(ton)

NH₃-N discharge permit allocated to agricultural
zone i , livestock and poultry industry n , fishery
zone p and company m in level w ,
respectively (ton)

TP discharge permit that agricultural i , livestock
and poultry industry zone n , fishery zone p and
company m possess after trading program in
level w (ton)

NH₃-N discharge permit that agricultural i ,
livestock and poultry industry zone n , fishery
zone p and company m possess after trading
program in level w (ton)

TP discharge permit sold to agricultural zone i
from agricultural zone i' , livestock and poultry

$$TP_{n'nw}, TP_{sinw}, TP_{spnw}, TP_{smnw}$$

$$TP_{p'pw}, TP_{sipw}, TP_{spnw}, TP_{mpw}$$

$$TP_{m'mw}, TP_{sinw}, TP_{smnw}, TP_{pmw}$$

$$TPb_{niw}, TPb_{piw}, TPb_{miw}$$

$$TPb_{inw}, TPb_{pnw}, TPb_{mnw}$$

$$TPb_{ipw}, TPb_{npw}, TPb_{mpw}$$

$$TPb_{imw}, TPb_{nmw}, TPb_{pmw}$$

$$TP_{ii'w}, TP_{nn'w}, TP_{pp'w}, TP_{mm'w}$$

industry zone n , fishery zone p and company m , respectively (ton)

TP discharge permit sold to livestock and poultry industry zone n from livestock and poultry industry zone n' , agricultural zone i , fishery zone p and company m , respectively (ton)

TP discharge permit sold to fishery zone p from fishery zone p' , agricultural zone i , livestock and poultry industry zone n and company m , respectively (ton)

TP discharge permit sold to company m from company m' , agricultural zone i , livestock and poultry industry zone n and fishery zone p , respectively (ton)

TP discharge permit in agricultural zone i purchased from livestock and poultry industry zone n , fishery zone p and company m , respectively (ton)

TP discharge permit in livestock and poultry industry zone n purchased from agricultural zone i , fishery zone p and company m , respectively (ton)

TP discharge permit in fishery zone p purchased from agricultural zone i , livestock and poultry industry zone n and company m , respectively (ton)

TP discharge permit in company m purchased from agricultural zone i , livestock and poultry industry zone n and fishery zone p , respectively (ton)

TP discharge permit agricultural zone i sold to i' , livestock and poultry industry zone n sold to n' , fishery zone p sold to p' and company m sold to m' , respectively (ton)

$$TN_{i'iw}, TNS_{niw}, TNS_{piw}, TNS_{miw}$$

NH₃-N discharge permit sold to agricultural zone i from agricultural zone i' , livestock and poultry industry zone n , fishery zone p and company m , respectively (ton)

$$TN_{n'nw}, TNS_{inw}, TNS_{pnw}, TNS_{mnw}$$

NH₃-N discharge permit sold to livestock and poultry industry zone n from livestock and poultry industry zone n' , agricultural zone i , fishery zone p and company m , respectively (ton)

$$TN_{p'pw}, TNS_{ipw}, TNS_{npw}, TNS_{mpw}$$

NH₃-N discharge permit sold to fishery zone p from fishery zone p' , agricultural zone i , livestock and poultry industry zone n and company m , respectively (ton)

$$TN_{m'mw}, TNS_{imw}, TNS_{nmw}, TNS_{pmw}$$

NH₃-N discharge permit sold to company m from company m' , agricultural zone i , livestock and poultry industry zone n and fishery zone p , respectively (ton)

$$TNb_{niw}, TNb_{piw}, TNb_{miw}$$

NH₃-N discharge permit in agricultural zone i purchased from livestock and poultry industry zone n , fishery zone p and company m , respectively (ton)

$$TNb_{inw}, TNb_{pnw}, TNb_{mnw}$$

NH₃-N discharge permit in livestock and poultry industry zone n purchased from agricultural zone i , fishery zone p and company m , respectively (ton)

$$TNb_{ipw}, TNb_{npw}, TNb_{mpw}$$

NH₃-N discharge permit in fishery zone p purchased from agricultural zone i , livestock and poultry industry zone n and company m , respectively (ton)

$$TNb_{imw}, TNb_{nmw}, TNb_{pmw}$$

NH₃-N discharge permit in company m purchased from agricultural zone i , livestock and poultry industry zone n and fishery zone p , respectively (ton)

$$TN_{ii'w}, TN_{nn'w}, TN_{pp'w}, TN_{mm'w}$$

NH₃-N discharge permit agricultural zone i sold

$$tp_{i'i}, tp_{ni}, tp_{pi}, tp_{mi}$$

$$tp_{n'n}, tp_{in}, tp_{pn}, tp_{mn}$$

$$tp_{p'p}, tp_{ip}, tp_{np}, tp_{mp}$$

$$tp_{m'm}, tp_{im}, tp_{nm}, tp_{pm}$$

$$tp_{ii'}, tp_{nn'}, tp_{pp'}, tp_{mm'}$$

$$tn_{i'i}, tn_{ni}, tn_{pi}, tn_{mi}$$

$$tn_{n'n}, tn_{in}, tn_{pn}, tn_{mn}$$

$$tn_{p'p}, tn_{ip}, tn_{np}, tn_{mp}$$

to i' , livestock and poultry industry zone n sold to n' , fishery zone p sold to p' and company m sold to m' , respectively (ton)

TP trading ratio of transaction from agricultural zone i' , livestock and poultry industry zone n , fishery zone p and company m to agricultural zone i , respectively

TP trading ratio of transaction from livestock and poultry industry zone n' , agricultural zone i , fishery zone p and company m to livestock and poultry industry zone n , respectively

TP trading ratio of transaction from fishery zone p' , agricultural zone i , livestock and poultry industry zone n and company m to fishery zone p , respectively

TP trading ratio of transaction from company m' , agricultural zone i , livestock and poultry industry zone n and fishery zone p to company m , respectively

TP trading ratio of transaction from agricultural zone i to i' , from livestock and poultry industry zone n to n' , from fishery zone p to p' and from company m to m' , respectively

NH₃-N trading ratio of transaction from agricultural zone i' , livestock and poultry industry zone n , fishery zone p and company m to agricultural zone i , respectively

NH₃-N trading ratio of transaction from livestock and poultry industry zone n' , agricultural zone i , fishery zone p and company m to livestock and poultry industry zone n , respectively

NH₃-N trading ratio of transaction from fishery zone p' , agricultural zone i , livestock and poultry industry zone n and company m to

$tn_{m'm}, tn_{im}, tn_{nm}, tn_{pm}$	fishery zone p , respectively NH ₃ -N trading ratio of transaction from company m' , agricultural zone i , livestock and poultry industry zone n and fishery zone p to company m , respectively
$tn_{ii'}, tn_{nn'}, tn_{pp'}, tn_{mm'}$	NH ₃ -N trading ratio of transaction from agricultural zone i to i' , from livestock and poultry industry zone n to n' , from fishery zone p to p' and from company m to m' , respectively
p_h	Constraint-violation probability
PE_r	The quantity of energy in per kg of crop j (kcal/kg)
LE_r	The quantity of required energy in per livestock r (kcal/one)
DP	Total population in Daguhe watershed
MP	Total population in Moshuihe watershed
NE	The quantity of required energy for per person from the crop in each year (kcal/one/a)
CE_j	The quantity of digestible protein in per kg of crop j (g/kg)
LP_r	The quantity of required digestible protein for per livestock r in each year (g/one/a)
NP	The quantity of required digestible protein for per person (g/one/a)
$TPA_{iw}, TPL_{nw}, TPS_{pw}, TPC_{mw}$	Allowance of TP emission for agricultural zones, livestock and poultry industry zones, fishery zones and companies within the two watersheds in level w (ton)
$TNA_{iw}, TNL_{nw}, TNS_{pw}, TNC_{mw}$	Allowance of NH ₃ -N emission for agricultural zones, livestock and poultry industry zones, fishery zones and companies within the two watersheds in level w (ton)
TPG_w	Allowance of TP emission in Daguhe watershed in

TNG_w	level w (ton) Allowance of NH_3 -N emission in Daguhe watershed in level w (ton)
$TPGF_{qw}$	Allowance of TP emission in reach q , Daguhe watershed in level w (ton)
$TNGF_{qw}$	Allowance of NH_3 -N emission in reach q , Daguhe watershed in level w (ton)
TPW_w	Allowance of TP emission in Moshuihe watershed in level w (ton)
TNW_w	Allowance of NH_3 -N emission in Moshuihe watershed in level w (ton)
$TPWF_{ow}$	Allowance of TP emission in reach o , Moshuihe watershed in level w (ton)
$TNWF_{ow}$	Allowance of NH_3 -N emission in reach o , Moshuihe watershed in level w (ton)
TPT_w	Allowance of TP emission in both watersheds in level w (ton)
TNT_w	Allowance of NH_3 -N emission in both watersheds in level w (ton)

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Table 8 Total excess TP and NH₃-N emissions under three cases (ton)

Table 1 Sensitive parameters of SWAT model for TP and NH₃-N

	Parameter	Description	Limit value range		Units
			Min	Max	
TP	CH_N (2)	Manning's "n" value for the main channel	0	0.3	
	ALPHA_BF	Baseflow recession factor	0.001	0.056	
	USLE_P	USLE equation support practice factor	0	1	
	REVAPMN	Threshold depth of water in the shallow aquifer for "revap" to occur	0	500	mm
	CH_K2	Effective hydraulic conductivity in main channel alluvium	0	500	mm/hr
	GW_REVAP	Groundwater revap coefficient	0.02	0.2	
	LAT_TTIME	Lateral flow travel time	0	180	
	GWSOLP	Concentration of soluble phosphorus in groundwater contribution to streamflow from subbasin	0	1000	mg P/l
	SOL_AWC	Available water capacity of the soil layer	0	1	mm/mm soil
	CN2	SCS runoff curve number for moisture condition II	35	98	
NH ₃ -N	CN2	SCS runoff curve number for moisture condition II	35	98	
	SOL_AWC	Available water capacity of the soil layer	0	1	mm/mm soil
	SURLAG	Surface runoff lag coefficient	0.05	24	
	SHALLST_N	Concentration of nitrate in groundwater contribution to streamflow from subbasin	0	1000	mg N/l
	GWQMN	Threshold depth of water in the shallow aquifer required for return flow to occur	0	5000	mm
	BC2	Rate constant for biological oxidation of NO ₂ to NO ₃ in the reach at 20 °C.	0.2	2	1/day
	REVAPMN	Threshold depth of water in the shallow aquifer for "revap" to occur	0	500	mm
	CH_K2	Effective hydraulic conductivity in main channel alluvium	0	500	mm/hr
	HRU_SLP	Average slope steepness	0	0.6	
	N_UPDIS	Nitrogen uptake distribution parameter	0	100	

Table 2 TP and NH₃-N loading distribution and the associated probabilities (unit ton)

TP loading level	Low ($k = 1$)	Medium ($k = 2$)	High ($k = 3$)
Probability	0.42	0.46	0.12
Lower-bound loading	109.4	313.4	570.2
Probability	0.42	0.46	0.12
Upper-bound loading	419.9	1083.0	1751.4
NH ₃ -N loading level	Low ($s = 1$)	Medium ($s = 2$)	High ($s = 3$)
Probability	0.36	0.53	0.11
Lower-bound loading	112.3	342.8	662.7
Probability	0.36	0.53	0.11
Upper-bound loading	638.5	1598.8	2457.0

Table 3 The detailed trading process for TP under Case 1 when $p = 0.01$ and $w = 1$

Seller/purchaser	$i = 1$	$i = 2$	$i = 3$	$i = 4$	$i = 5$	$n = 1$	$n = 2$	$n = 3$	$p = 1$
$i = 1$	0/0	0/0	0/0	35.43/14.82	0/0	0/0	0/0	1.32/1.08	0/0
$i = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 3$	0/0	0/0	0/0	25.39/19.68	0/0	0/0	0/0	0/0	0/0
$i = 4$	0/0	3.32/3.32	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 5$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 1$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	1.18/1.13
$n = 2$	0/0	0/0	19.05/18.45	0/0	0/0	0/0	0/0	0/0	0/0
$n = 3$	0/0	0/0	0/0	0/0	0/0	0/0	3.42/2.63	0/0	0/0
$p = 1$	0/0	0/0	0/0	0/0	0/0	3.44/3.44	0/0	0/0	0/0
$p = 2$	3.34/3.34	7.89/6.16	0/0	7.89/5.48	0/0	0/0	0/0	0/0	0/0
$p = 3$	0/0	0.52/0.31	0/0	0	0/0	0/0	4.47/3.6	0/0	0/0
$m = 1$	/	/	/	/	0/0	/	/	/	/
$m = 2$	/	/	/	/	0.2/0.2	/	/	/	/
$m = 3$	/	/	/	/	0/0	/	/	/	/
$m = 4$	/	/	/	/	0.01/0	/	/	/	/
$m = 5$	/	/	/	/	0/0	/	/	/	/
$m = 6$	/	/	/	/	0/0	/	/	/	/
$m = 7$	/	/	/	/	0.82/0.82	/	/	/	/
Seller/purchaser	$p = 2$	$p = 3$	$m = 1$	$m = 2$	$m = 3$	$m = 4$	$m = 5$	$m = 6$	$m = 7$
$i = 1$	0/0	0/0	/	/	/	/	/	/	/
$i = 2$	0/0	0/0	/	/	/	/	/	/	/
$i = 3$	0/0	0/0	/	/	/	/	/	/	/
$i = 4$	34.70/34.70	0/0	/	/	/	/	/	/	/
$i = 5$	0/0	0/0	0/0	0/0	0/0	0/0	0.08/0.03	0/0	0/0
$n = 1$	0/0	2.2/1.28	/	/	/	/	/	/	/
$n = 2$	0/0	0/0	/	/	/	/	/	/	/
$n = 3$	0/0	0/0	/	/	/	/	/	/	/
$p = 1$	0/0	0/0	/	/	/	/	/	/	/
$p = 2$	0/0	0/0	/	/	/	/	/	/	/
$p = 3$	0/0	0/0	/	/	/	/	/	/	/
$m = 1$	/	/	0/0	0.2/0.2	0/0	0/0	0.02/0.01	0/0	0/0
$m = 2$	/	/	0/0	0/0	0/0	0.01/0.01	0.02/0.01	0/0	0.38/0.38
$m = 3$	/	/	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 4$	/	/	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 5$	/	/	0/0	0.15/0.15	0/0	0/0	0/0	0/0	0/0
$m = 6$	/	/	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 7$	/	/	0.13/0.13	0/0	0/0	0/0	0.02/0.01	0/0	0/0

Table 4 The detailed trading process for NH₃-N under Case 1 when $p = 0.01$ and $w = 1$

Seller/purchaser	$i = 1$	$i = 2$	$i = 3$	$i = 4$	$i = 5$	$n = 1$	$n = 2$	$n = 3$	$p = 1$
$i = 1$	0/0	440.76/209.89	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 2$	0/0	0/0	0/0	177.16/168.72	0/0	228/228	0/0	0/0	0/0
$i = 3$	0/0	0/0	0/0	177.16/125.64	0/0	0/0	0/0	0/0	45.07/45.07
$i = 4$	0/0	0/0	0/0	0/0	0/0	177.16/177.16	49.15/49.15	0/0	0/0
$i = 5$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 1$	0/0	154.6/54.82	154.6/79.7	32.28/11.17	0/0	0/0	120.04/57.16	0/0	0/0
$n = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 3$	8.40/8.40	0/0	21.83/16.29	0/0	0/0	0/0	0/0	0/0	0/0
$p = 1$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	39.43/18.78
$p = 2$	0/0	39.43/30.8	0/0	10.43/7.73	0/0	39.43/39.43	0/0	39.43/39.43	0/0
$p = 3$	34.12/34.12	34.12/18.95	34.12/26.66	34.12/19.06	0/0	34.12/34.12	0/0	0/0	0/0
$m = 1$	/	/	/	/	2.3/2.3	/	/	/	/
$m = 2$	/	/	/	/	3.46/3.46	/	/	/	/
$m = 3$	/	/	/	/	0.01/0.01	/	/	/	/
$m = 4$	/	/	/	/	0.14/0.14	/	/	/	/
$m = 5$	/	/	/	/	0.36/0.36	/	/	/	/
$m = 6$	/	/	/	/	0.06/0.06	/	/	/	/
$m = 7$	/	/	/	/	29.1/29.1	/	/	/	/
Seller/purchaser	$p = 2$	$p = 3$	$m = 1$	$m = 2$	$m = 3$	$m = 4$	$m = 5$	$m = 6$	$m = 7$
$i = 1$	0/0	0/0	/	/	/	/	/	/	/
$i = 2$	0/0	0/0	/	/	/	/	/	/	/
$i = 3$	0/0	0/0	/	/	/	/	/	/	/
$i = 4$	0/0	174.39/174.39	/	/	/	/	/	/	/
$i = 5$	0/0	0/0	42.67/34.14	0/0	0/0	0/0	0/0	0/0	0/0
$n = 1$	0/0	0/0	/	/	/	/	/	/	/
$n = 2$	120.04/114.33	0/0	/	/	/	/	/	/	/
$n = 3$	0/0	0/0	/	/	/	/	/	/	/
$p = 1$	0/0	0/0	/	/	/	/	/	/	/
$p = 2$	0/0	0/0	/	/	/	/	/	/	/
$p = 3$	0/0	0/0	/	/	/	/	/	/	/
$m = 1$	/	/	0/0	3.46/3.46	0.01/0.01	0.14/0.14	0.36/0.18	0/0	29.1/29.1
$m = 2$	/	/	0/0	0/0	0.01/0.01	0/0	0.36/0.18	0.06/0.06	0/0
$m = 3$	/	/	0/0	0/0	0/0	0/0	0/0	0/0	0.02/0.02
$m = 4$	/	/	0/0	0/0	0.01/0.01	0/0	0/0	0.06/0.06	0/0
$m = 5$	/	/	0/0	0/0	0/0	0.08/0.08	0/0	0/0	0.07/0.07
$m = 6$	/	/	0/0	0/0	0.01/0.01	0/0	0/0	0/0	0.05/0.05
$m = 7$	/	/	0/0	0.81/0.81	0/0	0/0	0.36/0.18	0/0	0/0

Table 5 The detailed trading process for TP under Case 2 when $p = 0.01$ and $w = 1$

Seller/purchaser	$i = 1$	$i = 2$	$i = 3$	$i = 4$	$i = 5$	$n = 1$	$n = 2$	$n = 3$	$p = 1$
$i = 1$	0/0	0/0	0/0	0/0	0.41/0.31	0/0	0/0	0/0	4.56/4.56
$i = 2$	0/0	0/0	4.12/4.12	0/0	0/0	0/0	0/0	0/0	0/0
$i = 3$	0/0	0/0	0/0	0/0	23.73/23.73	0/0	0/0	0/0	0/0
$i = 4$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 5$	0/0	0/0	0/0	0.88/0.88	0/0	0/0	0/0	0/0	0/0
$n = 1$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 3$	0/0	0/0	2.36/1.76	0/0	0/0	0/0	0/0	0/0	0/0
$p = 1$	0/0	0/0	0/0	0/0	0/0	3.44/3.44	0/0	0/0	0/0
$p = 2$	0/0	7.89/6.16	7.89/7.89	0/0	0/0	0/0	2.67/2.67	0/0	0/0
$p = 3$	0/0	0/0	2.2/1.72	0/0	0/0	0/0	0/0	0/0	0/0
$m = 1$	0/0	0.13/0.13	0.13/0.13	0.13/0.13	0.13/0.13	0/0	0/0	0/0	0/0
$m = 2$	0/0	0.2/0.2	0.2/0.2	0.2/0.2	0.2/0.2	0/0	0/0	0/0	0/0
$m = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 4$	0/0	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0/0	0/0	0.01/0.01	0/0
$m = 5$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 6$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 7$	0/0	0.97/0.97	0.97/0.97	0.97/0.97	0.97/0.97	0/0	0/0	0/0	0/0
Seller/purchaser	$p = 2$	$p = 3$	$m = 1$	$m = 2$	$m = 3$	$m = 4$	$m = 5$	$m = 6$	$m = 7$
$i = 1$	0/0	0/0	0/0	0/0	0/0	0.03/0.03	0/0	0/0	0/0
$i = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 4$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 5$	26.66/26.66	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 1$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$p = 1$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$p = 2$	0/0	2.62/2.62	0/0	0.08/0.08	0/0	0/0	0.01/0.01	0/0	4.64/4.64
$p = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 1$	0/0	0.13/0.13	0/0	0/0	0/0	0/0	0/0	0/0	0.13/0.13
$m = 2$	0/0	0.2/0.2	0.20/0.20	0/0	0/0	0/0	0/0	0.02/0.02	0/0
$m = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 4$	0/0	0.01/0.01	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 5$	0/0	0/0	0/0	0.02/0.02	0/0	0/0	0/0	0/0	0/0
$m = 6$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 7$	0/0	0/0	0.51/0.51	0.97/0.97	0/0	0/0	0/0	0/0	0/0

Table 6 The detailed trading process for NH₃-N under Case 2 when $p = 0.01$ and $w = 1$

Seller/purchaser	$i = 1$	$i = 2$	$i = 3$	$i = 4$	$i = 5$	$n = 1$	$n = 2$	$n = 3$	$p = 1$
$i = 1$	0/0	296.19/141.04	119.99/82.18	0/0	0/0	0/0	0/0	0/0	0/0
$i = 2$	307.09/307.09	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 3$	0/0	0/0	0/0	0/0	381.4/381.4	0/0	0/0	0/0	0/0
$i = 4$	0/0	0/0	0/0	0/0	13.44/13.44	0/0	0.73/0.73	25.31/25.31	0/0
$i = 5$	134.08/134.08	0/0	0/0	0/0	0/0	0/0	134.08/134.08	134.08/134.08	0/0
$n = 1$	0/0	0/0	0/0	0/0	0/0	0/0	74.1/35.29	0/0	0/0
$n = 2$	0/0	94.07/70.2	0/0	0/0	0/0	0/0	0/0	0/0	120.04/120.04
$n = 3$	82.77/82.77	0/0	82.77/61.77	82.77/44.03	0/0	0/0	0/0	0/0	0/0
$p = 1$	0/0	0/0	0/0	0/0	0/0	50.78/50.78	50.78/25.39	7.68/5.56	0/0
$p = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	39.43/39.43
$p = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	34.12/34.12	0/0
$m = 1$	2.30/2.30	2.30/1.90	2.30/2.30	2.30/1.90	2.30/2.30	2.30/2.30	2.30/1.79	2.30/2.30	2.30/2.30
$m = 2$	3.46/3.46	3.46/2.88	0/0	3.46/2.88	3.46/3.46	3.46/3.46	3.46/2.68	3.46/3.46	3.46/3.46
$m = 3$	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01
$m = 4$	0.14/0.11	0/0	0/0	0.14/0.11	0/0	0/0	0.14/0.11	0/0	0/0
$m = 5$	0.36/0.36	0.36/0.36	0.36/0.36	0.36/0.36	0.36/0.36	0.36/0.36	0.36/0.36	0.36/0.36	0.36/0.36
$m = 6$	0.06/0.06	0/0	0/0	0/0	0.06/0.06	0/0	0/0	0/0	0.06/0.06
$m = 7$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
Seller/purchaser	$p = 2$	$p = 3$	$m = 1$	$m = 2$	$m = 3$	$m = 4$	$m = 5$	$m = 6$	$m = 7$
$i = 1$	0/0	0/0	0/0	59.56/35.88	0/0	0/0	0/0	0/0	0/0
$i = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 4$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$i = 5$	14.96/14.96	65.84/65.84	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 1$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$n = 3$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$p = 1$	50.78/24.18	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$p = 2$	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$p = 3$	0/0	0/0	34.12/30.74	0/0	0/0	0/0	0/0	0/0	0/0
$m = 1$	2.30/1.71	2.30/2.30	0/0	2.30/2.30	0/0	0.53/0.53	0/0	0/0	2.30/2.30
$m = 2$	3.46/2.56	3.46/2.56	0/0	0/0	0/0	0/0	0/0	0.24/0.24	3.46/3.46
$m = 3$	0.01/0.01	0.01/0.01	0.01/0.01	0.01/0.01	0/0	0.01/0.01	0/0	0.01/0.01	0.01/0.01
$m = 4$	0/0	0/0	0/0	0.14/0.14	0/0	0/0	0/0	0.14/0.14	0/0
$m = 5$	0.36/0.36	0.36/0.36	0/0	0/0	0/0	0/0	0/0	0/0	0/0
$m = 6$	0.06/0.05	0.06/0.06	0/0	0/0	0/0	0.06/0.06	0/0	0/0	0.06/0.06
$m = 7$	0/0	0/0	0/0	0/0	0.13/0.13	0/0	7.77/3.98	0/0	0/0

Table 7 Total excess TP and NH₃-N emissions in agriculture under three cases (ton)

	Case	Probability	$w = 1$	$w = 2$	$w = 3$
TP	Case 1	$p = 0.01$	0	183.54	60.78
		$p = 0.1$	0	183.34	60.78
	Case 2	$p = 0.01$	0	188.49	84.14
		$p = 0.1$	0	187.80	73.81
	Case 3	$p = 0.01$	0	185.35	69.87
		$p = 0.1$	0	185.35	69.87
NH ₃ -N	Case 1	$p = 0.01$	0	253.83	0
		$p = 0.1$	0	249.27	0
	Case 2	$p = 0.01$	0	273.34	0
		$p = 0.1$	0	268.24	0
	Case 3	$p = 0.01$	0	259.57	0
		$p = 0.1$	0	259.57	0

Table 8 Total excess TP and NH₃-N emissions under three cases (ton)

	Case	Probability	$w = 1$	$w = 2$	$w = 3$
TP	Case 1	$p = 0.01$	243.16	521.48	383.11
		$p = 0.05$	238.63	520.62	383.46
		$p = 0.1$	238.63	520.30	380.95
	Case 2	$p = 0.01$	231.96	521.48	380.46
		$p = 0.05$	231.96	520.62	375.40
		$p = 0.1$	231.96	520.30	372.88
	Case 3	$p = 0.01$			
		$p = 0.05$	240.82	519.05	370.46
		$p = 0.1$			
NH ₃ -N	Case 1	$p = 0.01$	614.11	1195.66	732.82
		$p = 0.05$	614.11	1192.36	732.82
		$p = 0.1$	614.11	1190.56	732.82
	Case 2	$p = 0.01$	614.11	1195.66	732.82
		$p = 0.05$	614.11	1192.36	732.82
		$p = 0.1$	614.11	1190.56	732.82
	Case 3	$p = 0.01$			
		$p = 0.05$	627.93	1184.46	750.31
		$p = 0.1$			

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Figure 6 Cumulated distribution functions of nutrient loadings [(a) low NH₃-N loading level for lower bound, (b) medium NH₃-N loading level for lower bound, (c) high NH₃-N loading level for lower bound, (d) low NH₃-N loading level for upper bound, (e) medium NH₃-N loading level for upper bound, (f) high NH₃-N loading level for upper bound]

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Figure 8 The total trading amounts under Cases 1 and 2 [(a) TP, $p = 0.01$; (b) TP, $p = 0.05$, (c) TP, $p = 0.1$; (d) NH₃-N, $p = 0.01$; (e) NH₃-N, $p = 0.05$, (f) NH₃-N, $p = 0.1$]

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Figure 10 TP and NH₃-N detailed trading process for agriculture, livestock and poultry industry,

fishery and company [(a) TP, $p = 0.01$; (b) TP, $p = 0.05$; (c) TP, $p = 0.1$; (d) NH₃-N, $p = 0.01$; (e) NH₃-N, $p = 0.05$; (f) NH₃-N, $p = 0.1$]

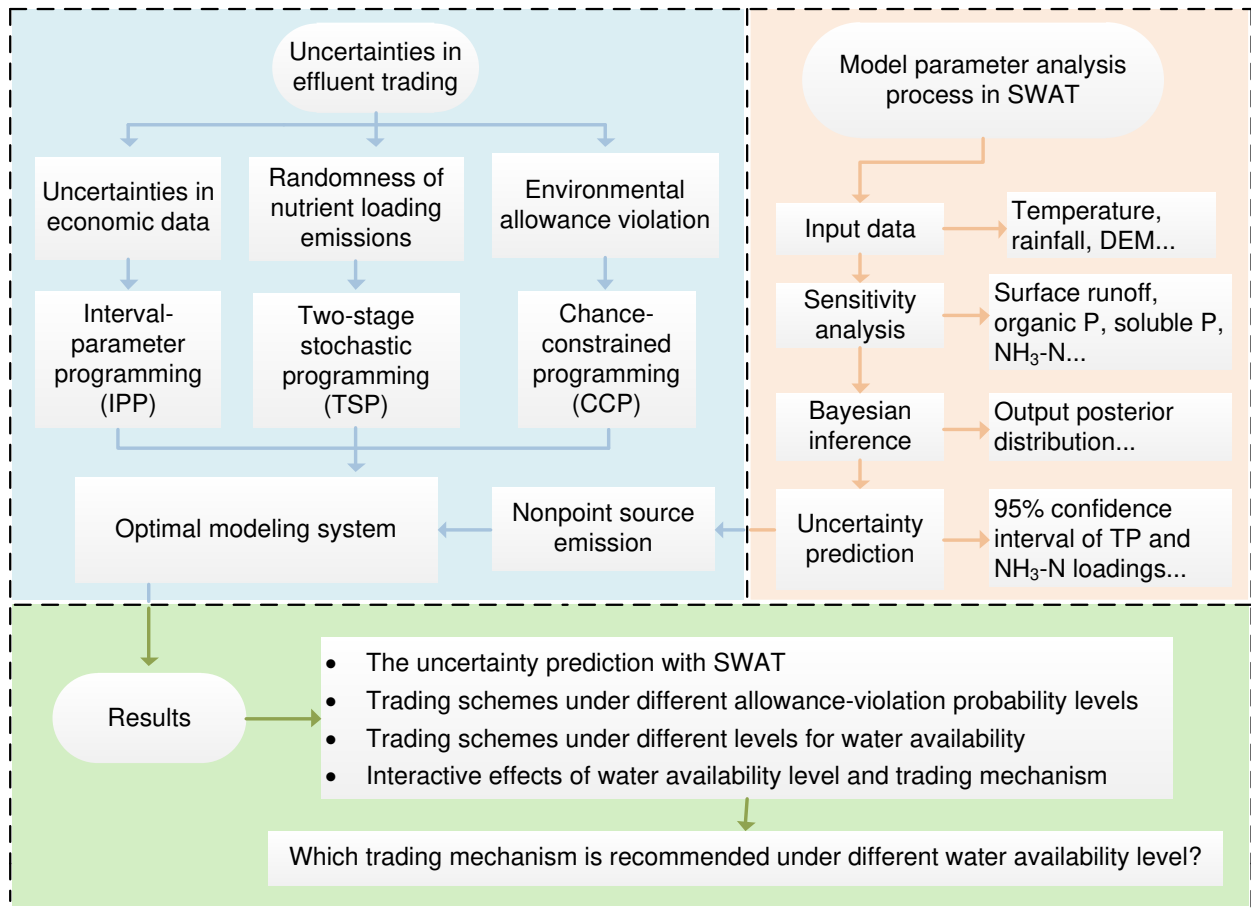


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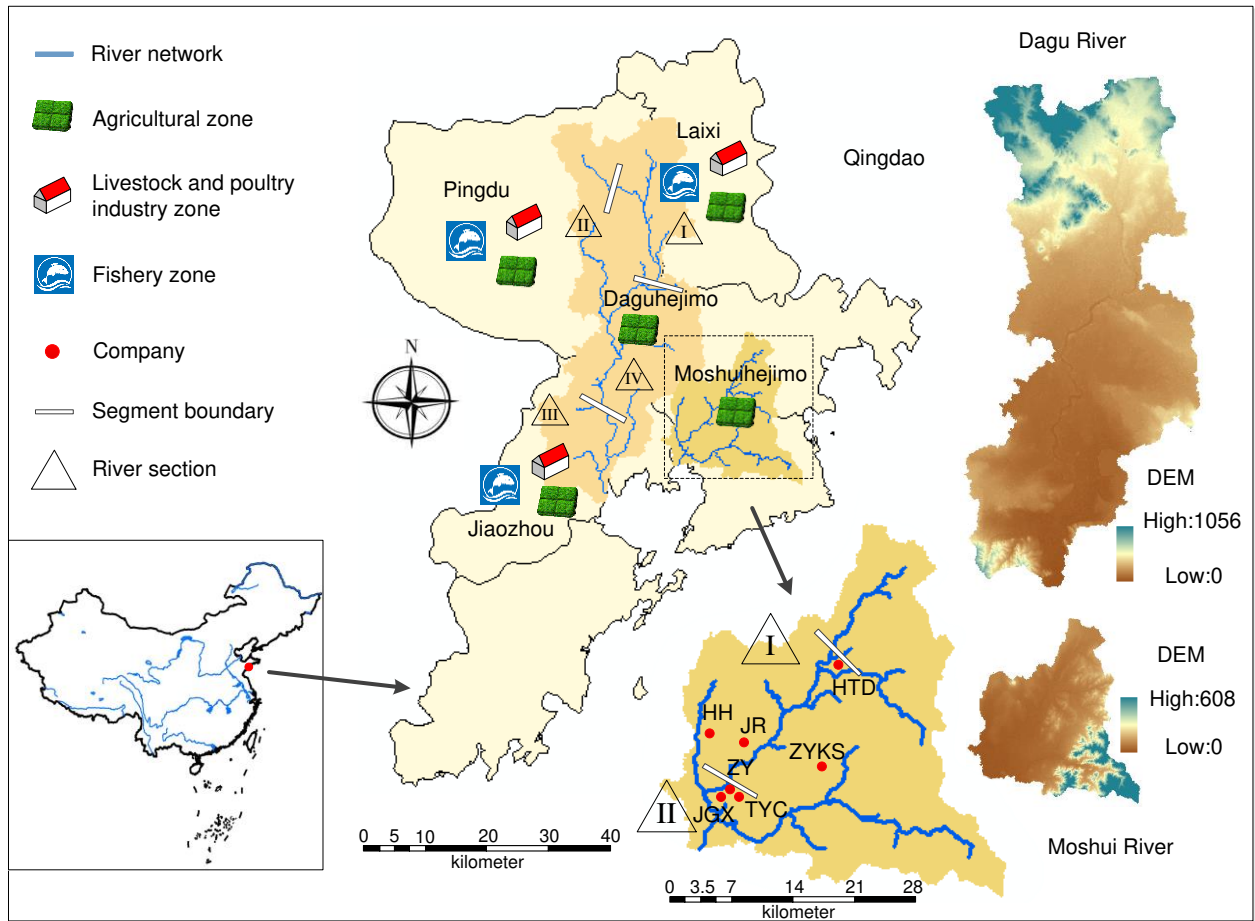


Figure 2 Location and pollution sources of Daguhe and Moshuihe watersheds

Footnote: ZY, TYC, HH, ZYKS, HTD, JR and JGX represent Qingdao Zhengyuan Iron and Steel Co., Ltd, Qingdao Tongyuanchang Steel Co., Ltd, Qingdao Hehe Chemical Co., Ltd, Qingdao Zeyukaisheng Machinery Manufacturing Co., Ltd, Qingdao Huataida Machinery Manufacturing Co., Ltd, Qingdao Jingrui Machinery Manufacturing Co., Ltd and Qingdao Jinguangxin Textile Co., Ltd. Respectively.

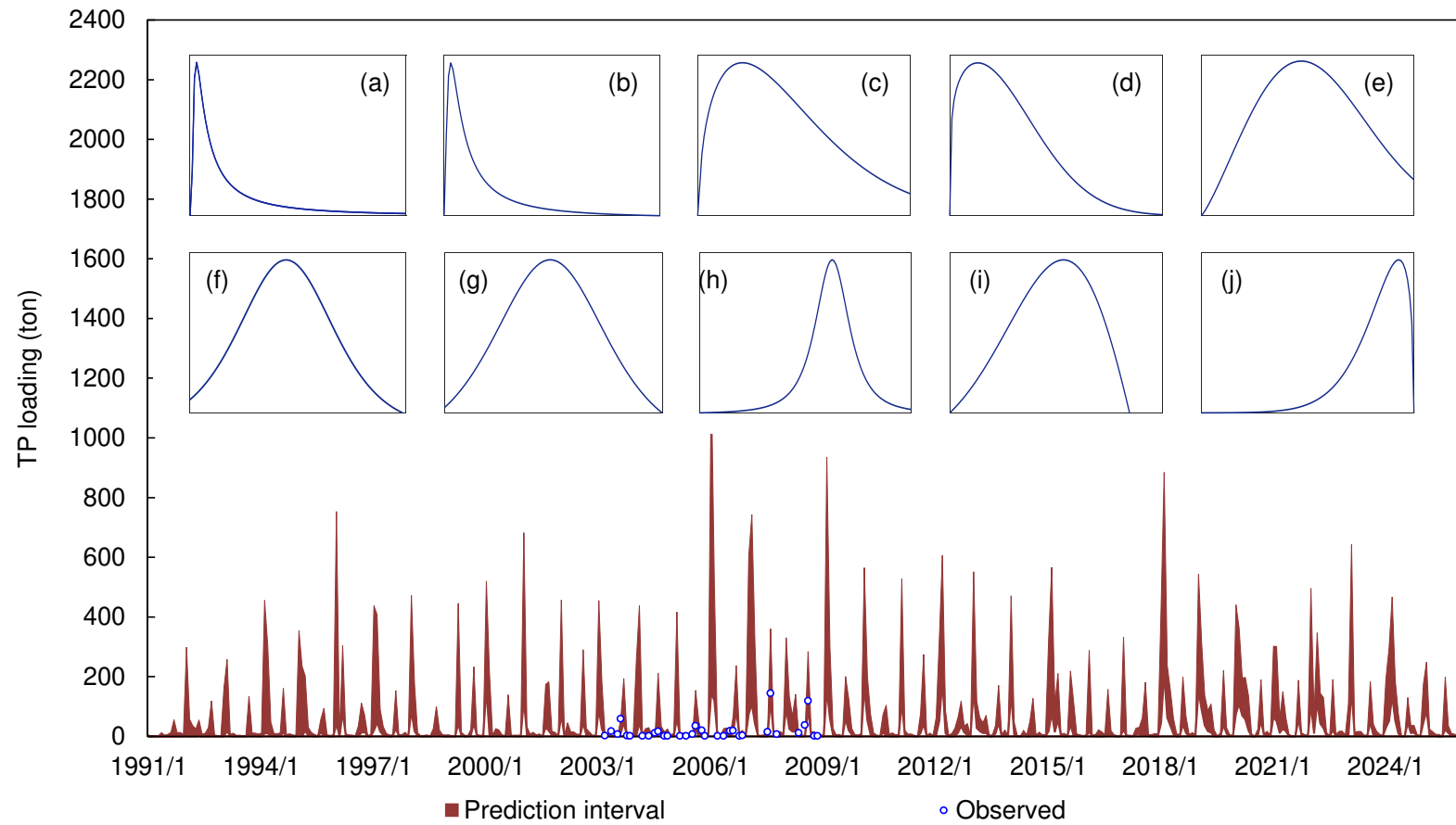


Figure 3 The prediction intervals of TP loading

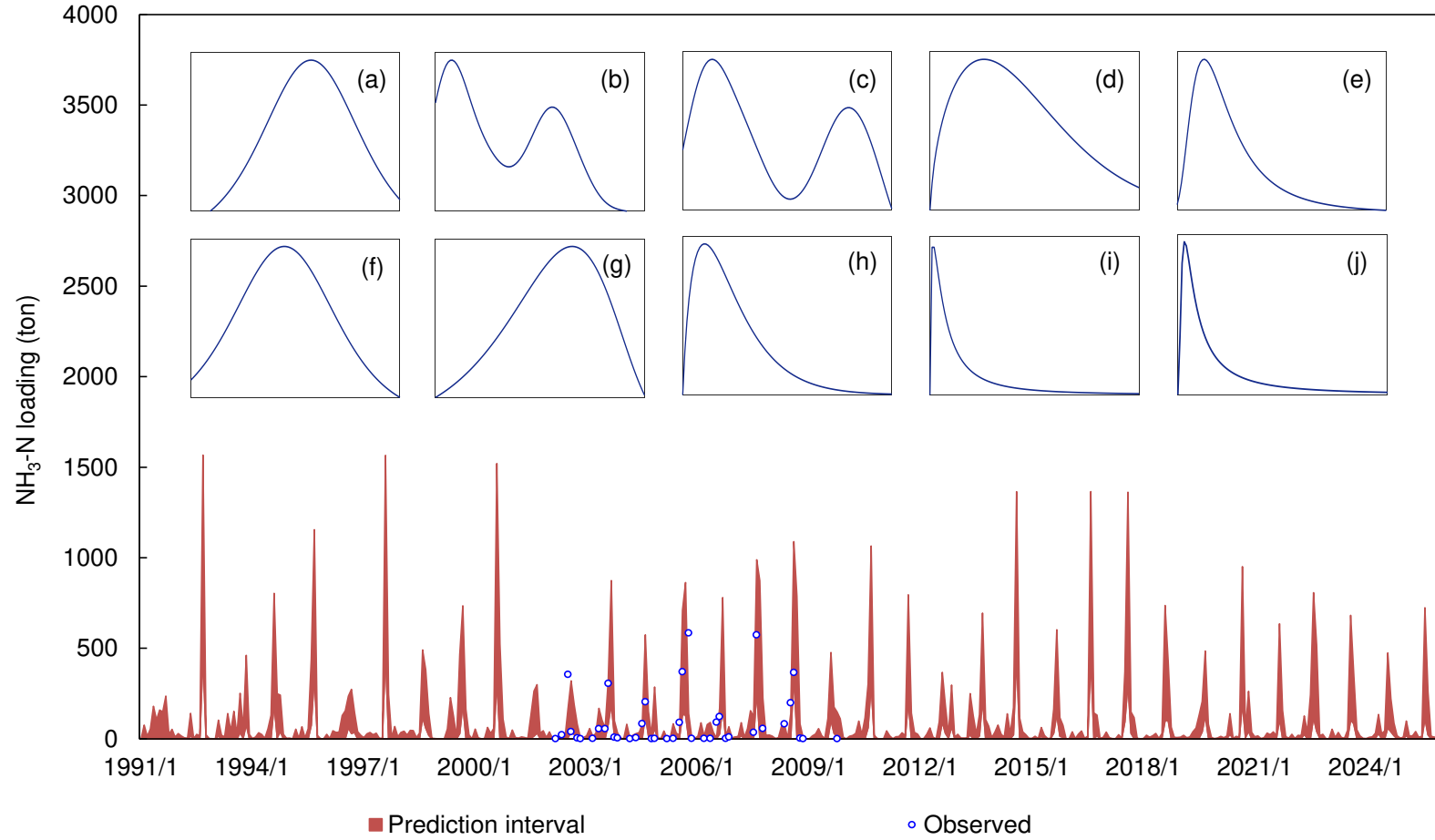


Figure 4 The prediction intervals of $\text{NH}_3\text{-N}$ loading

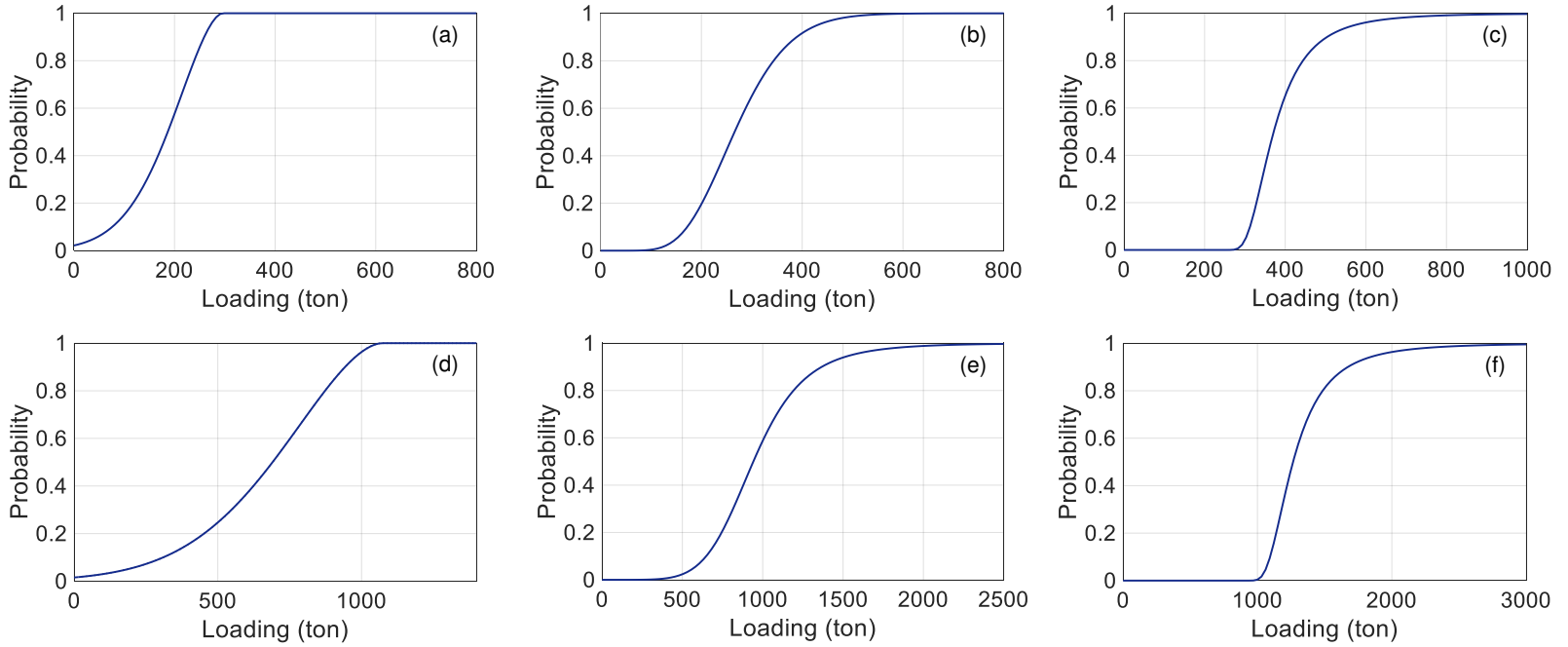


Figure 5 Cumulated distribution functions of TP loadings [(a) low TP loading level for lower bound, (b) medium TP loading level for lower bound, (c) high TP loading level for lower bound, (d) low TP loading level for upper bound, (e) medium TP loading level for upper bound, (f) high TP loading level for upper bound]

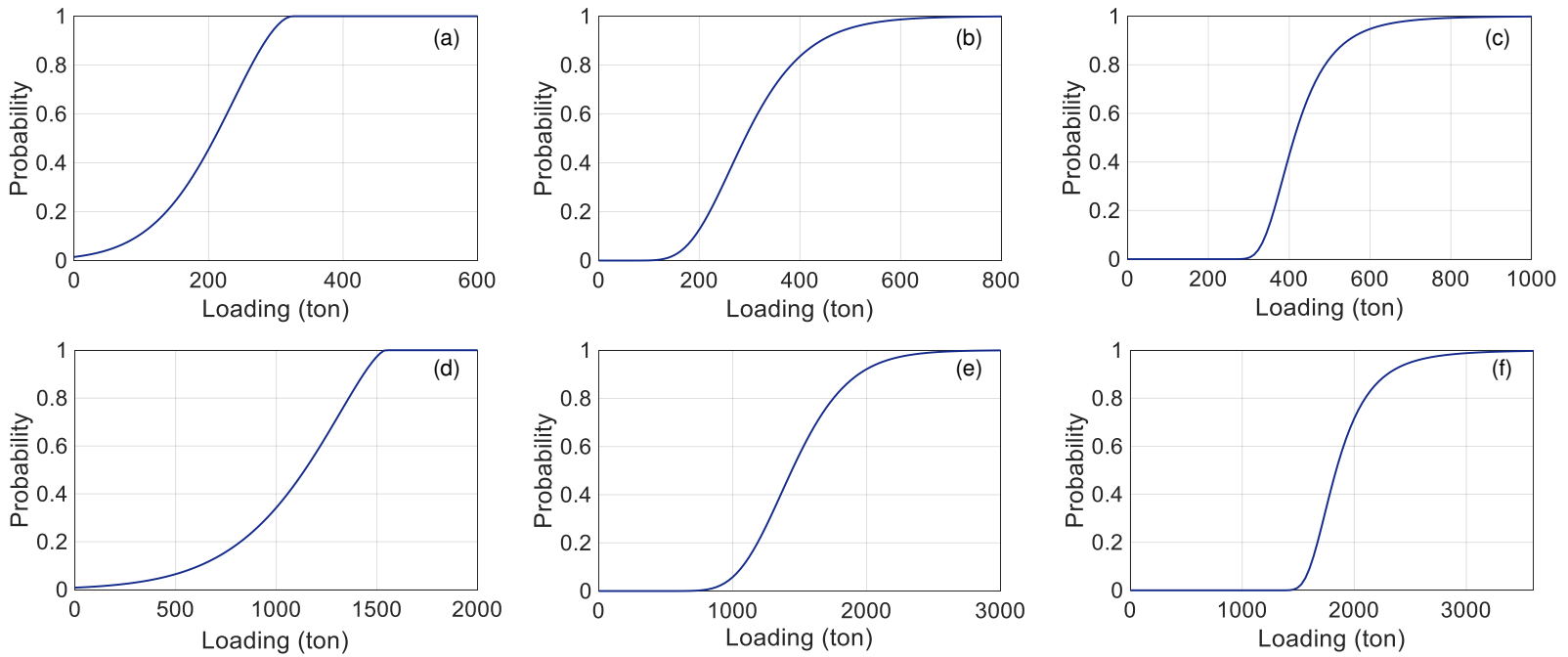


Figure 6 Cumulated distribution functions of $\text{NH}_3\text{-N}$ loadings [(a) low $\text{NH}_3\text{-N}$ loading level for lower bound, (b) medium $\text{NH}_3\text{-N}$ loading level for lower bound, (c) high $\text{NH}_3\text{-N}$ loading level for lower bound, (d) low $\text{NH}_3\text{-N}$ loading level for upper bound, (e) medium $\text{NH}_3\text{-N}$ loading level for upper bound, (f) high $\text{NH}_3\text{-N}$ loading level for upper bound]

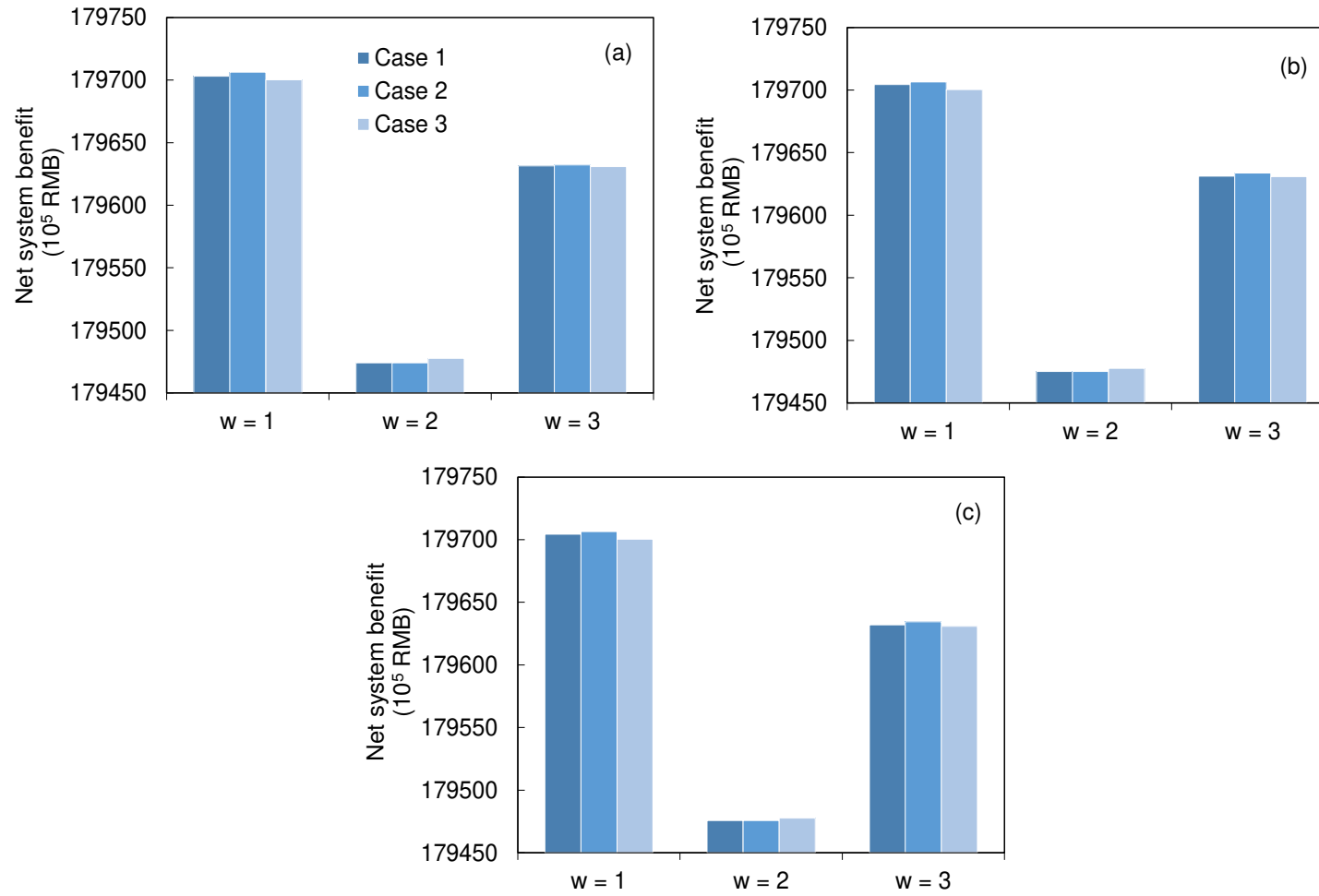


Figure 7 Net system benefits under intra-watershed trading, cross-watershed trading and non-trading cases [(a) $p = 0.01$, (b) $p = 0.05$, (c) $p = 0.1$]

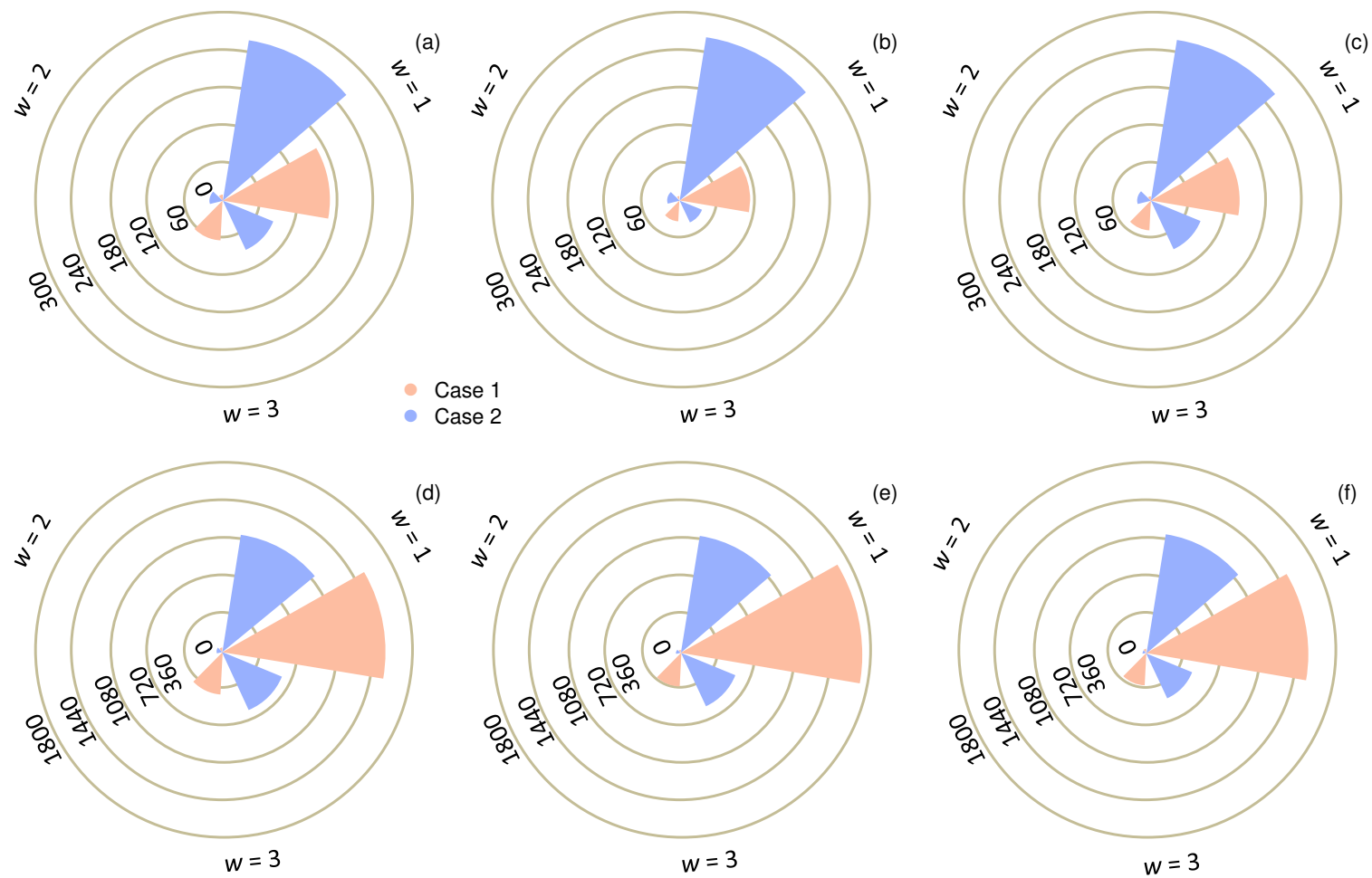


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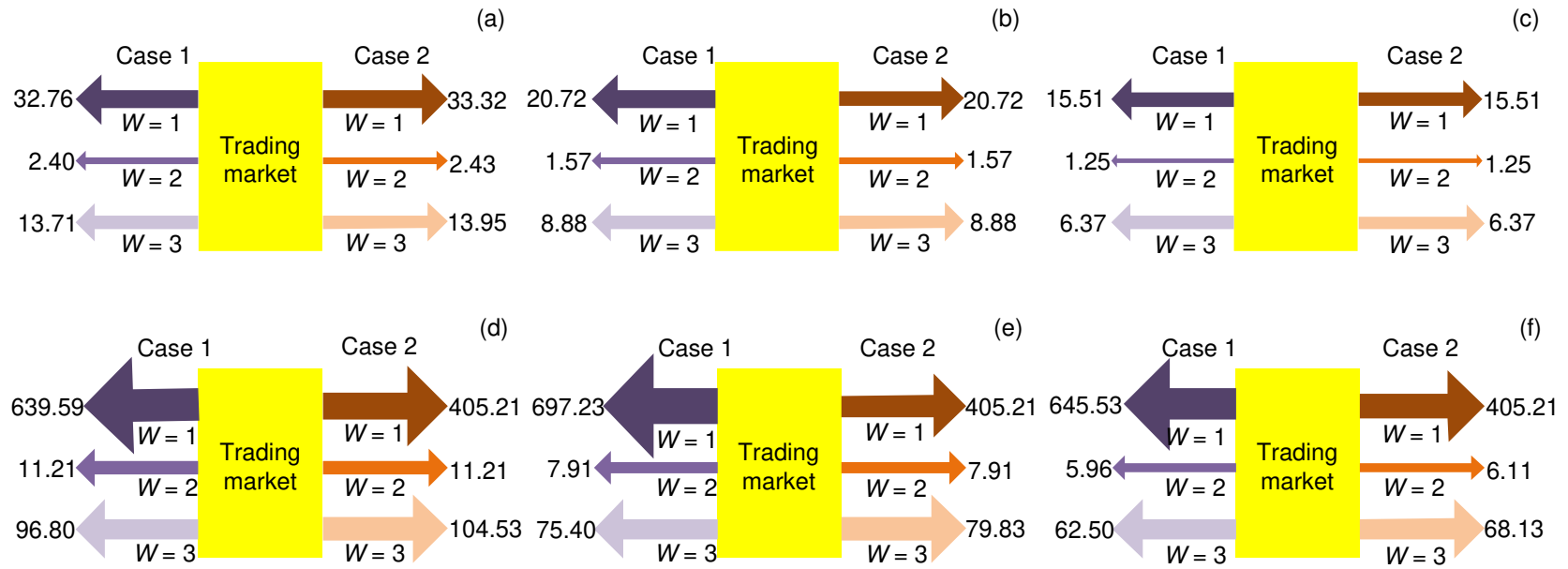


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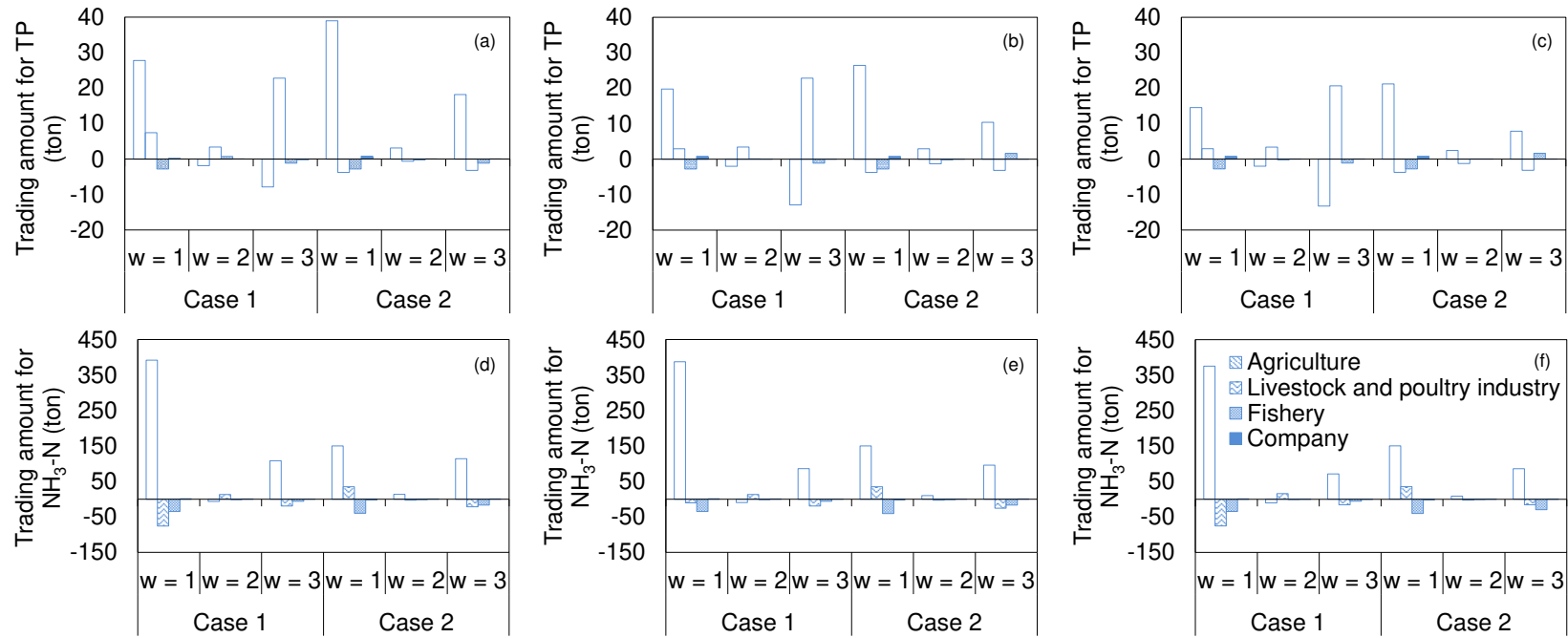


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Conflicts of interest/Competing intrersts

☐ The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

☐The authors declare the following financial interests/personal relationships which may be considered as potential competing interests:

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Code availability **Not applicable**

Figures

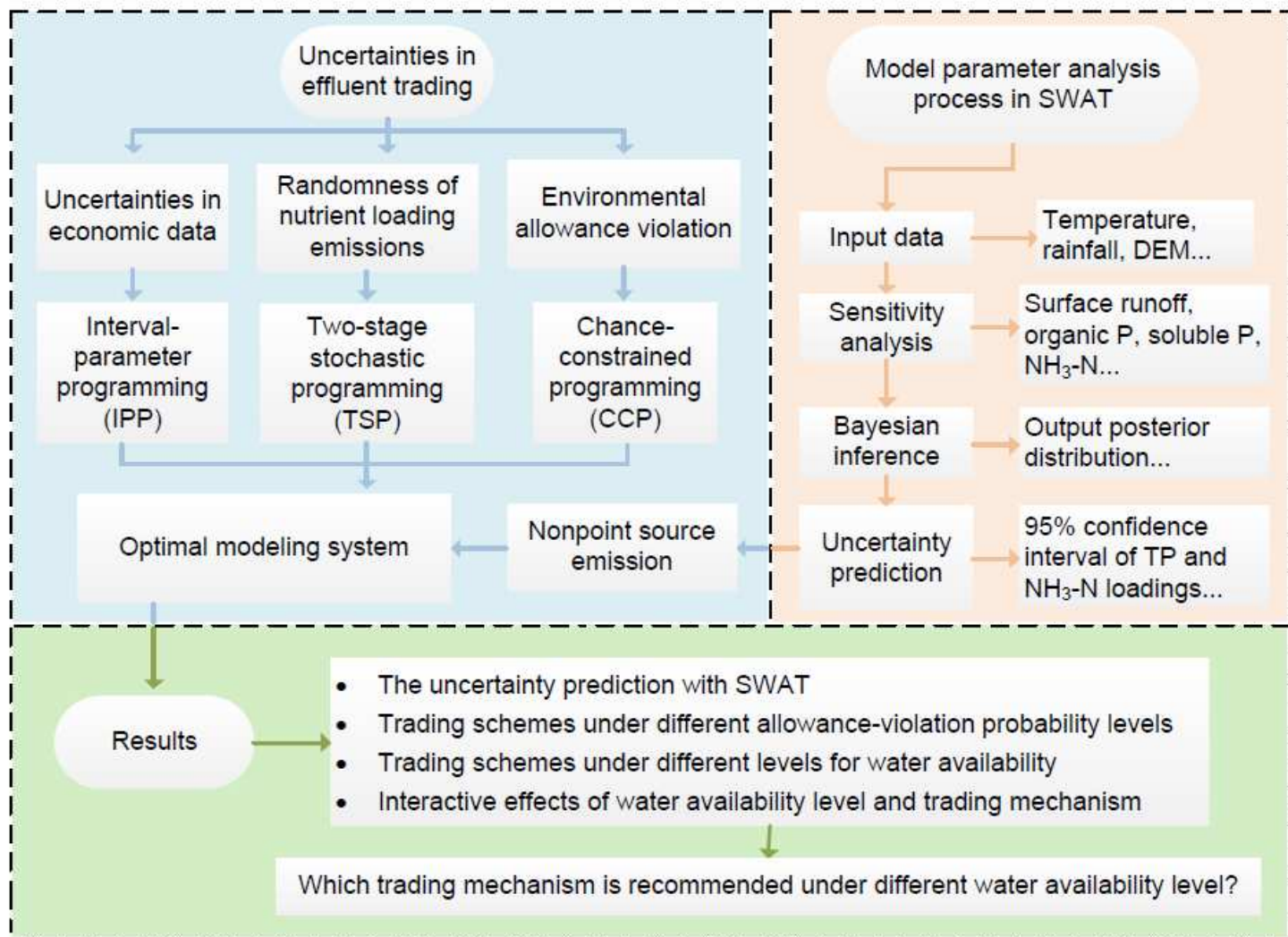


Figure 1

Framework of a Bayesian simulation-based multi-watershed effluent trading designing model (BS-METM)

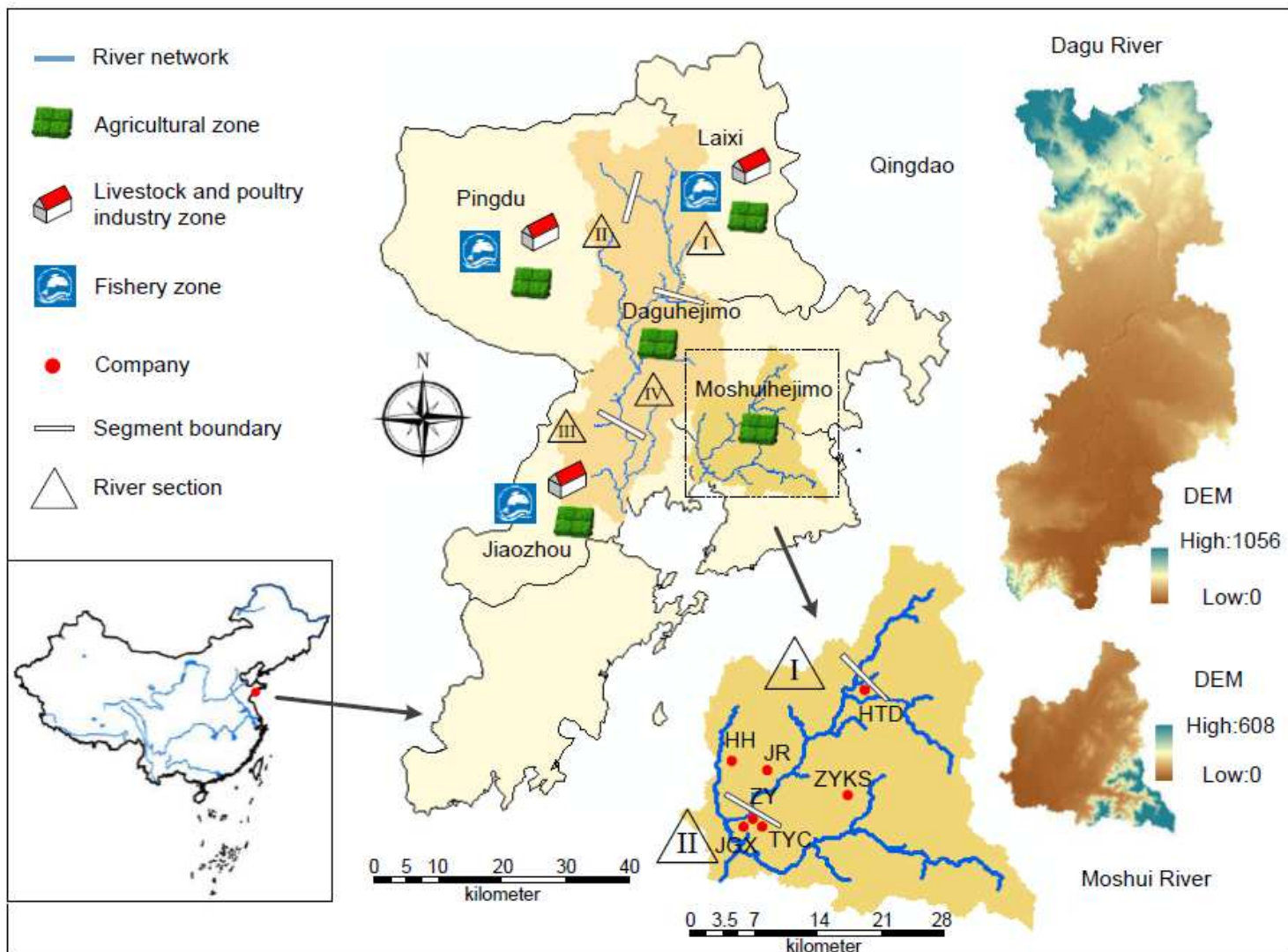


Figure 2

Location and pollution sources of Daguhe and Moshuihe watersheds Footnote: ZY, TYC, HH, ZYKS, HTD, JR and JGX represent Qingdao Zhengyuan Iron and Steel Co., Ltd, Qingdao Tongyuanchang Steel Co., Ltd, Qingdao Hehe Chemical Co., Ltd, Qingdao Zeyukaisheng Machinery Manufacturing Co., Ltd, Qingdao Huataida Machinery Manufacturing Co., Ltd, Qingdao Jingrui Machinery Manufacturing Co., Ltd and Qingdao Jinguangxin Textile Co., Ltd. Respectively. Note: The designations employed and the presentation of the material on this map do not imply the expression of any opinion whatsoever on the part of Research Square concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. This map has been provided by the authors.

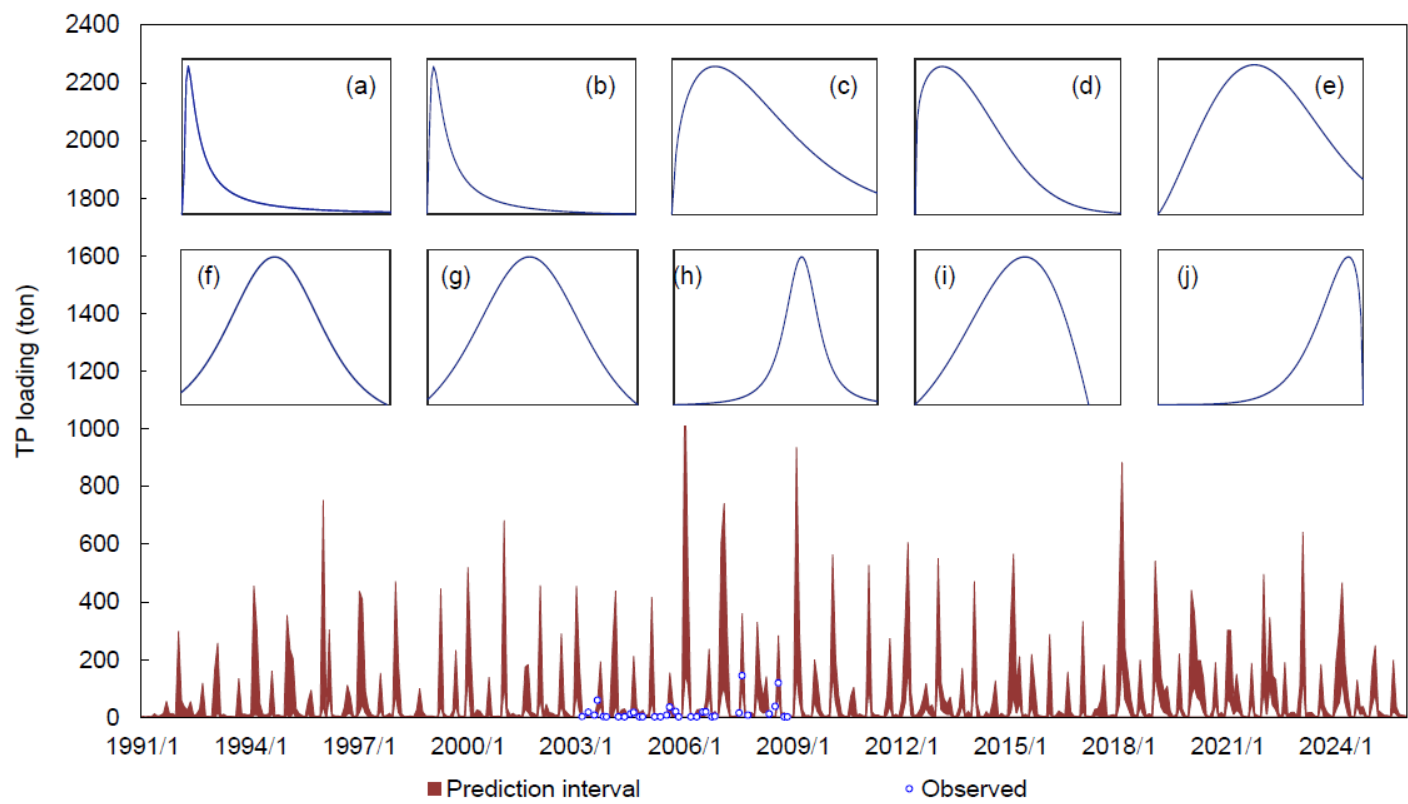


Figure 3

The prediction intervals of TP loading

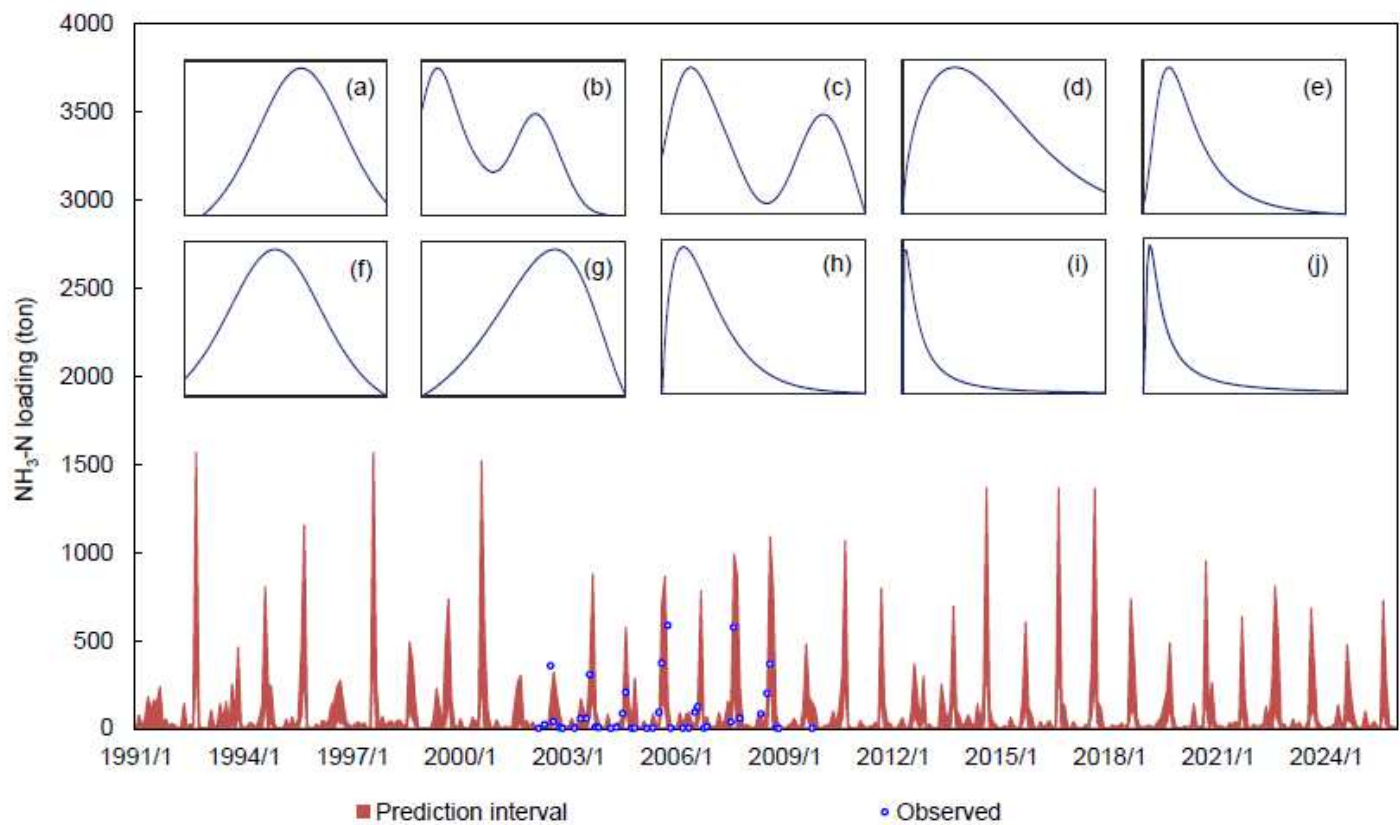


Figure 4

The prediction intervals of $\text{NH}_3\text{-N}$ loading

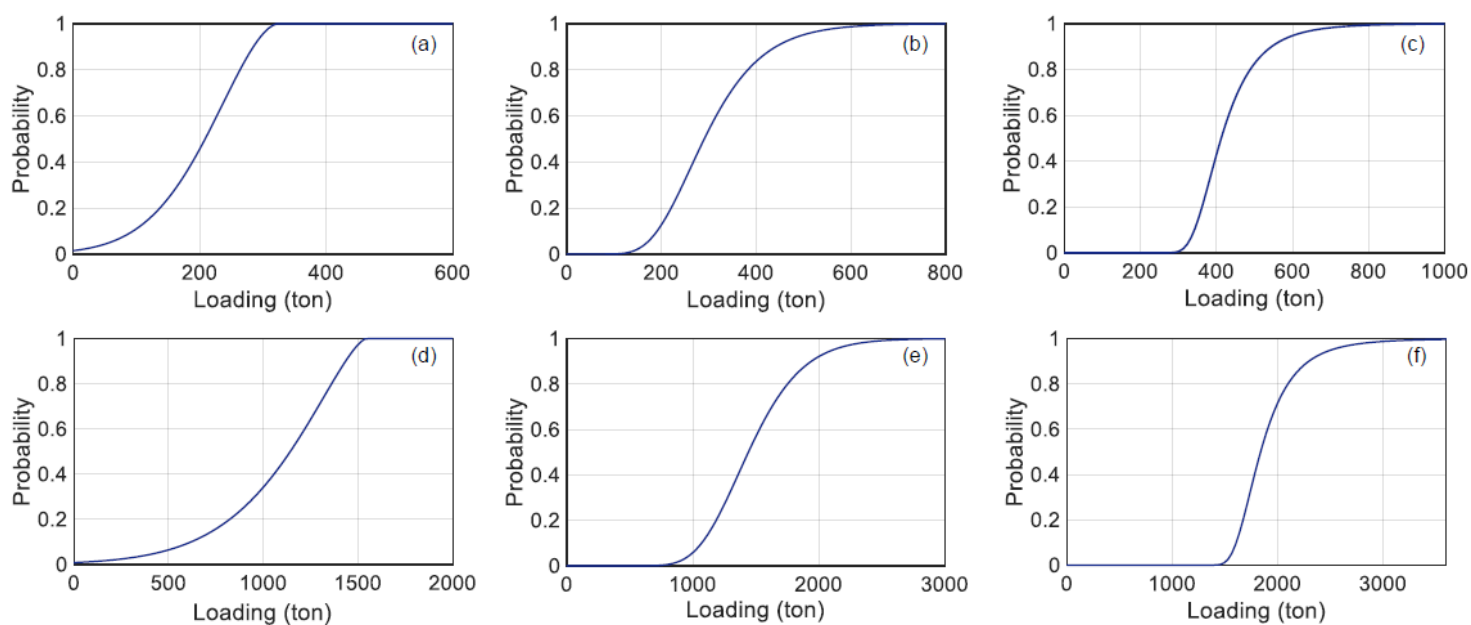


Figure 6

Cumulated distribution functions of NH3-N loadings [(a) low NH3-N loading level for lower bound, (b) medium NH3-N loading level for lower bound, (c) high NH3-N loading level for lower bound, (d) low NH3-N loading level for upper bound, (e) medium NH3-N loading level for upper bound, (f) high NH3-N loading level for upper bound]

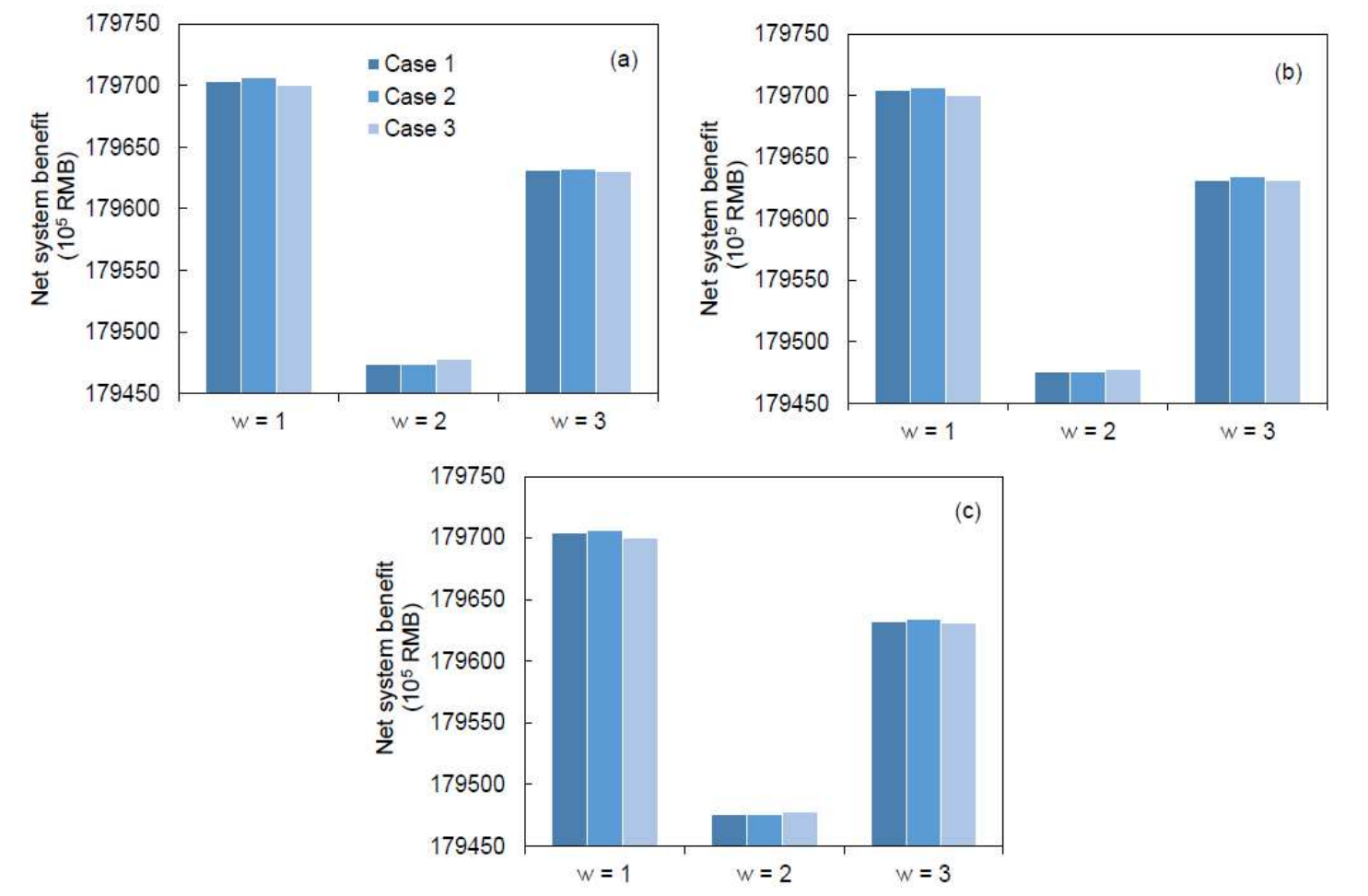


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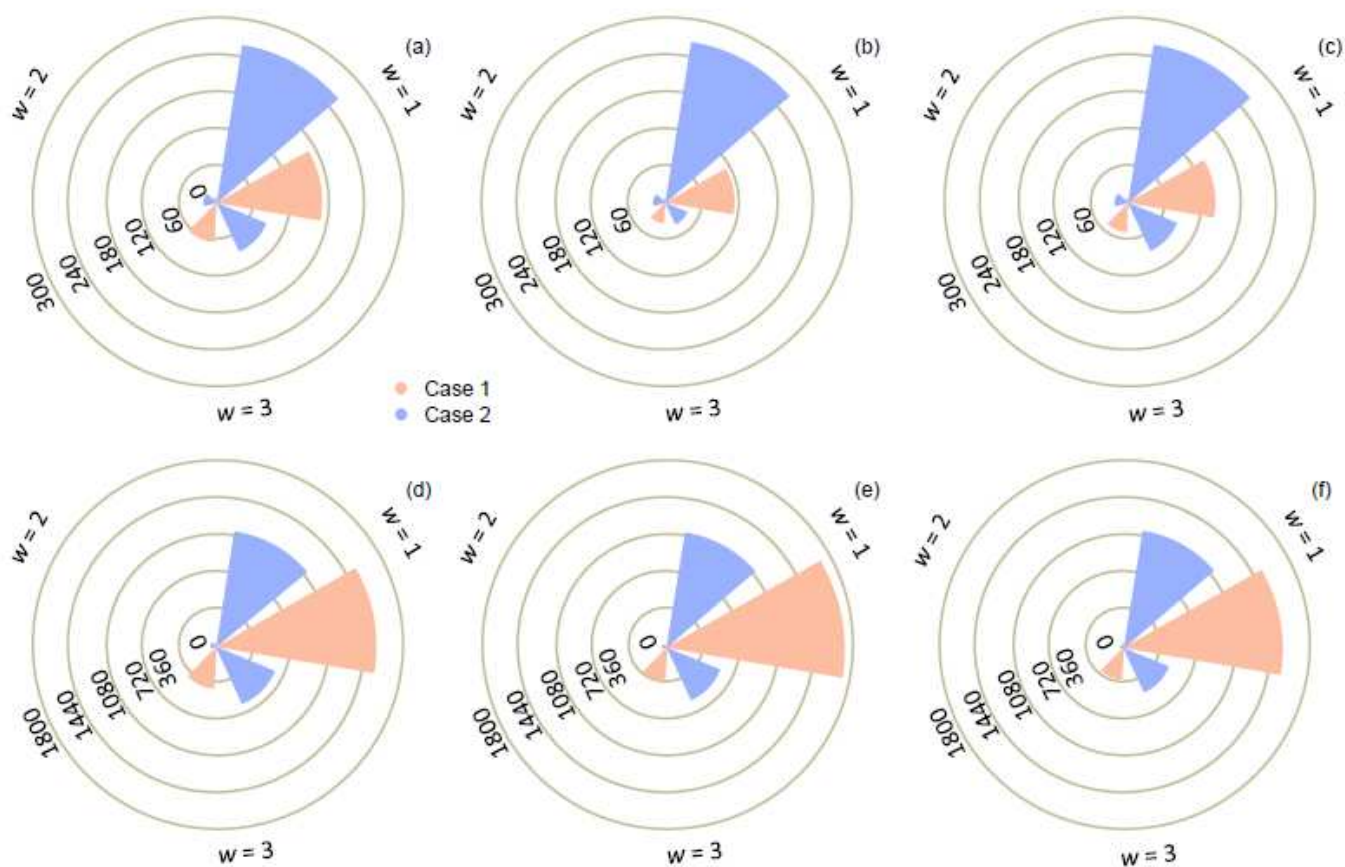


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The total trading amounts under Cases 1 and 2 [(a) TP, $p = 0.01$; (b) TP, $p = 0.05$, (c) TP, $p = 0.1$; (d) NH3-N, $p = 0.01$; (e) NH3-N, $p = 0.05$, (f) NH3-N, $p = 0.1$]

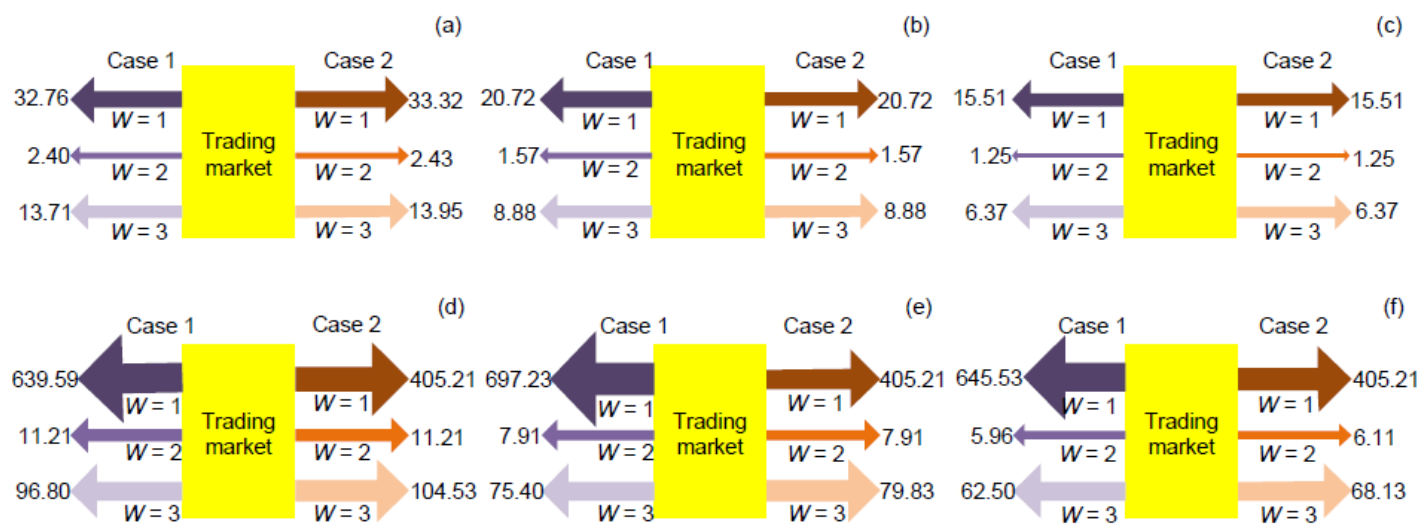


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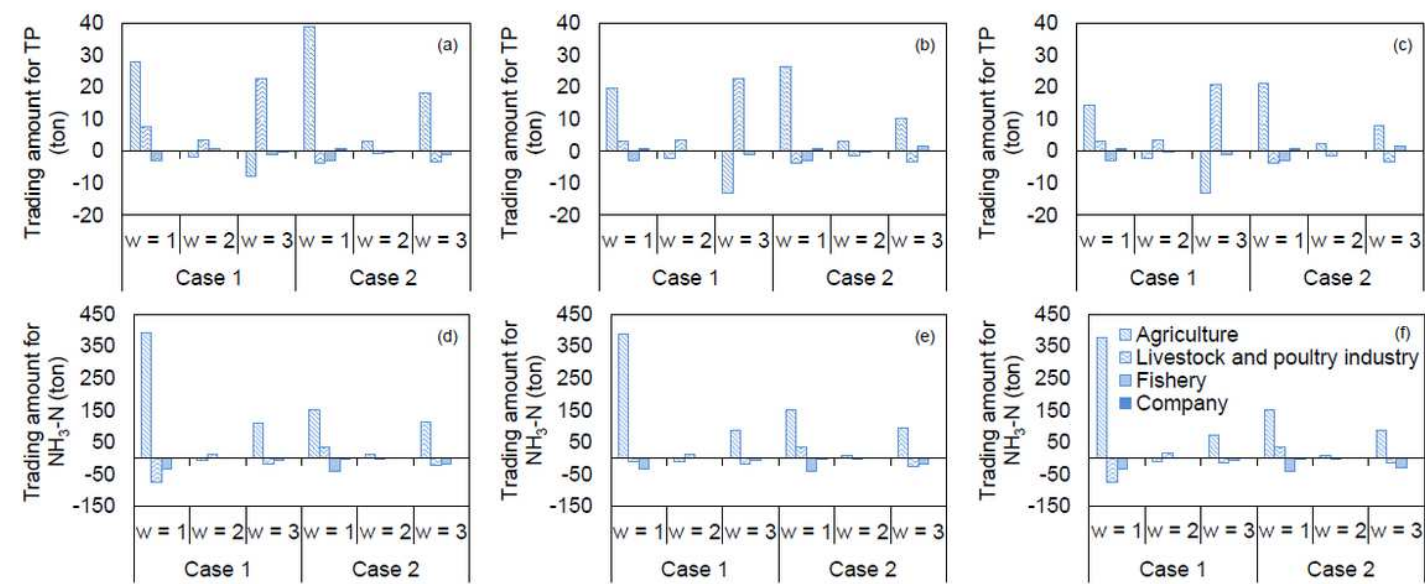


Figure 10

TP and NH3-N detailed trading process for agriculture, livestock and poultry industry, fishery and company [(a) TP, $p = 0.01$; (b) TP, $p = 0.05$; (c) TP, $p = 0.1$; (d) NH3-N, $p = 0.01$; (e) NH3-N, $p = 0.05$; (f) NH3-N, $p = 0.1$]

Supplementary Files

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