



April 1, 2010

MEMORANDUM

TO: S.B. 513 Working Group Members

FROM: Debra Nudelman and Peter Harkema, Kearns & West

SUBJECT: S.B. 513 Working Group – March 25 Meeting Action Items

Thank you for your participation and efforts at the S.B. 513 Working Group meeting held March 25, 2010 at the OSU’s North Willamette Research and Extension Center in Aurora, Oregon. This memo includes the upcoming meeting dates, agreed-upon action items, and flipchart notes.

Upcoming Meeting Dates	Who	Location
<ul style="list-style-type: none"> April 21, 2010 May 27, 2010 	Working Group	Salem, State Lands Bldg. Aurora, OSU North Willamette Ext. Center
<ul style="list-style-type: none"> July 21, 2010 September 2, 2010 October 20, 2010 		Salem, Dept. of Forestry Salem, Dept. of Forestry Portland, TBD
<ul style="list-style-type: none"> July 29, 2010 	Ad Hoc Group	Salem, State Lands Bldg.

Action Items	Who	When
1. <u>Information follow up</u> <ul style="list-style-type: none"> Develop and distribute action items and meeting summary 	OWEB/K&W	By cob, April 1
2. <u>Case Study</u> <ul style="list-style-type: none"> Identify major challenges that arose from case studies 	Sally/INR	Strive for in advance of April 21 meeting
<ul style="list-style-type: none"> Revise case studies to be incorporated into the final report 	Sally/INR	Strive for in advance of May 27 meeting
3. <u>UCC</u> <ul style="list-style-type: none"> Investigate potential for Uniform Commercial Code (UCC) options 	Rick G.	In advance of April 21 meeting

Action Items	Who	When
4. <u>Subgroups</u>		
<ul style="list-style-type: none"> Schedule subgroup meeting or conference call to continue work, as needed 	Subgroup leaders	In advance of April 21 meeting
<ul style="list-style-type: none"> Work to organize recommendations by tier 1, tier 2, and bin list; provide update to Project Team 	Subgroups members	By cob, April 14
<ul style="list-style-type: none"> Report out on preliminary recommendations 	Subgroup members	At April 21 meeting

Bin List
<ul style="list-style-type: none"> Service area – tension of regulatory agencies wanting it small, others want it as large as possible Social network mapping to determine who is good at and wants to do what, linkages, and barriers to where you want to go

Meeting Documents
<p>The following documents were distributed at this meeting:</p> <ul style="list-style-type: none"> Proposed Agenda SB513 Working Group 3.25.10 Meeting Action Items Memo – SB 513 Working Group 2.17.10 Meeting Action Items Memo – SB 513 Ad Hoc Group 3.2.10 Meeting SB 513 Vision Statement Final 2-24-10 – Ad Hoc Recommendations Potential Policy Issues to be Addressed by 513 Working Group 2.24.10 – Ad Hoc Recommendations Developing Payments for Ecosystems Services: Emerging Themes and Observations <p><i>Copies of these documents can be obtained by contacting Kearns & West</i></p>

Flipchart Notes:

Subgroup Reminders

- Where do recommendations fall on the PES spectrum?
- Who benefits from the recommendation?
- Are there unintended consequences to other parts of the spectrum?
- Proposed policies to help stimulate demand for payments for ecosystems services and markets
 - Recommendations may range from broader concepts for improving existing PES to, more specifically, actions the state can take to stimulate markets
- Advance integrate ecosystems services markets that are efficient, coordinated, designed to produce positive ecological and economic outcomes

Draft Recommendations Around

- Goals
- Agency processes
- Financing
- Market infrastructure

Meeting Summary

Working Group Members: Joe Zisa (for Paul Henson, US Fish and Wildlife Service [USFWS]), Brent Davies (Ecotrust), Catherine Macdonald (The Nature Conservancy), Kendra Smith (Bonneville Environmental Foundation), Ken Faulk (Oregon Small Woodlands Association), Meta Loftsgaarden (Natural Resources Conservation Service [NRCS]), Nikola Smith (for Bob Deal, US Forest Service), Louise Solliday (OR Department of State Lands [DSL]), Ruben Ochoa (OR Water Resources Department), Sara Vickerman (Defenders of Wildlife), Bobby Cochran (CleanWater Services), Damon Hess (Parametrix), Ranei Nomura (OR Department of Environmental Quality), Jim Cathcart (OR Department of Forestry [ODF]), Sally Duncan (Institute for Natural Resources), Jon Germond (OR Department of Fish and Wildlife), Tom Byler (OR Watershed Enhancement Board [OWEB]), Ray Jaindl (OR Department of Agriculture), David Primozych (Willamette Partnership), Rick Glick (Davis Wright Tremaine), Katie Fast (Oregon Farm Bureau), Chris Jarmer (Oregon Forest Industries Council), Hal Gard (OR Dept. of Transportation)

Staff/Other Attendees: Renee Davis-Born (OWEB), Devin Judge-Lord (Willamette Partnership), David Wade, Sue Lurie (INR), Jim Fox

Facilitation Team: Debra Nudelman and Peter Harkema, Kearns & West

Deb Nudelman welcomed the group and reviewed the agenda. She noted the excellent work underway by the subgroups and said that today's meeting will focus on allowing more time for these groups to continue their deliberations. The Project Team hopes that at this meeting, the subgroups can begin reporting out to enable early identification of areas of overlap and/or conflict.

Working Group members were invited to provide brief updates. David Primozych shared with the group that Willamette Partnership (WP), The Freshwater Trust (TFT), and OWEB recently agreed to partner on a proposal the NRCS Conservation Innovation Grant program. The proposed project intends to stimulate private investment in restoration by providing a backstop in the event of failure of ecosystem services market development. Specifically, WP and TFT will engage private investors to fund restoration work and work with local groups to implement restoration projects. At a pre-determined point in the future, investors will have the option of 1) retaining ownership of ecosystem services credits associated with these projects with the intent of selling them in the marketplace for investment plus some return or 2) be reimbursed by OWEB for the cost of the project, with OWEB subsequent retiring the credits attached to these projects. David mentioned that WP and TFT staff recently met with representatives of the Federal Office of Environmental Markets and had a very positive discussion about this project. A few group members asked about who the investors would be, with the response being foundations with Program Related Investments and other "green investors. They also asked who buyers of credits from such projects would be and heard that it would be the regulated community.

Brent Davies provided an update about a project involving Ecotrust, DSL, USFWS and ODF focused on Elliot State Forest. The project will quantify forest carbon currently sequestered under existing management plan for the forest and how those values would change under different options

included under the Habitat Conservation Plan in development. They will use the Carbon Action Registry protocol for this work. Catherine Macdonald recommended that the Working Group show their early support for these two innovative projects by endorsing them as part of the recommendations from the group.

Renee Davis-Born offered an update from the 3/2/10 meeting of the Ad Hoc Group. That group learned about the final composition of the SB513 Working Group and about the deliberations and progress made to date. The Ad Hoc Group members expressed strong interest in the case studies completed by the Working Group and suggested including these in the final report in a concise format. They also asked if they could comment on the vision statement, and encouraged the Working Group to make it clearer and more concise and compelling. Renee referred the Working Group members to a few specific revisions and noted that the Ad Hoc Group encouraged them to make a clear business case for markets (e.g., how can these help achieve ecological goals, how markets fit into the broad spectrum of Payments for Ecosystem Services). The Working Group responded to this by saying it is important to highlight that both regulatory and market-based approaches are needed, and not to emphasize markets as being a “better” way to achieve ecological goals. Renee noted that the Project Team had discussed how to incorporate such recommendations from the Ad Hoc Group into the process and suggested incorporating this information into the Executive Summary and introductory material for the final report and ensuring that the ultimate recommendations from the Working Group address these issues. Working Group members suggested including specific ideas about how to stimulate demand for Payments for Ecosystem services and, more specifically, markets in a way that engages the private sector without adding new regulations.

A few Working Group members asked why the Ad Hoc Group exists. Tom Byler responded that they can provide a touchstone in terms of helping us understand the audience we are reaching and beneficial in terms of political connections they offer. He also underscored that they do not have “veto” ability over the Working Group’s products. Deb noted that the Ad Hoc Group expressed interest in adding another meeting to the schedule, possibly in September, once recommendations were nearly final. There was discussion about a possible joint meeting between the Working Group and the Ad Hoc Group. The Project Team will consider options for this.

Deb then asked the subgroup leads to provide short updates about the status of their work. Cathy Macdonald said that Subgroup I (Overarching Goals) had discussed a range of topics from setting specific goals to identifying priority areas for conservation and restoration to integrating existing plans. The group is leaning toward developing a limited number of goals/priorities that would assist in establishing a marketplace, then tying specific recommendations to these.

Several Working Group members were interested in discussing what the “finished” products from the subgroups will be. Renee suggested that they identify limitations that currently exist then focus their discussions and suggested recommendations on strategic points of intervention that will help overcome these. Deb offered that the groups could lay out options for addressing the limitations, discuss whether or not these solutions would work, and if they would, provide some specifics about how to implement them. She also noted that the subgroups should break their recommendations into three categories: 1) Tier I – important, plausible recommendations that include information about what the solution is and why it will overcome obstacles; 2) Tier II – recommendations that could be important, but likely would require integration with another subgroups’ work to create the necessary synergy; 3) Bin list – issues that do not rise to the level of warranting recommendations at this time. The group also discussed subgroups beginning to develop problem statements before laying out recommendations that will fix these issues.

Bobby Cochran provided an update for Subgroup II (Agency Processes), noting they had begun developing recommendations and next will think about the specifics of each of these and prioritize them. They are interested in hearing from non-agency Working Group members and others about what the priority needs are, especially for the 5-20% of projects that are sufficiently challenging/complex to result in problems during agency approval processes. Bobby highlighted the possible connections to Subgroup I's focus on developing overarching goals, indicating that if these existed, such goals might help facilitate collective approval among different agencies for high-quality projects.

Kendra Smith offered an update for Subgroup III (Financing). She said their discussions were focusing on issues such as co-mingling, ownership of assets vs. ecosystem services; and how public funds can stimulate market development. The subgroup is interested in exploring how delayed sale of credits can encourage stewardship and learning more about the Uniform Commercial Code (UCC) process. Kendra also noted that the group is suggesting where existing programs already provide Payments for Ecosystem Services, they define clearly how issues such as ownership and sale of credits should be handled.

Damon Hess provided an update for Subgroup IV (Standards/Methodologies), noting they were focusing on the stacking/bundling issue. From their perspective, recommendations about an integrated market cannot be made without addressing this issue. Damon also explained that they are discussing the importance of having accounting systems that result in "pure" calculations of the ecological value of projects on the supply side, then overlay policy considerations as part of the demand-side determination of credits needed to address specific impacts. The group will suggest eligibility criteria for projects, and also offer some examples by which this approach to calculations on the supply and demand sides could be tested in a "safe" space to provide proof of concept. David Primozich emphasized his interest in having 3rd-party verification and the use of registries be addressed by this subgroup. Bobby Cochran noted that requirements such as these might be best addressed in the Agency Processes subgroup, especially given the connection to Federal issues.

In advance of the subgroup updates, Renee and Deb referred the group to the flip charts. The subgroups were asked to continue considering several issues as part of their work. For example, how can their recommendations help stimulate demand for Payments for Ecosystem Services and markets? Will the recommendations assist with integrating markets and ensure they are producing positive ecological and economic outcomes? Deb then asked the subgroups to convene and continue their work.