



July 28, 2010

**MEMORANDUM**

**TO:** S.B. 513 Working Group Members

**FROM:** Debra Nudelman and Daniel Grant, Kearns & West

**SUBJECT:** S.B. 513 Working Group – July 21 Meeting Action Items

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Thank you for your participation and efforts at the S.B. 513 Working Group meeting held July 21, 2010 at the Oregon Department of Forestry in Salem, 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"> <li>September 2, 2010</li> <li>October 20, 2010</li> </ul>	Working Group	Salem, Dept. of Forestry Portland, TBD
<ul style="list-style-type: none"> <li>July 29, 2010</li> <li>September 28, 2010</li> </ul>	Ad Hoc Group	Salem, State Lands Bldg. Portland, Perkins Coie

Action Items	Who	When
1. <u>Information follow up</u> <ul style="list-style-type: none"> <li>Develop and distribute action items and meeting summary</li> </ul>	OWEB/K&W	By cob, July 26
2. <u>Results from Subgroup IV Methodologies</u> <ul style="list-style-type: none"> <li>Recommend that the state invest in populating these tools; draft language and include in report</li> <li>Review content (after it is developed by Sally and Renee) re: differences between regulated and voluntary markets as it relates to legal requirements, potential for bundling/stacking, etc.</li> </ul>	Drafting Committee  Cathy MacDonald/ Kemper McMaster/ ODOT staff	For September 2 <sup>nd</sup> Meeting  By cob, July 29

Action Items	Who	When
<p>3. <u>Reports and Summaries</u></p> <ul style="list-style-type: none"> <li>Share ideas for what else the report needs to be complete</li> <li>Share reports/summaries of Sustainability Board/Ad Hoc Group with the Working Group</li> </ul>	<p>Working Group members to Renee Davis-Born Project Team</p>	<p>By cob, July 29  During 1<sup>st</sup> week of August</p>
<p>4. <u>Recommendation #2</u></p> <ul style="list-style-type: none"> <li>Provide suggestions about making existing Oregon Operating Procedures #3 about sale of credits by agencies more positive in tone</li> <li>Review Oregon Operating Procedures to see if some procedures should be specific recommendations</li> <li>Review existing Oregon Operating Procedures: <ul style="list-style-type: none"> <li>#2 section about state agencies serving as brokerages; and</li> <li>#3 section about sale of credits by agencies and provide necessary revisions</li> </ul> </li> </ul>	<p>Jim Cathcart  Cathy MacDonald  ODOT staff</p>	<p>By cob, July 29  By cob, July 29  By cob, July 29</p>
<p>5. <u>Recommendation #3</u></p> <ul style="list-style-type: none"> <li>Review existing content for Recommendation #3 re: agency purchase of credits and provide suggestions about incorporating concept of investing in outcomes</li> </ul>	<p>ODOT staff</p>	<p>By cob, July 29</p>
<p>6. <u>Recommendation #4</u></p> <ul style="list-style-type: none"> <li>Provide content for new recommendation about state and local governments considering full spectrum of ecosystem services in land use planning</li> <li>Review language to be provided by Cathy, Brent and Kendra re: land-use planning</li> <li>Talk with DLCD staff about: <ul style="list-style-type: none"> <li>resources they provide re: local planning; and</li> <li>potential for ecosystem services to be considered in updates of local comprehensive plans</li> </ul> </li> </ul>	<p>Cathy MacDonald/Brent Davies/Kendra Smith  Louise Solliday  Ruben Ochoa</p>	<p>By cob, July 29  By cob, July 29  By cob, July 29</p>

Action Items	Who	When
<p>7. <u>Recommendation #5</u></p> <ul style="list-style-type: none"> <li>Check with Governor’s Office and interagency sagebrush group regarding aligning efforts with SB513 recommendations</li> </ul>	Joe Zisa/Turner Odell	By cob, July 29
<p>8. <u>Actionable Items to “Test Drive”: Old Recommendation #1</u></p> <ul style="list-style-type: none"> <li>Assist Sally and Renee with retooling the Oregon Green concept into a private-public partnership that could help kick-start a voluntary market, but without using certification (at least initially) as a vehicle</li> <li>Provide a short overview of the WP/TFT/OWEB project using content on pp. 16-17 of the report as a starting point.</li> <li>Suggest ideas for connecting sagebrush “pilot” idea to the existing Oregon Solutions sagebrush collaborative process that is underway in a way that could test some of the 513 recommendations on-the-ground</li> <li>Provide an overview of the Ecotrust quantification work on the Elliott State Forest and similar work in juniper-sage ecosystems that may occur on the east side</li> <li>Potentially provide an example forestry-related project that could be enabled via a voluntary market (Sally and Renee will follow up if this is, in fact, content to include in the report)</li> <li>Provide a description of one of their Counting on the Environment pilots</li> </ul>	<p>Chris Jarmer, Damon Hess</p> <p>David Primozych</p> <p>Joe Zisa/Cathy MacDonald/Turner Odell</p> <p>Brent Davies</p> <p>Chris Jarmer/Brent Davies/ Ken Faulk</p> <p>ODOT staff</p>	<p>By cob, July 29</p>

## **Meeting Documents**

The following documents were distributed at this meeting:

- Proposed Agenda SB513 Working Group 7.21.10 Meeting
- Action Items Memo – SB 513 Working Group 5.27.10 Meeting
- Revised Recommendations Proposed by Subgroups
- Draft Final Report 7.18.10 version – SB 513 Ecosystems Services Markets Working Group
- Beaver, A Keystone Species and Indicator for Multiple Ecosystem Services Summary
- Ecosystem Service Payments and Energy Development in Oregon’s Sagebrush Country
- Results from Subgroup IV Methodology/Commons Exercise

*Copies of these documents can be obtained by contacting Kearns & West*

## **Flipchart Notes:**

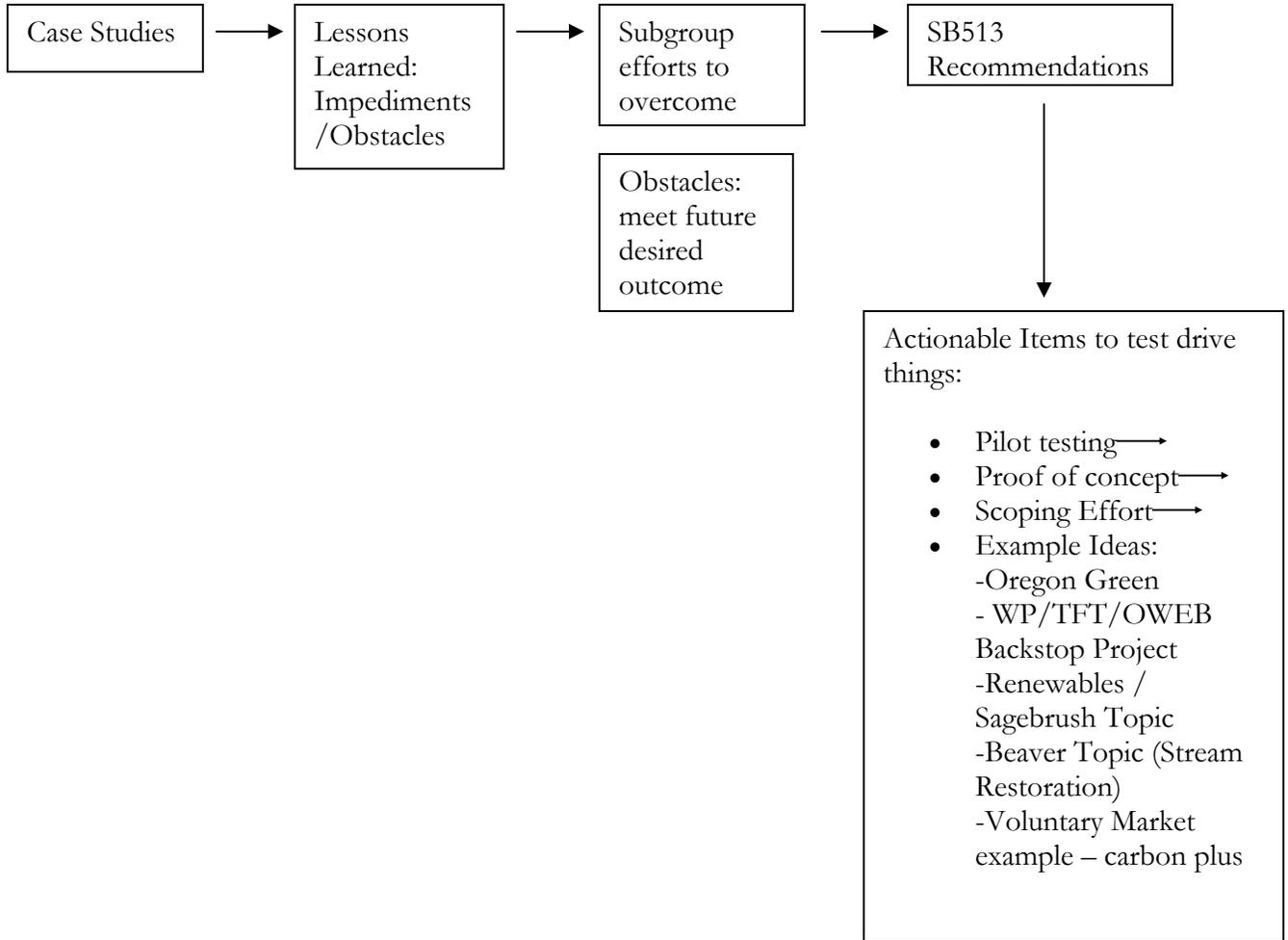
### **Upcoming Meeting Dates**

- July 21 Working Group Meeting
  - Draft Report for group consideration
- July 23 Sustainability Board Meeting
- July 29 Ad Hoc Advisory Group Meeting
- September 2 Working Group Meeting
  - “Near Final” Report
- September 24 Sustainability Board Meeting
- September 28 Ad Hoc Group Meeting
- October 20 Working Group Meeting
  - Final Package to “bless”
- November 19 Sustainability Board Meeting
  - Final Report and Recommendations for approval

### **Results from Subgroup IV Methodologies**

- Recommendations about advancing tools
- What to do with Stacking and Bundling topic
  - Consider exploring a dual track of voluntary and regulatory markets

**Process Flow Chart**



## Meeting Summary

**Working Group Members:** Joe Zisa (for Paul Henson, US Fish and Wildlife Service [USFWS]), Catherine Macdonald (The Nature Conservancy), Kendra Smith (Bonneville Environmental Foundation), Bob Deal (US Forest Service), Louise Solliday (OR Department of State Lands [DSL]), Ruben Ochoa (OR Water Resources Department), Sara Vickerman, Defenders of Wildlife, Ranei Nomura (OR Department of Environmental Quality), Jim Cathcart (OR Department of Forestry [ODF]), Tom Byler (OR Watershed Enhancement Board [OWEB]), David Primozych (The Freshwater Trust), Rick Glick (Davis Wright Tremaine), Chris Jarmer (Oregon Forest Industries Council), Hal Gard (OR Dept. of Transportation [ODOT]), Mike Wilson (Grand Ronde Tribes), Sally Duncan (Institute for Natural Resources [INR]), Kemper McMaster (Kemper Consulting), Ken Faulk (Oregon Small Woodlands Association [OSWA]), Brent Davies (Ecotrust), Ray Jaindl (OR Department of Agriculture), Devin Judge-Lord (Willamette Partnership).

**Staff/Other Attendees:** Renee Davis-Born (OWEB), Sue Lurie (INR), Vijay Kolinjivadi (World Forest Institute), Russell Bassett (Native Fish Society), Paul Engelmeyer (Audubon Society), Jim Fox.

**Facilitation Team:** Debra Nudelman and Daniel Grant, Kearns & West

Deb Nudelman welcomed the group and reviewed the agenda. She explained that today's meeting focuses on discussion of the draft report and recommendations. The Working Group will talk through issues in order for the Report Drafting Committee and staff to revise the document and provide the group with a near-final report prior to the September meeting. Deb noted that at its first meeting, the Working Group agreed to strive for consensus (defined as "everyone can live with the product/decision"), but will leave space for majority decision-making if necessary. She then asked for comments about the 5/27 meeting summary. No concerns were expressed.

Renee Davis-Born noted the upcoming meetings with the Oregon Sustainability Board and the Ad Hoc Group. At these meetings, staff will provide the groups with updates about the 7/21 Working Group discussion of the report and recommendations and will hear feedback from each group about the draft document. The input of each of these groups will be shared with the Working Group and incorporated into the revised report and recommendations.

Ken Faulk provided an update about L&C Carbon, which is a new joint endeavor between the OSWA and CE2 Capital Partners. David Ford, current OSWA Executive Director, will become CEO of this company, and a new ED will join OSWA.

Sally Duncan provided an update about the 3<sup>rd</sup> Annual National Ecosystem Markets Conference that was held in June in Raleigh, NC. She said that this year's conference provided a reality check regarding the time necessary to develop ecosystem markets. There was a lot of discussion not only about markets, but more broadly about payments for ecosystem services, and also about the importance of developing market infrastructure. The issue of bundling and stacking was addressed, and participants noted that it will take time to resolve the issues around this topic. Sara Vickerman and David Primozych underscored that much of discussion was about paying people to do good things, rather than a limited focus on markets only. David also said that there is a lot of interest in moving from "gray" to "green" infrastructure and that at next year's conference, participants would like to focus on case studies. He noted that Oregon is quite far ahead of other states in considering

policy issues around ecosystem markets. Sara reiterated that the 513 Working Group report and recommendations will have wide exposure beyond Oregon given that many states and Federal agencies are looking to Oregon for guidance on policy issues.

The group then heard the results of Subgroup IV methodology review process. Sally reviewed the document describing the process and results, noting that seven methodologies were measured against criteria articulated by the Subgroup (with input from interested Working Group members). The subgroup determined that Counting on the Environment products and Ecometrix were headed in the right direction in terms of balancing the various criteria. They noted that tools are needed for the range of markets (i.e., regulated and voluntary) and incentives-type payments for ecosystem services. A few Working Group members asked about the statement in the results document regarding tools needing to work nationally. Others responded that Federal agencies are key to methods development and that projects and resources cross jurisdictional boundaries. The group agreed that a consistent framework is important, but the tools must be appropriate for measurement locally. Discussion then moved to the topic of bundling and stacking. Sally noted that both ecological and economic approaches to bundling and stacking exist and, as discussed at the National Conference, it will take some time to resolve conflicts around this issue. Hal Gard stated that there needs to be a clearer description in the report about the differences between voluntary and regulated markets as it relates to the bundling and stacking issue.

Renee then walked the group through the draft report content, including recommendations. Deb mentioned that in addition to obtaining feedback from the Working Group members, the discussion would focus on such issues as area of heartburn and any items that may be missing from the report that members believe are important. The group began discussing the recommendations in order:

Recommendation 1, Oregon Green: Ruben provided a brief overview of the recommendations, stating that the Oregon Green certification program builds on Oregon's "green" reputation with a non-threatening action item that can advance restoration. Tom Byler highlighted this as an opportunity to test drive concepts discussed by the 513 Working Group via a real-world program. Renee mentioned that Damon Hess developed this idea as a way to provide a testing ground and stimulate demand with a "transitional" program that develops a voluntary market. Chris Jarmer and Kendra Smith expressed concerns about the complexity of developing a certification program, ranging from costs of transaction to marketing and maintaining such a program. They also asked how this would be different from existing certification programs, if there is interest from businesses in supporting this, and if the state is prepared to work with the business community. One Working Group member asked if this recommendation fit given the charge to the Working Group, and several others responded that this connects to several aspects of the group's charge. While group members supported the ideas of creating an opportunity to test concepts emerging from the 513 process and growing a voluntary market, they indicated that a certification program may not be the correct first step in doing this.

Recommendation 2, Early investment/shared conservation goals: The group discussed the Oregon Operating Principles and noted that there should be a separate recommendation encouraging adoption of these, rather than simply highlighting the need for them to be developed through time without a specific immediate action item. Many aspects of the Principles are focused on regulated markets, and several group members suggested that the report better clarification when this is the case.

Recommendation 3, Purchase of credits: The group suggested that the Willamette Partnership/The Freshwater Trust/OWEB pilot could be elevated to a recommendation, along with other ideas

for pilot projects, proofs of concept and scoping efforts, because these will provide opportunities for testing various 513 recommendations and stimulating demand.

Recommendation 4, Encourage natural infrastructure: Kendra asked how you incentivize investment in natural infrastructure, and also what the actionable item in this recommendation is.

Several members noted that currently, this recommendation encompasses both natural infrastructure concepts and broader land-use planning issues. They decided to split these into two separate recommendations. As part of this discussion, the group noted that it is important to include good ideas in the report, even if these will be implemented over the long term when the State's fiscal situation improves. However, the "Implementation" section for each recommendation will highlight key immediate steps (next 6-18 months) that have little to no fiscal impact.

Recommendation 5, Convene an entity to provide guidance of ecosystem service market issues: It was suggested to change the language from "convene an entity" to "continue the discussion" in order to avoid the perception that the report recommends creating a new entity at a challenging fiscal time. After highlighting the remaining and emerging issues related to ecosystem markets that need attention and guidance, the group can explore how to find a way to get the Legislature to tell agencies to continue to be involved in such discussions and complete this work.

The group discussed one portion of this recommendation—the concept of a pre-compliance market in sagebrush habitats related to wind energy facility and transmission line development. Such a project could provide another opportunity to test concepts discussed by the 513 Working Group and the potential for an alternative path that could streamline permitting while improving ecological outcomes. Joe Zisa suggested that, since good work on this topic already is underway through an Oregon Solutions project, the Working Group explore ecosystem marketplace concepts for promotion and/or testing into that effort. Working Group members decided that this, along with a few other actionable projects that could test concepts and recommendations, be included in a single recommendation focused on development and implementation of pilot projects.

The group also suggested excerpting Section 4 (Need for Congressional action) from this recommendation and including it as a sidebar focused on needed action at the Federal level and connecting to other content such as adoption of Oregon Operating Principles by Federal agencies, a consistent approach to bundling and stacking given the regulatory overlay, etc.

After completing the review and discussion of report content and recommendations, the Working Group heard from Paul Engelmeyer of the National Audubon Society. He walked the group through the beaver briefing paper and described the broad variety of ecosystem benefits that beaver provide for free. In light of these multiple benefits, Paul asked why the Working Group had not specifically considered beaver as an important tool to promote as part of the ecosystem services toolbox. Several group members expressed that this topic was out of place for consideration by the Working Group given that it was focused on management of a specific species, rather than considering broad policy issues that could facilitate development of ecosystem services markets. Other members indicated that beaver could be an inexpensive way of doing restoration, especially on public lands. The group then had a wide-ranging discussion about beaver's role in the ecosystem and the appropriateness of this topic for the consideration by the Working Group. One suggestion was made that proponents of the briefing paper should think about the ecosystem services that beavers provide and identify a way to quantify the functional outputs of these roles in a way that is

market relevant. Ultimately, the group agreed that while the issue of beaver management as it relates to ecosystem services is an important one for future consideration, the timing of introduction of this idea, along with the specific nature of the issue, does not lend to including it in the 513 report and recommendations.

Deb reviewed the input provided by the group about the report and recommendations and noted that Renee would follow up with Working Group members about individual assignments from today's discussion that will contribute to the report revisions. These and other revisions will be completed by the Report Drafting Committee and staff and shared with Working Group members in advance of the September meeting.