

**SB 513 Ecosystem Services Markets Working Group  
Ad Hoc Advisory Group  
November 2, 2009  
Draft Meeting Summary**

**Meeting Participants:** Gail Achterman (Institute for Natural Resources), Tom Byler (Oregon Watershed Enhancement Board [OWEB]), Bobby Cochran (CleanWater Services), Renee Davis-Born (OWEB), Tim Hughes (Rep. Chris Garrett's Office), Annabelle Jaramillo (Benton County Board of Commissioners), Justin Martin (Perseverance Strategies), John Miller (Wildwood Mahonia), David Primozich (Willamette Partnership), Christine Svetkovich (Oregon Department of Environmental Quality), Sara Vickerman (Defenders of Wildlife)

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

Tom Byler welcomed the group and thanked everyone for attending. He said that OWEB is assisting with the SB 513 Ecosystem Services Markets Working Group and the Sustainability Board on ecosystem marketplace efforts and noted that the Ad Hoc Advisory Group is a complement to the Working Group effort. The Ad Hoc group will serve as a check to ensure efforts are headed in the right direction. Tom then introduced Deb Nudelman, the Kearns & West facilitator who will be helping with today's meeting and the overall effort. Deb noted that Turner Odell of Oregon Consensus was not able to attend today's meeting. Oregon Consensus provides a neutral forum along with neutral services including conflict assessment, convening and facilitation to resolve complex multi-party public policy issues. Oregon Consensus is pleased be able to support the Sustainability Board and OWEB by providing a neutral forum and neutral facilitation services for both this Ad Hoc Group process as well as for the Ecosystem Service Markets Working Group process.

Deb invited participants to introduce themselves and noted that a number of Ad Hoc group members were not able to attend this meeting; however they will be reviewing the meeting summary and providing additional information and feedback on topics of conversation. Deb walked the group through the agenda and noted that the primary focus of today's meeting will be the discussion around the questions listed in the 2:30 – 4:15 section of the agenda.

Sara Vickerman noted that this effort is relevant to a number of policy dialogues, including the Willamette Partnership's work on ecosystem services markets that has been ongoing for five years. This effort is intended to build upon this and other work. Among the key policy issues that this group is intended to work on is integration and beginning to breaking down the silos between the various markets. Another key issue for the group to consider is what the role of government should be in enabling ecosystem marketplaces.

Bobby Cochran provided a brief overview of ecosystem services and markets. He reviewed the history of ecosystem markets and provided a number of examples of markets that have been

working since the late 1960's. He noted that markets often function best when a clear goal has been defined and then local knowledge is used to help define how to reach the goal. It will be essential for the group to define clear goals for an ecosystem marketplace that would be developed in Oregon. He explained that there are both pros and cons to markets, explaining that they are cost effective, efficient, and often create better relationships among players. However, there are those that worry they create "hotspots" of impacts and may increase inequity.

Bobby noted that in many cases markets have been negatively impacted by unforeseen "external shocks," such as bankruptcy or natural disasters. He suggests it will be important for this group to give considerable thought to potential external shocks to ecosystem markets in Oregon. He also noted that it will be important for the group to consider both the buyer and the seller sides of the market, which will be setup to achieve overall improvement on both sides.

He then explained that ecosystems services are the services that nature provides and really came to light with the Millennium Ecosystem Assessment. Previously, ecosystem services were undervalued because they had no defined value, yet are essential to the function of human society. An ecosystem market is a way of actually obtaining the service through funding mechanisms. As a societal and public policy matter – the value should be taken into account whether or not there is a regulation or law to address them. *[Action Item:]* Group members requested that Bobby provide a summary of the best available resources available on ecosystem markets.

There was a group discussion regarding the challenge associated with developing integration when services are regulated unevenly – some with much regulation and others with little or none. It was noted that this group should take a broad view rather than focusing only regulated or voluntary markets. Others noted that in some ways Oregon is leading the nation regarding interest and support for ecosystem markets, but does not yet have clearly articulated environmental goals for such markets. In many ways local government has done a better job of clearly defining environmental goals, for example with land use planning.

There was considerable discussion about the importance of the Ad Hoc group providing broad policy guidance while not "getting in the weeds." It was explained that this group is the compass check and that while there are many potential focus areas under SB 513, there will not be time to address all issues. OWEB noted that they are hoping this group will help identify potential core goals and red-flag areas for the Working Group, and to provide general policy guidance.

Others suggested that it will be important to define the decision space of the group. If the outcomes of the Working Group are to be successful, then both the Ad Hoc and Working groups will need to determine what legislation is necessary to and how state and local governments can foster the development of ecosystem markets. It was suggested that the decision space is

defined by the fact that there are some things that only government can do, and this area is a logical one for focus by the Working Group.

It was suggested that four potential roles for state government in developing an ecosystem marketplace might include: (1) developing shared goals, (2) developing standards (e.g. data and integration), (3) providing technical expertise, and (4) serving as a market maker by purchasing credits. The group reviewed the Charge to the Working Group in the “Approach and Process” document and some members suggested that the big public policy issues that the working group should consider spending substantial time on are a) study and propose overarching goals..., e) consider the appropriate role of government..., and f) propose potential policies. Other items in the list were recommended for inclusion in the report to the Legislature, but in a way that requires less time and effort by the Working Group.

Some members wondered if the four steps build on each other or not. It was suggested that the items could work on parallel paths.

There was some discussion on the potential role of state government in defining market standards. It was noted that for the market to function well there will need to be a unified way of packaging services needed for various markets, thus providing some integration. This may also factor into the development of shared goals and priority areas that would serve as standards by which projects could be evaluated for ecosystem markets. Standards also might provide opportunity for individuals who meet several standards, but are outside of priority areas. Regardless, standards need to be set in a way that provides certainty for landowners who might want to participate. It was suggested that the Public Lands Committee of the Association of Oregon Counties might be a helpful focus group to consider some key questions related to standards.

Others said that government as a market maker would also be a critical element to consider because government could help provide market stability during development. The Columbia Basin water transaction was given as an example through which BPA funding commitment has provided stability that allowed the water transaction system to develop.

It was noted that the Working Group should have clearly defined goals and, when possible, existing work should be utilized to maximize efficiency. Others agreed and noted that considerable thought should be given to integration. Bridging the gap between silos is a huge task; however, it would be a major win and may be worth taking the time needed.

It was noted that as this effort moves forward it will be important to developing a common language on the topics beginning discussed. Running through hypothetical scenarios might help illustrate the terminology used. Others noted that in addition to developing a common language, significant consideration should be given to the audience for the product of the group’s effort. One suggestion was to consider the legislator the primary audience, as well as the state agencies. For political viability, any legislation will need to resonate with both sides

of the aisle. It was suggested that one potential role for the Ad Hoc group is to provide political guidance and connection to legislators, businesses and other key parties.

The group discussed potential items for Working Group consideration. A suggestion was made for the Working Group to track where public and private efforts are developing (e.g. EPA, USDA Office of Ecosystem Services and Markets, Market Environmental Registry, etc.). In addition, the group should think about where Oregon's markets might match up with private markets. Similarly, thought should be given to how to position Oregon to have the public and private relationships necessary to make Oregon the "go to" place in terms of model ecosystem services markets. In addition the state should consider a natural resource inventory such as was conducted in New Jersey. A thorough assessment would help determine a baseline, which would provide helpful information when discussing additionality.

Some Ad Hoc members wondered whether there is sufficient representation on the Working Group from all key parties. There was some discussion of the challenge and importance of involving landowners. Group members saw the importance of involving landowners but noted that it might be challenging, as the Working Group will initially be doing work that requires a high level of technical expertise. It was noted that this needs to be an accessible process so people can participate if they want to. One suggestion was to consider having focus groups with key stakeholders at a couple of key points throughout the process to check progress and identify potential obstacles. It was suggested that the Working Group might develop a strategy for communication and outreach.

The group discussed the question of what a successful market looks like. Some suggested that a successful market would have tangible and added ecological benefits. For others, it may be the degree to which private landowners obtain access to additional sources of revenue, while others might define success as the number of transactions. Ideally the market would provide all of these. Additional thought is needed on what a successful market looks like and also on how to know to know when you have achieved success. A suggestion was made that a market assessment would be a useful tool to ascertain which markets have the most potential. Providing such an assessment might be an appropriate role for government.

Group members asked what OWEB saw as its role in this effort. Tom explained that he and Renee will be involved, will attend meetings, and that meetings will be facilitated. OWEB is a state agency that acts much like a public foundation that has been investing in ecosystem services for more than 10 years through the funding of restoration and conservation projects. OWEB does not have a vested interest from a regulatory standpoint because OWEB is a non-regulatory agency. The agency wants to better understand how their investments might match up with what is available in terms of potential projects and market interest. He noted that he had briefed cabinet level officials about the Working Group and would continue to keep people informed. In addition, OWEB is enlisting the Institute for Natural Resources at OSU to assist with policy analysis and help prioritize policy issues. OWEB hopes to make this information available to help to frame ongoing discussions.

Group members expressed appreciation for OWEB convening this group and today's meeting. Deb noted that an overview style of meeting summary would be distributed and requested that group members review the document and provide any suggested additions or modifications. Those who were not able to attend the meeting will also provide input on today's topics of conversation and their comments will be added to the meeting summary. There being no additional topics, the meeting was adjourned at 4:17 pm.

### **Comments from Ad Hoc members who were not able to attend the November 2 meeting:**

Tom Imeson (Port of Portland): His key messages were to keep transaction costs low and keep the process simple. Specifics follow:

- Service areas for wetlands and other ecosystem services should balance local needs (urban) and ecological priorities (likely more rural).
- Regulating agencies should not also be bankers.
- The best role for government agencies is to set accountability standards and enforce them.
- Simplicity is important to buyers and sellers.
- Early actors deserve some special benefits.
- The systems will be experimental at the outset, resist the temptation to build perfect system at the beginning.
- Silos in government are the greatest obstacle to success of multi-credit markets.
- Natural Resource Damage Assessments should be considered as potential source of revenue for priority restoration projects (although some of these projects are characterized by uncertainty and complexity, thus presenting potential challenges).
- Successful pilot projects are a good way to demonstrate utility of ecosystem service markets.

Indigo Teiwes (Earth Advantage):

- Measuring Ecosystem Market Success: I'd suggest rather than the "number of transactions" as a measure of success a combination of volume 'traded' and number of market participants (number of participants engaged in transactions) would provide a more useful indication of market success.
- Regarding the role of government agencies: I agree that setting standards is a key role for government. One of the challenges facing the voluntary carbon market is the variability, inadequacy and/or absence of voluntary standards. Standards (around quality requirements, quantification, verification etc.) set by government agencies provide a multitude of benefits, two key points being:
  - 1) investor/landowner certainty
  - 2) market protection (avoid the backlash that can result from inconsistency in the market)
- Simplicity, Verification and Transparency: I didn't see 3<sup>rd</sup> party verification mentioned in the meeting notes -- perhaps the discussion didn't get to this level of specifics.

However, I think that it is important to keep things simple, AND, it is imperative that 3<sup>rd</sup> party verification be built into the market, along with transparency. This increases market participant confidence, as well as general attitudes regarding the market.

**Comments from Sustainability Board members, 10/23/09:**

On October 23, Sara Vickerman provided an update on the Working Group process to the Sustainability Board. She distributed the paperwork on group membership, schedule, and potential policy issues that the Working Group may address. Following is a brief summary of comments received from Sustainability Board members:

- Eric Schooler (Collins Pine) expressed skepticism that we could deal with silo in government problem. He also wants more involvement by rural communities, and is interested in the broadest possible service areas to provide maximum flexibility in making mitigation investments.
- Annabelle Jaramillo (Benton County Board of Commissioners) thinks we need to pay more attention to what local government can do with ecosystem markets. She may also be interested in having local governments sell ecosystem services.
- Someone mentioned getting John O'Keefe (Lake County rancher) involved. It was explained that Working Group membership had already been established but that it would be possible to arrange meetings with specific individuals or group.
- Kate Brown (Secretary of State) mentioned "one-stop-shopping" or a single point of entry for information on ecosystem service markets, and public-private partnerships. She also wanted to know when we would see markets produce projects on-the-ground.