



December 10, 2009

**MEMORANDUM**

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

**FROM:** Debra Nudelman and Peter Harkema, Kearns & West

**SUBJECT:** S.B. 513 Working Group – December 3 Meeting Action Items

Thank you for your participation and efforts at the S.B. 513 Working Group meeting held December 3, 2009 at the Oregon Department of Forestry offices 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>• January 27, 2010</li> <li>• February 17, 2010</li> <li>• March 25, 2010</li> <li>• April 21, 2010</li> <li>• May 27, 2010</li> <li>• July 21, 2010</li> <li>• September 2, 2010</li> <li>• October 20, 2010</li> </ul>	Working Group	Salem, State Lands Bldg. Salem, TBD Portland, TBD Salem, TBD Portland, TBD Salem, TBD Salem, TBD Portland, TBD
<ul style="list-style-type: none"> <li>• March 2, 2010</li> <li>• July 29, 2010</li> </ul>	Ad Hoc Group	Portland, TBD Salem, TBD

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> <li>• Develop and distribute Working Group contact list/roster</li> <li>• Confirm availability and distribute a proposed 2010 meeting calendar; send January doodle, as needed</li> </ul>	OWEB/K&W  OWEB/K&W  OWEB/K&W	By cob, December 10  By cob, December 8  ASAP
2. <u>Participation</u> <ul style="list-style-type: none"> <li>• Provide names of any suggested additional participants</li> </ul>	Working Group to Renee	By cob, December 18

Action Items	Who	When
<ul style="list-style-type: none"> <li>Finalize participant list and distribute to Working Group for confirmation</li> </ul>	OWEB	In advance of January meeting
3. <u>Report framework</u> <ul style="list-style-type: none"> <li>Develop final report framework and nest “policy issues two pager” information within; distribute to Working group members for review</li> </ul>	Sally/INR	In advance of January meeting
4. <u>Vision Statement</u> <ul style="list-style-type: none"> <li>Synthesize group feedback and develop a draft proposed vision statement for group review and consideration</li> </ul>	Sally	In advance of January meeting
5. <u>Case Studies</u> <ul style="list-style-type: none"> <li>Distribute template</li> <li>Develop potential cases studies that demonstrate impediments</li> <li>Develop potential case studies that demonstrate what is absent</li> <li>Research and develop lessons learned of “best practices” for what is working</li> </ul>	K&W  Hal, Kemper, Sara, Paul, Jon, Brent, Cathy, Ranei, Kendra  Damon (lead), Kemper, Rick, Jon, Paul  Sally/INR	By cob, December 4  By cob, December 18  By cob, December 18  Strive for in advance of January meeting
6. <u>Definitions</u> <ul style="list-style-type: none"> <li>Develop propose definition of “integration” for group review and consideration</li> </ul>	Sally/INR	In advance of January meeting

Bin List
<ul style="list-style-type: none"> <li>Service area – tension of regulatory agencies wanting it small, others want it as large as possible</li> <li>Use an example to see what is blocking success – discuss how to overcome/fix               <ul style="list-style-type: none"> <li>Potential examples:                   <ul style="list-style-type: none"> <li>Oregon water quality</li> <li>Checker Mallow conservation bank</li> <li>Wetland and ESA credits on same property</li> <li>Comingling of funds</li> <li>Oregon wind farm markets in California</li> <li>Transportation project</li> </ul> </li> </ul> </li> <li>Social network mapping to determine who is good at and wants to do what, linkages, and barriers to where you want to go</li> </ul>

## Meeting Documents

The following documents were distributed at this meeting:

- Proposed Agenda SB513 Working Group 12.3.09 Meeting
- Senate Bill 513
- SB 513 Ecosystem Services Markets Working Group – Approach and Process
- SB 513 Ecosystem Services Markets Working Group – Guiding Principles
- SB 513 Ad Hoc Advisory Group November 2, 2009 Draft Meeting Summary
- Potential Policy Issues to be Addressed by 513 Working Group
- Glossary of Terms – Ecosystem Services Markets Terms
- “Status of Markets for Ecosystem Services” by Sara Vickerman
- Policy Cornerstones and Action Strategies for an Integrated Ecosystem Marketplace in Oregon

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

## **Flipchart Notes:**

### **Participation**

- Other interests to consider
  - Local government
  - Private landowners
    - Farmers, ranchers
    - Foresters/woodlands
    - Developers
  - Federal agencies
    - NOAA
    - EPA
    - Corp
  - Watershed Councils
- 1. Consider adding members to Working Group; and
- 2. Focus groups
- 3. Small groups
- 4. Ad Hoc group relationship
- 5. Outreach and feedback

### **Potential Policy Issues**

- Is everything here? If not, what are the gaps?
- Are there any that should not be included? (policy related or not?)
- Are there priorities to be handled first?
- What are the suggested approaches to address policy issues?
- Interest in a shared vision

### **Role of INR**

- Impediments – regulatory/legal process barriers
- Draft vision statement

## **Report Framework**

1. Vision/Goals
2. Guiding Principles
3. Current State of Affairs
4. Impediments
  - Bad things
  - Absent things
5. Recommendations for how to overcome impediments
  - What: Short/Medium/Long-term policy recommendations
  - Who: State/Federal/Local/Private

## **Desired Future Condition/Vision**

- One stop center
- Regulatory guidance in place that provide certainty and comfort
- Conserving and restoring the environment/profitable for private land managers
- Focus investment toward things and places that reverse negative current trends
- Fair and transparent way to buy and sell ecological restoration
- For 2012 Oregon landowners, voluntary incentives (primarily financial) to maintain and expand ecosystem service on their property
- For users, an efficient expeditious, fair marketplace to carry out livelihoods
- Simplicity – landowners can make investments and simply bring it to market (e.g. like a Saturday market)
- Projects registered on third party registry, compulsory, and compliance
- Emphasize integration
- Look for ways for net benefit
- Willing buyer and willing seller – accommodate both for true marketplace
- Process that works, is fair and transparent
- Understand what we mean by “net benefit” and “integration” – e.g. across various laws
- Market where landowners participate voluntarily through banks and activities
- Provide regulation that supports what we want to accomplish
- Resources are built into the process to ensure infrastructure can exist
- Credits are available across range of offsets needed and generate own credits when enhancement opportunities are available
- Take it off the critical path on project delivery
- Consistent means to value ecosystem services within a transparent market infrastructure
- Spatially explicit statewide conservation strategy
- Integrated ecosystem marketplace that effectively addresses consistent priorities, rewards strategic investment, and is fun and profitable for landowners
- Consistent with state integrated water resource plan and state climate change plan
- Diminished government role
- Standards in place
- Accounting for the suite of ecosystem marketplace services
- Maximizing restoration and priority areas
- System that considers environmental and community benefits of working landscapes
- Stable funding for long-term management
- Support mosaic of high quality, diverse, and interconnected habitats and a landscape that support local livelihoods, spirit, and species survival
- Green infrastructure appropriate and maintained
- Improving Trend in Oregon ecosystem and ability/capacity and resilient to changes
- Mechanics – marketplace - reduce threats, meet ecological needs, provide long-term capacity to ensure long-term investments

- System based on solid scientific assessment of ecosystem changes, economically feasible and sustainable, recognizes the tradeoffs among various services, and politically acceptable
- For 2012 → economically profitable for landowners of all types so we can get to truly meaningful scale for long-term sustainability and resilience of rural communities and beneficial for global climate

## Meeting Summary

**Working Group Members:** Paul Henson (US Fish and Wildlife Service), Brent Davies (Ecotrust), Susan Capalbo (OSU), Catherine Macdonald (The Nature Conservancy), Kendra Smith (Bonneville Environmental Foundation), Meta Loftsgaarden (Natural Resources Conservation Service), Nikola Smith (for Bob Deal, US Forest Service), Louise Solliday (OR Department of State Lands), Ruben Ochoa (OR Water Resources Department), Sara Vickerman (Defenders of Wildlife), Damon Hess (Parametrix), Hal Gard (OR Department of Transportation), Ranei Nomura (OR Department of Environmental Quality), Jim Cathcart (OR Department of Forestry), Mike Wilson (Grand Ronde Tribes), Sally Duncan (Institute for Natural Resources), Kemper McMaster (Wildlands, Inc.), Jon Germond (OR Department of Fish and Wildlife), Chris Jarmer (Oregon Forest Industries Council), Tom Byler (OR Watershed Enhancement Board), Ray Jandl (OR Department of Agriculture), David Primozych (Willamette Partnership), Rick Glick (Davis Wright Tremaine)

**Staff/Other Attendees:** Turner Odell (Oregon Consensus), Renee Davis-Born (OWEB)

**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 highlighted OWEB's interest in ecosystem marketplace development given the agency's support of restoration and conservation actions in Oregon. Tom then introduced Deb Nudelman and Peter Harkema, the Kearns & West facilitation team who will be helping with today's meeting and the overall effort. Deb asked that Turner Odell of Oregon Consensus explain his group's role in the process. Turner described Oregon Consensus as an organization that assists governments and interested parties with collaborative policy development and conflict resolution by providing a neutral forum for finding solutions. Oregon Consensus teams with private-sector facilitators, in this case Kearns & West. Turner noted their previous involvement with the Counting on the Environment process, which offers a solid background in ecosystem services markets that will assist the SB 513 Working Group process.

Deb invited participants to introduce themselves, then reviewed the agenda. She noted that the first hour of the meeting would focus on process and organizational issues to ensure that the Working Group has common understanding about the group's charge and expectations regarding outcomes and products from the process.

Deb began by walking the group through the "Approach and Process" document. Members discussed the roles of the Ad Hoc Group and the Sustainability Board and how these relate to the Working Group. Tom Byler noted that input from the Ad Hoc Group is intended to inform the Working Group, but that the Ad Hoc Group does not have veto power over products emerging from the Working Group process. The Project Team proposes having three meetings of the Ad Hoc Group (beginning of process, mid-point, and near the end of the process, as recommendations are developed) to obtain their feedback. The Sustainability Board serves a similar function as the Ad

Hoc Group in terms of helping frame issues to be addressed by the Working Group. Ultimately, the report and recommendations to the Legislature will be advanced by the Sustainability Board, so it is imperative that the Project Team keep Board members updated about the progress of the Working Group.

The group discussed options for advancing recommendations during the 2011 Legislative session. Tom explained that timing of the Working Group's deliberations are challenging relative to the fact that legislative concepts from agencies are due by late spring of 2010. It may be possible for one or more agencies at the table to develop legislative concepts around very specific recommendations that may be taking form during the Working Group process. However, the ideal situation is that any legislative concepts fit within and contribute to the big-picture recommendations that will be developed by the Working Group. Sara Vickerman mentioned that if possible, the Working Group could accelerate its schedule in order to have products (i.e., report, recommendations, and legislation) well before the January 1, 2011 deadline. Members were asked to let Peter know by lunch if they have scheduling conflicts on any of potential meeting dates listed in the document.

Next, Deb led a review of the "Guiding Principles" document. The group had extensive discussion around the issue of representation on the Working Group. Specifically, several members were concerned about the lack of representation of small landowners (including both small woodland owners and agricultural landowners). Some members expressed that having the private business side of forestry and agriculture at the table could be useful to the Working Group's efforts, while a few noted the absence of watershed councils and developers. The Project Team explained that the Ad Hoc Group noted this absence and emphasized the need for outreach to organizations such as the Farm Bureau to reach landowners. One challenge is if it is possible to ask a single individual to serve in a representative capacity for such a broad interest group such as small landowners. A few Working Group and Ad Hoc Group members (e.g., Brent Davies, John Miller) also are landowners, and may be able to bring this perspective to the discussions. In addition, a few members noted the absence of Federal agencies such as NOAA Fisheries and the Army Corps of Engineers.

The group discussed the possibility of removing some agency members that currently are the Working Group, but decided to explore adding a limited number (one to three additional members) first. Most members agreed that if we are talking about policy issues, it is important to have the State agencies charged with managing resources at the table. Tom noted that SB513 notes that Working Group members are to be active in advancing ecosystem markets and, thus, is a consideration when adding new members. Additionally, the Project Team could work with specific organizations (e.g., Small Woodland Owners' Association, Oregon Farm Bureau) to convene special meetings of their members for a two-way dialogue with representatives and staff from the Working Group. The group discussed that several members represented agencies and organizations (e.g., NRCS, ODA, OFIC, ODF) that could help convene dialogues with landowners. The group could consider forming a subcommittee comprising these members to reach out to landowners. They also discussed that taking such interactions to landowners—as opposed expecting them to come to Working Group meetings—would be important.

Deb continued walking the group through the "Guiding Principles" document. She emphasized the desire for concurrence on decision-making, with an interest in striving for consensus. If the group cannot reach this point as the process proceeds, the Project Team will assist the Working Group in defining an alternate decision-making approach. Deb noted that members are expected to communicate about the status and products emerging from the Working Group to others in their organizations/agencies, including administrators to ensure buy-in for the process. The group confirmed their support for the Guiding Principles.

Sally Duncan reviewed key points from the “Cornerstones” report about development of an integrated ecosystem marketplace. She highlighted that development of such markets is complex, and recommended that the Working Group deliberations and recommendations remain at the “wireframe” level in terms of proposing a structure for such a marketplace. She described the importance of stimulating demand, developing standards and an effective accounting system, and promoting marketplace efficiency. The report also noted that government will not provide all solutions during market development and emphasized the role of private-sector contributions during this process. Sally mentioned that the Working Group will need to keep in mind that the audience for our report—primarily legislators—will not be as familiar with the content matter as group members.

She described findings from a recent project funded by the Bullitt Foundation to explore how to engage landowners in ecosystem markets. The project underscored the importance of standards to provide assurance both on the supplier and buyer sides, and also of permit streamlining. Another recent project by the American Forest Foundation found that ecological targets for ecosystem markets are needed to guard against maximizing a single credit type to the detriment of others. That project also noted that rules of markets (e.g., timeframe of permanence requirements) are limiting landowners’ engagement in markets.

Sally recommended that zones of experimentation are needed where market theories can be tested with the intent of informing adaptive management of an ecosystem marketplace. She also suggested that the Working Group would need to consider the role of public lands during its deliberations. Sally reiterated the four roles for government described by the Ad Hoc Group in terms of development of ecosystem services markets: 1) Developing shared goals, 2) Developing standards, 3) Providing technical expertise, and 4) Serving as a market maker. Following Sally’s presentation, group members noted the need for defining what “integration” means as it relates to “integrated ecosystem services markets.”

Sara Vickerman reviewed the process that lead to SB 513 and the highlights of the bill. She noted that several of the issues mentioned in the Cornerstones report are addressed by the bill. Specifically, the bill enables agencies to use tools such as ecosystem markets that they previously had not been authorized to use. It enables and encourages the use of market tools for the purpose of enhancing conservation and restoration of ecosystems in Oregon, as described in Section 4. Sara mentioned that the bill had broad support from many constituent groups, but noted the need for a lot of education about the topic of ecosystem services markets. Section 2 articulates that it is the policy of the state to support maintenance, enhancement and restoration of ecosystem services. The charge to the Working Group is laid out in Section 5. As an example, Sara noted that while the Working Group will not define standards, it certainly could lay out a process for creating these standards. The product of the Working Group will be a report to the Legislature from the Sustainability Board that is short, readable and accessible in terms of content. The report should highlight challenges and opportunities for ecosystem services markets and propose how to address them. She mentioned that one to two pieces of legislation may lay out specific solutions and next steps.

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.

Renee Davis-Born provided a summary of the input provided by the Ad Hoc Group. She pointed members to the November 2 meeting summary and noted that the discussion focused on high-level topics that would help the Working Group's deliberations. The Project Team posed three questions to the Ad Hoc Group:

- What goals, policies, and actions should the Working Group consider that will set the stage for ecosystem services markets in Oregon?
- What is the appropriate role of government in such markets?
- How can markets be implemented so that they are integrated, promote conservation and restoration actions, and are economically viable?

The Ad Hoc Group noted the concept of integration is critical during the Working Group's deliberations. It will help 1) address unevenly regulated resources and 2) ensure simplicity by addressing both regulated and voluntary markets. The group suggested that the Working Group focus on role of government during its deliberations and referred to the four potential roles for government suggested by the Ad Hoc Group and described by Sally earlier. In regards to work products, the Ad Hoc Group recommended that the Working Group keep in mind its primary audience, legislators and state agency staff. Use of understandable language will be important, as will communication with and outreach to stakeholders and interest groups. The Ad Hoc Group suggested that the Working Group should build upon existing efforts underway in the state with the intent of positioning Oregon as a model for development of ecosystem markets. Following this update, the Working Group members noted that it may be appropriate to consider convening a joint session of the Working and Ad Hoc groups to ensure common thinking about potential policy recommendations.

The group then began reviewing the list of potential policy issues for consideration during the coming year. One member suggested removing #3 "Propose policies to stimulate demand for payments for ecosystem services." Other members suggested that several aspects of #3 are appropriate, but all agreed that the bullet about creating additional mitigation/offset requirements should be removed. Ultimately, other policies such as permit streamlining associated with development of ecosystem markets could result in better ecological outcomes at lower costs for regulated clients. Several members noted that case studies can be helpful to determine what the priority policy issues are that the Working Group should address. The group adjourned for lunch.

Deb reconvened the group and proposed that they consider the following questions related to potential policy issues:

- Is everything here? If not, what are the gaps?
- Are there any that should not be included? (policy-related or not?)
- Are there priorities to be handled first?
- What are the suggested approaches to address policy issues?
- Interest in a shared vision

Several members said that without knowing what we are aiming to achieve, it is difficult to prioritize which issues should be addressed. One member suggested that everyone articulate a desired future condition that could evolve into a goal statement. From here, the group could lay out obstacles to achieving this condition and solutions to address these issues. Another member suggested creating a vision statement that begins, "In 2020 in Oregon, there is an integrated ecosystem marketplace that..." Several members suggested using the definition from page eight of the "Cornerstones" report that describes "Why an Integrated Marketplace?"

Louise Solliday proposed a framework for the final report:

1. Vision/Goals
2. Guiding Principles
3. Current State of Affairs
4. Impediments (including case studies to exemplify these)
  - Bad things
  - Absent things
5. Opportunities / Recommendations for how to overcome impediments
  - What: Short/Medium/Long-term policy recommendations; Changes that can be implemented in the near term without legislation
  - Who: State/Federal/Local/Private

The group noted that case studies will be used to capture information about ecosystem marketplace projects that are underway, describe what the desired outcome of the project is, highlight where agencies/organizations are doing well and how these processes can be modeled by others, describe impediments, and propose solutions. One member suggested a case study about development of renewable energy sources in the state might be a good integrator given its connection to several State and Federal agency permitting processes. Working Group members will be asked to provide short descriptions of potential case studies using the K&W template. Members who expressed interest in helping draft the final report are Sally, Cathy, and Ruben.

Members did a round-robin to share each person's desired future conditions with the intent of laying out the components of a vision statement and a statement of principles. (See flip chart notes for Desired Future Condition / Vision.)

The group then discussed the role of INR and their scope of work. Initially, Sally and INR staff will use input from this meeting to draft 1) a vision statement, 2) a statement of principles, and 3) a framework for the final report based on Louise's proposal. The charge of the working group that is laid out in SB 513 will be connected to the report framework to ensure that high-level issues are being addressed as required by the legislation. INR staff will map potential case studies that were recommendation and the bulleted list of potential policy issues onto sections within draft framework for final report. Later in the process, INR will complete policy analyses and propose options to impediments and regulatory/legal process barriers that are identified during the Working Group's deliberations.

See the Actions Items above for a summary of meeting outcomes and next steps. Potential agenda items to be covered at the next Working Group meeting include:

- Review of a) vision statement, b) statement of principles, and c) definition of integration
- Discuss framework for final report
- Begin discussion of case studies