February 24, 2010

MEMORANDUM

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

FROM: Debra Nudelman and Peter Harkema, Kearns & West

SUBJECT: S.B. 513 Working Group – February 17 Meeting Action Items

Thank you for your participation and efforts at the S.B. 513 Working Group meeting held February 17, 2010 at the Oregon Department of State Lands offices in Salem, Oregon. This memo includes the upcoming meeting dates, agreed-upon action items, and flipchart notes.

Upcoming Meeting Dates	Who	Location
• March 25, 2010	Working Group	Aurora, OSU North Willamette Ext. Center
• April 21, 2010		Salem, State Lands Bldg.
• May 27, 2010		Aurora, OSU North Willamette Ext. Center
• July 21, 2010		Salem, Dept. of Forestry
• September 2, 2010		Salem, Dept. of Forestry
• October 20, 2010		Portland, TBD
• March 2, 2010	Ad Hoc Group	Portland, Perkins Coie Ofcs.
• July 29, 2010		Salem, State Lands Bldg.

Action Items	Who	When
1. <u>Information follow up</u> • Develop and distribute action items and meeting summary	OWEB/K&W	By cob, February 24
2. <u>Vision Statement</u> • Make two "cleanup edits," as recommended	Sally/Renee	In advance of March 25 meeting
3. <u>Best Practices</u> • Revise and update "best practices" summary document and distribute to Working Group	Sally	In advance of March 25 meeting

Action Items	Who	When
4. Subgroup		
• Schedule subgroup meeting or conference call to continue work; confirm meeting date/time with Project Team	Sub group leaders	ASAP in advance of March 25 meeting
• Provide brief update on subgroup findings and direction	Subgroup leaders	By cob, March 18
• Report out on preliminary findings and request INR research assistance	Subgroup members	At March 25 meeting

Bin List
• 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
The following documents were distributed at this meeting: ▪ Proposed Agenda SB513 Working Group 2.17.10 Meeting ▪ Action Items Memo – SB 513 Working Group 1.27.10 Meeting ▪ SB 513 Vision Statement Final for 2-17-10 ▪ Checkermallow Case Study 2.17.10 ▪ Renewables Case Study 2.17.10 ▪ Forest Carbon Case Study and data 2.17.10 ▪ Potential Policy Issues to be Addressed by 513 Working Group 2.17.10 ▪ Potential Policy Issues to be Addressed by 513 Working Group – Draft Criteria ▪ Federal Mitigation Rule *Copies of these documents can be obtained by contacting Kearns & West*

Flipchart Notes:

Legislative Placeholder
- Group agreement for OWEB to submit legislative placeholder

Legislative Interests
- Acknowledgment of third party registration
- Clarify definition of third party roles

Vision Statement
- Group agreement in principle with two "cleanup edits"

INR Work Products – Best Practices

- Choice
- Engage landowners
- Engage business
- Regulatory predictability
- Manage risk
- Monitoring as opportunity
- Environmental impact

Subgroup

- March 25
  - Preliminary findings
  - INR requests
- April 21
  - More significant findings
  - Begin drafting recommendations

Meeting Summary

Working Group Members: Joe Zisa (for Paul Henson, US Fish and Wildlife Service), Paul Henson (US Fish and Wildlife Service), Brent Davies (Ecotrust), Bill Boggess (OSU), Catherine Macdonald (The Nature Conservancy), Kendra Smith (Bonneville Environmental Foundation), Ken Faulk (Oregon Small Woodlands Association), Meta Loftsgaarden (Natural Resources Conservation Service), Bob Deal (US Forest Service), Louise Solliday (OR Department of State Lands), Bob Rice (for 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), Mike Wilson (Grand Ronde Tribes), Sally Duncan (Institute for Natural Resources), Kemper McMaster (Wildlands, Inc.), Jon Germond (OR Department of Fish and Wildlife), Tom Byler (OR Watershed Enhancement Board), Ray Jaindl (OR Department of Agriculture), Bill Abadie (Corps of Engineers), David Primozich (Willamette Partnership), Sara Vickerman (Defenders of Wildlife)

Staff/Other Attendees: Turner Odell (Oregon Consensus), Renee Davis-Born (OWEB), Devin Judge-Lord (Willamette Partnership), David Wade, Steve Dettman (Ecotrust)

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

Deb Nudelman welcomed the group, thanked everyone for attending, and invited participants to introduce themselves. Bill Abadie from the Army Corps of Engineers was acknowledged as a new member of the Working Group. Deb asked for any revisions to the 1/27/10 action items memo and meeting summary. Hearing no revisions, the group approved the memo as final.

Deb invited updates about new developments and emerging issues from group members. Tom Byler asked if the group desired that OWEB submit a legislative concept placeholder on behalf of the Working Group as part of the agency's process. Tom noted that the placeholder would be generic in nature, but could be fleshed out in more detail this summer, after the group had made progress on developing policy recommendations. He noted that the concept would not have to be used if other vehicles for advancing recommendations were more appropriate, nor would submission of the placeholder raise similar expectations of other state-agency members of the group to do the same. Jim Cathcart asked if, since the report and recommendations ultimately would be

submitted by the Sustainability Board to the Legislature, there is a process for that Board to do something similar. Tom noted that there is no formal process the Sustainability Board follows that is similar to that of agencies; however, the Board members could propose legislation through a friendly committee or legislator. The group agreed that OWEB should submit a legislative concept placeholder on behalf of the Working Group to preserve this option.

Sally Duncan described the small-group process used to make final refinements to the vision statement based on discussion at the 1/27/10 meeting. She noted that because the intent was to keep the vision statement short and succinct, the Introduction and Principles portion of the content on the revised vision statement handout would find a home somewhere in the final report of the Working Group. A few minor revisions were suggested by members. Deb asked the group if this version is sufficiently good to serve as a working vision statement that the group would revisit periodically to ensure that the 513 process is "on course" with the spirit of the statement. The group agreed to the vision statement with noted revisions.

The group began discussing additional case studies that identify challenges currently facing the development of integrated ecosystem services markets. Sara Vickerman provided a brief overview of the Checkermallow study; Damon Hess for the Renewable Energy study; and Ken Faulk for the Carbon Offsets study. Following the discussion, Deb noted that the issues which emerged as key impediments from the case studies will help inform the work of the subgroups this afternoon.

Sally Duncan provided an overview of best practices based on a review by INR staff of ecosystem services program and efforts around the world. Sally noted that identification of best practices requires time to mature and data collection and analysis. Because of the relative new nature of ecosystem markets, she offered several "emerging themes" for best practices:

- Choice, including a range of market-based instruments
- Engage landowners
- Engage business
- Regulatory predictability
- Manage risk
- Monitoring as opportunity
- Environmental impact

The group agreed that information about and links to several of the program included in this review would be useful, especially as the subgroups began deliberating on specific policy issues and potential recommendations. This information will be shared with the group by the end of February, with an updated "best practices" summary document available prior to the March 25th meeting.

Deb then transitioned the group into the subgroup approach for delving into potential policy issues. The group first reviewed the revised list of potential policy issues (comprising four sections: I) overarching goals, II) agency processes, III) financing issues, and IV) government and private sector roles in market structure) to determine if any issues were missing that were uncovered during the case studies early in the day. Renee Davis-Born noted that two issues—the concept of functions based accounting and the need for a definition of ecosystem services as assets (e.g., UCC code for ecosystem services) should be added to Sections I and III of the document, respectively. Meta Loftsgaarden suggested acknowledging in the policy issues that an integrated marketplace should be simple enough to use that landowners can easily participate. The group agreed to this addition to Section I. David Primozich offered that the need for third-party registration and a definition of third-party roles in the marketplace are important policy recommendations that should be advanced by the group.

Deb then described the Subgroup approach, which is intended to maximize Working Group efforts. Each subgroup will concentrate its work on one of the four policy areas and the associated policy issues. The project team drafted criteria by which the subgroups could determine relative importance of the issues for each policy areas, and begin articulating ideas for policy recommendations and appropriate time horizons for such recommendations. Kendra Smith also described that a limiting factors analysis, which identifies the lowest common denominator-type impediments in order to understand where effort should be invested to overcome obstacles, could be useful. Deb encouraged the subgroups to focus on "strategic points of intervention" that will ensure recommendations made by the Working Group ultimately advance the development of integrated ecosystem services markets in Oregon. Subgroup composition is as follows:

Group 1 – Overarching ecological, economic, and integration goals
Chris Jarmer
Ruben Ochoa
Cathy Macdonald (team lead)
Sara Vickerman
Hal Gard
Katie Fast
Mike Wilson

Group 2 – Agency processes and interactions
Bill Abadie
Paul Henson
Louise Solliday
Bobby Cochran (team lead)
Jon Germond
Ray Jaindl
Jim Morgan
Kemper McMaster

Group 3 – Public/private financing issues
Bill Boggess
Tom Byler
Kendra Smith
Meta Loftsgaarden
Sally Duncan
Ken Faulk
David Primozich

Group 4 – Private and government roles in developing standards, methodologies, metrics and tools
Brent Davies
Rick Glick
Damon Hess
Bob Deal
Jim Cathcart
Ranei Nomura
Devin Judge-Lord (for David Primozich)

In terms of timing for the subgroup work, Renee described that the subgroups will begin their work this afternoon. Specifically, groups were asked to identify a group leader and schedule a subgroup meeting or conference call between the February and March meetings so that subgroups could continue their work. The Project Team will check in with subgroup leaders approximately one week before the March 25th meeting to obtain a brief update on subgroup progress, direction and findings to-date. Depending on progress made before the March meeting, subgroups may have 1-2 hours to continue their work at that meeting. The subgroups then will be expected to report out on preliminary findings and requests for policy analysis/research assistance from INR. At the April meeting, subgroups will provide a more detailed report about significant findings, including results from INR analyses, and begin drafting recommendations. The group then broke out into subgroups to begin their discussions.

The Working Group reconvened and heard brief updates from each of the subgroups about their first discussion. Deb noted that project staff would send out subgroup e-mail messages to facilitate communication by the subgroups, and that staff would be available to assist each of the subgroups with planning and note-taking for their interim meetings prior to the March Working Group meeting.