



March 9, 2010

MEMORANDUM

TO: S.B. 513 Ad Hoc Group Members

FROM: Debra Nudelman and Peter Harkema, Kearns & West

SUBJECT: S.B. 513 Ad Hoc Group – March 2 Meeting Action Items

Thank you for your participation and efforts at the S.B. 513 Ad Hoc Group meeting held March 2, 2010 at the Perkins Coie Law Offices in Portland, Oregon. This memo includes the upcoming meeting dates, agreed-upon action items, and a meeting summary.

Upcoming Meeting Dates	Who	Location
<ul style="list-style-type: none"> • March 25, 2010 • April 21, 2010 • May 27, 2010 	Working Group	Aurora, OSU North Willamette Ext. Center Salem, State Lands Bldg. Aurora, OSU North Willamette Ext. Center Salem, Dept. of Forestry Salem, Dept. of Forestry Portland, TBD
<ul style="list-style-type: none"> • July 21, 2010 • September 2, 2010 • October 20, 2010 	Ad Hoc Group	Portland, Perkins Coie Ofcs. Salem, State Lands Bldg.
<ul style="list-style-type: none"> • March 2, 2010 • July 29, 2010 		

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, March 9
<ul style="list-style-type: none"> • Develop and distribute doodle scheduler for late September/early October meeting date 	OWEB/K&W	By cob, March 16
<ul style="list-style-type: none"> • Distribute documents and website links from 3/2 meeting discussions 	OWEB/K&W	See meeting notes
<ul style="list-style-type: none"> • Distribute information regarding May Starker lecture at OSU 	OWEB/K&W	See meeting notes

Action Items	Who	When
2. <u>Vision Statement</u> <ul style="list-style-type: none"> Revise vision statement with suggested edits and modifications provided by Ad Hoc Group members Submit any additional suggested modifications or edits to Renee 	Renee/Sally Ad Hoc Group members	In advance of March 25 Working Group meeting By cob, March 16
3. <u>Best Practices</u> <ul style="list-style-type: none"> Distribute “best practices” summary document once finalized by INR 	Sally	When available
4. <u>Case Studies</u> <ul style="list-style-type: none"> Distribute case studies for Ad Hoc group consideration Distribute draft criteria for case study evaluation Review case studies and provide any input on common themes and policy issues 	Renee/K&W Renee/K&W Ad Hoc Group members	By cob, March 9 By cob, March 9 Strive for by cob, March 16
5. <u>Policy Issues List</u> <ul style="list-style-type: none"> Incorporate suggested edits and modifications provided by Ad Hoc group members Provide any suggested “legislative language” to help address identified issues 	Renee Ad Hoc Group members	ASAP in advance of March 25 meeting In advance of July 29 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 Ad Hoc Group 3.2.10 Meeting Action Items Memo – SB 513 Working Group 2.17.10 Meeting SB 513 Vision Statement from 2-17-10 Working Group meeting Potential Policy Issues to be Addressed by 513 Working Group 2.17.10 SB 513 Ecosystem Services Markets Contact List <p><i>Copies of these documents can be obtained by contacting Kearns & West</i></p>

Meeting Notes:

Documents and Website Links of Interest

- Neuman, Janet C, “Thinking Inside the Box: Looking for Ecosystem Services within a Forested Watershed.” Available at <http://ssrn.com/abstract=1089536> (see attached PDF)
- Nature Valuation and Financing Network: <http://topshare.wur.nl/naturevaluation>
- Searle, Bob and Serita Cox. “The State of Ecosystem Services.” The Bridgespan Group, December 2009. Executive summary and link to full report at <http://www.bridgespan.org/state-of-ecosystem-services.aspx>
- Information about 2010 Starker Lecture series on Ecosystem Services for Forests and Farms: <http://www.cof.orst.edu/starkerlectures/>
- Oregon Bridge Delivery Partners website: <http://www.obdp.org/partner/environmental/>
- Institute for Natural Resources. “Innovation in Environmental Streamlining and Project Delivery: The Oregon State Bridge Delivery Program.” http://inr.oregonstate.edu/download/Streamlining_Jan07.pdf
- ODOT cost analysis for developing a collaborative environmental streamlining process (see attached PDF)
- Evans, Dan and Kate Snider. “Faster Greener Smarter Environmental Permitting.” (see attached PDF; 8MB PowerPoint available by request)

Meeting Summary

Meeting Participants: Gail Achterman (Institute for Natural Resources), Dave Powers (U.S. EPA), Indigo Teiwes (Earth Advantage), Tom Lindley (Perkins Coie), Bill Gaffi (CleanWater Services), Martin Goebel (Sustainable Northwest), Bill Hutchison (Board of Forestry, Roberts Kaplan LLP), Sara Vickerman (Defenders of Wildlife)

Facilitation Team and Project Staff: Debra Nudelman and Peter Harkema (Kearns & West); Renee Davis-Born (OWEB), Turner Odell (Oregon Consensus)

Deb Nudelman welcomed the Ad Hoc Group members to the group’s second meeting and asked everyone to introduce themselves. Deb then reviewed the agenda and noted the importance of the Ad Hoc Group in serving as a sounding board for the 513 Working Group to ensure that the process is addressing the most pressing issues at hand related to ecosystem services market development and also to help ensure that products are understandable to primary audiences (e.g., legislators and interest groups).

Renee Davis-Born provided the group with an update about the Working Group composition and process. She referred the group to the final roster of Working Group members. In order to address interest from the Working Group members in having sufficient representation from landowners and key regulatory agencies, three new members were added to represent the Oregon Farm Bureau, the Oregon Small Woodlands Association, and the Army Corps of Engineers. Renee reviewed focal topics of each of the three Working Group meeting that have been held to date. The first meeting focused largely on developing common understanding of ecosystem services markets and the charge to the Working Group and included initial work on a vision statement for the group. She referred the group to the handout of the working version of the vision statement, noting that the group will revisit this document as it proceeds with its work to ensure that the process remains true to the vision articulated in the document.

At the second meeting, Working Group members began discussing policy issues that potentially could be addressed by the group. Renee referred the group to the most recent version of the policy issues list; noting that issues have been categorized into the following four areas: 1) Overarching ecological, economic and integration goals to guide the development of integrated ecosystem services markets in Oregon; 2) Agency processes and interactions to address appropriate roles at local, regional, state and national scales; 3) Public/private financing issues; and 4) Private and government roles in developing standards, methodologies, metrics and tools. At that meeting, the Working Group also began delving into case studies as a vehicle for identifying impediments to the development of integrated markets. At the third Working Group meeting, the group continued case study discussions then broke out into subgroups to begin addressing each of the four areas into which the policy issues fall. The subgroups will begin delving more deeply into the potential policy issues in each thematic area, brainstorm policy and/or administrative solutions that could address these, and make recommendations to the full Working Group as to which issues are the most important ones to tackle at different time horizons (i.e., near, mid, and long term).

Deb added that the Working Group is, in fact, a very large group with individuals representing diverse opinions. The case studies helped move the group from a theoretical consideration of the policy issues around markets into a real-world identification of what gets in the way of market development. She mentioned that staff from the Institute for Natural Resources developed a draft summary of best practices related to market-based tools, drawing on experiences from around the world. Ad Hoc Group members expressed interest in having access to this document, along with the case studies evaluated by the Working Group. *They strongly recommended including at least a subset of the case studies (in an appropriate format) within the final report to the Sustainability Board.* Sara Vickerman added that the subgroups will help to identify strategic points of intervention that are critical to address if Oregon is to use ecosystem services markets as a tool for advancing conservation and restoration efforts. The Ad Hoc Group members shared information about several initiatives and resources—ranging from forestlands to coastal and marine ecosystems--that underscored the amount of focus being devoted to the potential for market based tools to advance conservation of natural resources.

The group moved into a high-level discussion of the policy issues. Bill Gaffi raised a question about what issues would need to be addressed at the Federal level and what Oregon needs to do to help lay the foundation for this to happen. Sara noted that several Federal representatives have emphasized that the 513 process is very much precedent setting and that the national process is looking to Oregon for guidance as to important next steps. At present, the Federal Office of Ecosystem Services and Markets is focusing its energy on developing standards for carbon, water quality, biodiversity, and wetlands in a way that is intended to encourage integrated and efficient markets.

Several group members asked if the Working Group is inviting input about the vision statement. There was some discussion regarding whether the group is focused on a marketplace specifically or on achieving broader ecological goals of the vision, with ecosystem services markets serving as one tool to get to this endpoint. Tom Lindley offered several editorial changes with the ultimate intent of making the vision statement clearer, more concise, and compelling. Discussion around this ensued, and the Ad Hoc Group members suggested that it seemed there was a component missing from both the Principles underlying the vision statement and the policy issues. This component focuses on what a market-based approach can do to better achieve ecological goals, what it takes to set up such a market, and what types of incentives would be offered as part of the market and the broader collection of market-based tools.

Gail Achterman referred to her notes from the first meeting of the Ad Hoc Group which recommended that a shared lexicon was needed as a foundation for the 513 Working Group process. Gail contends that while policymakers and resource practitioners may use the term marketplace in a broader sense to encompass a collection of market based tools, economists and the business sector would state otherwise. She indicated that this leads to the lack of context about why a marketplace is needed and what it has to offer. The group echoed that this missing piece could address the concerns being raised, and help explain the motivation for buyers and sellers (e.g., who will buy and why). Gail shared with the group an idea developed by Bill Jaeger, a natural resource economist at OSU, that suggests ecosystem services markets are simply one tool within a broader collection of “effective ‘incentive-based’ tools” that could be used to advance conservation and restoration of natural systems. He divides these tools into the following categories: 1) Pollution trading/ITQs, 2) Flexible compliance, mitigation, 3) Voluntary actions/green labels, 4) Markets for ecosystem services, and 5) Payments for ecosystem services. The group discussed eliminating the focus on the “marketplace” from the vision statement and instead focusing on “voluntary market based mechanisms” or “incentives based tools.”

The group also discussed the possible need for a fifth thematic area to be added to the policy issues list. This section would focus on issues such as the purpose, framework, and potential design of the marketplace within the context of voluntary market-based mechanisms to enhance conservation and restoration. This piece would explain how markets and other mechanisms could ultimately do a better job than currently regulatory approaches to result in positive ecological and economic outcomes. Sara noted that markets may take awhile to develop, so there is value to moving existing programs that provide payments for ecosystem services to an outcome based approach. Group members also suggested that this thematic area would emphasize that landowners need a point of entry into and assistance with navigating the market based system (i.e., a portfolio manager of sorts), and the importance of incentives based programs being applied on all land ownerships so that we can achieve desired ecological outcomes in a way that makes sense environmentally and incents all landowners appropriately. *(As a follow-up, the Project Team has begun discussing this recommendation and currently thinks this contextual information is highly appropriate to include as foundational material in the final report. OWEB and INR staff will work to better develop these ideas. In addition, the Project Team will consider having INR develop a case study about the Oregon Bridge Program process.)*

By way of wrap-up to the policy issues discussion, the Ad Hoc Group recommended that the subgroups focus on consolidating policy issues as necessary and weeding out less important issues to ensure that the Working Group recommendations focus on the most critical issues related to market development. Regarding Section 1, Overarching Goals, the group suggested that the Working Group articulate how to get to a shared view of high-value ecosystems and where these exist (including data about these areas). Regarding Section 2, Agency Processes and Interactions, the group noted that streamlining and integration of agency processes will require a lot of work legislatively and recommended that the Working Group look to the ODOT Bridge Program as a model for describing how this might happen.

Take-home messages from the Ad Hoc Group include the following:

- The “big issues” are 1) encouraging interagency agreement on process for ecosystem services projects, 2) developing shared agreement on desired outcomes so that a streamlining process for good projects can be created, and 3) the “one stop shopping” concept of having necessary tools, information, assistance, data, etc. available from a single location for those interested in buying or selling credits.
- The Working Group will need to focus on specific themes to ensure that the product and recommendations are not a random collection of thoughts about solutions.

- Outreach needs will be the focus of the next Ad Hoc Group meeting (scheduled for July 29th).

The group expressed interest in meeting a fourth time, in the fall, to review final product and policy recommendations.