

# Partnership News Report



## Special points of interest:

- **You Thought Last Year Was Busy**
- **Technology Update**
- **New Metrics Tested for Integrated Ecosystem Services Accounting System**
- **New Year New Currencies**
- **Local Flavor-Regional Infrastructure**
- **Building Capacity to Operate a Marketplace**
- **Oregon Law on the Ecosystem Services Frontier**
- **Pilot Projects**



*Increasing the  
pace, scope, and  
effectiveness of  
conservation*

## You Thought Last Year Was Busy...

-David Primožich, Executive Director

Following approval to move forward with a first-of-its-kind ecosystem credit accounting system this fall, we haven't wasted any time launching the next phases of work. With the first version of the [Ecosystem Accounting System](#) in place, it's time to put it to the test—literally. It's also time to complete the support structure that will ensure the whole system operates credibly. As you'll see, this involves a lot of moving parts. In this newsletter you'll get a taste of the breadth of activity the Willamette Partnership and a growing cohort of collaborators is gearing up for.

**Methods Testing** - The models that underlie the wetland and temperature parts of the accounting system have been extensively applied and reviewed in recent years. The Prairie and Salmon metrics are new! We're confident they're accurate, but we're gearing up for rigorous field testing this spring.

**Pilots** - In addition to field testing for sensitivity and repeatability, we'll be piloting the whole package of credit protocols – including a new standardized credit issuance process on the first group of pilot projects that will turn dirt in 2010.

**Technology** - No new accounting system can work without tools to plan, calculate and register projects. This fall we teamed up with the [Bay Bank](#) to build a common crediting platform to do just that. We've made great progress and expect to have an operational system by the summer.

**Training** – A fancy new accounting system won't do much good if no-one knows how to use it. The Oregon office of the Natural Resources and Conservation Service has provided funding to develop and implement a training program for restoration professionals. This program will, not only train a group of professionals to use the accounting system, but also help us figure out what people need to make the new system accessible.

**New Currencies** – A multi-credit accounting system is based on the idea that new currencies will be added as the need arises. We're continuing the work of building new currencies. With funding from NRCS's Conservation Innovation Grant we are now working to develop currencies for Nitrogen, Phosphorus, and Sediments. We are also working with Defenders of Wildlife to develop an approach to a habitat currency for voluntary markets. And, we are enthusiastic that the National Fish and Wildlife Foundation and The Freshwater Trust have teamed up to complete the work needed for a flow currency.

**Local Markets – Shared Regional Infrastructure** - Markets for ecosystem services have a local flavor, but they also have common infrastructure needs. As we turn the corner from building markets to the implementation of projects, we're exploring opportunities to share common infrastructure elements with other watersheds in the Pacific Northwest. We think this will not only help support the ongoing construction and maintenance of infrastructure, but by improving access to credible infrastructure, we expect to also reduce transaction costs and minimize a major obstacle to credible market adoption.



Red Osier Dogwood

**A gift to the Willamette Partnership is a powerful and smart investment for conservation.**

[Donate](#)



Prairie restoration

## Technology Update

- Mac Martin, *Water Resource Analyst*

Calculating ecosystem credits and making them available for sale is sophisticated business. Assessing existing conditions, estimating the benefits of different restoration alternatives, consistently quantifying these benefits as credits, verifying them, acquiring agency approval and then tracking them over time will require a coordinated effort by dozens of parties and the application of rules that have the potential to send most people spinning. The Willamette Partnership initiated Counting on the Environment to build a marketplace for ecosystem services that will accomplish everything described above, but it is also committed to making the marketplace as accessible as possible. New developments in technology are making this second objective a reality.

Marketplace technology comes in two pieces of internet-based technology: an Ecosystem Crediting Platform and a Credit Registry. The first takes qualified land managers through the credit creation process. The second tracks the custody of these credits over time.

Willamette Partnership staff, working in cooperation with the Bay Bank and its consultant The Other Firm, has nearly completed the first phase of the Ecosystem Crediting Platform’s development. Upon completion, we will have highly-detailed site architecture and work flow documents that will serve as guides for the actual software development. We will also have a clear cost estimate and schedule for completion. We expect the platform to be operational by late this summer.

Markit Environmental Registry, the registry provider for credits generated through the Willamette Partnership’s General Crediting Protocol, has also been working closely with the Partnership to develop and automate the registry process. The Partnership expects to list its first credits from pilot projects early this spring, and then have a fully-functional registry operating soon after.

Both pieces of technology are complex, but from a user’s perspective, these tools will greatly simplify the process through which landowners may be paid for restoring the environment.

## New Metrics Tested for Integrated Ecosystem Services Accounting System

--Devin Judge-Lord, *Market Specialist*

As ecosystem markets emerge around the world, demand is growing for standards, methods, and tools to ensure these markets achieve their environmental goals in a way that is credible and transparent. Current

markets have grown from existing regulations and institutions that split the environment into constituent parts (e.g. water, land, air, and species), rather than treating it as an integrated whole. (continued on page 3)

## New Year New Currencies

-Bobby Cochran, Marketplace Analyst

The Counting on the Environment process for developing new ecosystem credit standards is right in the midst of testing its first four currencies for wetlands, salmon, upland prairie, and water temperature, but it's not standing still. The Willamette Partnership is working with partners to roll out some new currencies this year.

Thanks to a grant from the state office of the Natural Resources Conservation Service, the Partnership Yamhill Soil and Water Conservation District and the Texas Institute for Applied Environmental Research are adapting the Nutrient Trading Tool (Tool) to Oregon. The Tool is a package of models that calculates the pounds of nitrogen, phosphorous, and sediment removed by a landowner's conservation actions. The Tool has been used in Maryland and Ohio, and

now will be adapted for the unique crops, soils, and management practices here in Oregon. The goal is to combine the Tool with new protocols for water quality credits that can tie restoration actions to impacts. The Partnership will be convening a water quality focus group to review the model outputs and develop the specifics for a credit protocol.

At the same time, the Partnership is excited to be working with Defenders of Wildlife to launch a biodiversity credit protocol that can apply to habitats across the country. Lots of people will be involved in this, but the Partnership is eyeing how this effort can help articulate the benefits gained from preservation and restoration of those priority habitats identified in the state conservation strategies (e.g. oak woodland or sagebrush).



Agriculture buffer

In the news, "[Willamette Partnership: a Quadruple win for Ecosystem Markets](#)" an article by Ecosystem Marketplace, the leading news outlet watching and reporting on developments in the emerging world of ecosystem services markets

## New Metrics Tested for Integrated Ecosystem Services Accounting System (continued)

Instead of using separate methodologies and indicators to assess wetland, water quality, or species conditions, the integrated Ecosystem Accounting System uses a set of site indicators to calculate both the specific ecological functions provided by a site and its contextual value to the surrounding ecosystem.

The accounting system was built using a set of base models. The wetlands and water temperature portions of the model have been extensively used in recent years and

enjoy a lot of confidence from agencies and professionals. The salmon and prairie parts are new. We're confident they are accurate, but we need to test to ensure they can be trusted and applied more broadly. This spring we are gearing up for extensive field testing for sensitivity, repeatability, and natural variation in scores. The results will enable us to adapt the metrics as needed. We'll present findings of the field testing to our working group and make any needed adjustments by August 2010.



Restoration planting



Prairie restoration



Fender's butterfly



Large wood stream enhancement

## Local Flavor—Regional Infrastructure

*-David Primožich, Executive Director*

Over the last several years we've learned markets for ecosystem services have an inherently local flavor, but they also have common infrastructure needs that can be shared at a larger scale. While the overarching laws intended to protect the environment are national in scope, the institutional arrangements people use to manage and regulate water quality and habitat tend to be local. Both regulatory and voluntary markets for ecosystem services need supportive infrastructure that balances the realities of local management with the need for transactional transparency, credibility, and efficiency over time.

The basic market development trend the Willamette Partnership anticipates is pretty simple. Once interested stakeholders agree on what counts as a credit and where and for what a credit can be used, all markets, regardless of geography or size have common infrastructure needs. Market participants need access to market information, credit calculators, and standard credit issuance processes (including verification, registration, tracking, and reporting). The Willamette Partnership anticipates start-up, administration, and ultimately, transaction costs for emerging markets will be minimized and credibility will

be enhanced if standard infrastructure is shared.

As we make the turn from building the framework for markets to active registration and retirement of certified credits, the Willamette Partnership is exploring opportunities for a shared infrastructure model with other watersheds in the Pacific Northwest. We're interested in this approach because the cost of construction and maintenance of infrastructure to support credible, transparent, and efficient transactions is large. Sharing infrastructure development and operations costs across a larger geography should reduce transaction costs and minimize a major obstacle to credible market adoption.

Since the fall we've made contact with active stakeholders and regulators in eight watersheds in Oregon Washington and Idaho. The reception has been positive. We'll keep you informed as we progress with these discussions. In the meantime, if you think you know a program in the Northwest that would benefit from the types of standards and infrastructure you see in this newsletter and on our website, please contact us.

## Building Capacity to Operate a Marketplace

*-Bobby Cochran, Marketplace Analyst*

We've spent the last few years developing the policies, rules, guidelines, goals, and other infrastructure elements needed for trading to work in the Willamette. We have a lot of consensus around those elements. Our challenge looking forward is to demonstrate how

ecosystem markets translate into real improvements on the ground. One of the most important elements of that is training a cohort of experts that can apply credit calculators and verify information coming from restoration and impact projects.  
(continued on page 5)

## Oregon Law on the Ecosystem Services Frontier

-Devin Judge-Lord, Market Specialist

Oregon codified its commitment to pioneer markets for ecosystem services in law last summer. With a diverse coalition aboard including environmental groups, homebuilders, forest industries, and the Oregon Business Council, Senate Bill 513 proposed by Defenders of Wildlife easily sailed through the Oregon House, Senate, and the Governor's desk (see Sarah Vickerman's article in the July edition of *Oregon Insider*). The Bill recognizes landowners need assistance to protect ecological processes and biological diversity.

To accomplish this the Bill encourages using adaptive management and holistically restoring ecosystems with the help of ecosystem service markets. It also requires agencies to "consider mitigation strategies that recognize the need for biological connectivity and the overall ecological viability of restoration at landscape scale." This big picture lens and required cooperation will attempt to focus efforts on the needs of the entire ecosystem.

The Bill also recognizes that ecologically and economically practical solutions are a work in progress and thus created a working group to navigate policy questions. The Willamette

Partnership's David Primozych and Bobby Cochran, and Sara Vickerman all serve on this intrepid team of policy explorers charged with making recommendations to the 2011 legislature. The group is to study and propose overarching goals to guide agency cooperation on developing ecosystem service markets and to consider the appropriate role for government and government resources in these new markets. They will also propose policies to stimulate demand for payments for ecosystem services.

On a more technical side, the working group is to forge consistent methodologies to describe and quantify ecological values and appropriate ecological evaluation and accounting systems. With pilots for the Counting on the Environment project under way this is a great opportunity to make sure our accounting systems fit the growing needs of the state. Oregon's leadership position on ecosystem service market methods is now codified into the first legislation of its kind, and there are high hopes that this venture will shape ecosystem service market policies nationwide.



Mock Orange



Ecosystem Markets Fieldtrip

### Building Capacity to Operate a Marketplace (continued)

The Partnership has launched its first training session with a group from soil and water conservation districts, watershed councils, and other restoration professionals. These folks will help us develop an A+ program while gaining the skills needed to help land managers and others develop

creditable projects. Training will include background on the status of markets, the process for issuing credits, the science behind the credit calculators, and the specifics of verifying credits. By the end of Summer 2010, we plan to have a peer group of accredited verifiers ready to help projects from design to the sale of credits.



## Pilot Projects

Testing and evaluating a new accounting system requires real sites. The purpose of the pilot projects we'll move through this year is to demonstrate, test, and make adjustments to the accounting system and credit issuance process developed under the Counting on the Environment project. In January the Coordinating Team (a subset of the Counting on the Environment Working Group), selected a group of pilot projects that represent opportunities to test elements of the system. Three of the pilots are sponsored by The Freshwater Trust and one is sponsored by Willamette University at their Zena Forest site. We'll be preparing these pilots for testing in the next couple of months. We'll keep you posted with details.



## History

The Willamette Partnership formed in 2004 to capture the momentum created upon completion of the Willamette Restoration Strategy. The Strategy articulated a vision for ecological health and economic vitality in the Willamette Basin and outlined critical actions needed to achieve success. Working with stakeholder leaders who developed the Strategy, the Partnership formed to accelerate needed innovation. One of these innovations is the establishment of an integrated ecosystem marketplace

To receive regular updates on the Partnership's progress, subscribe to our newsletter by going to [www.willamettepartnership.org](http://www.willamettepartnership.org) and signing up for wp-news