Vol. 2 Issue 4

Willamette Partnership Newsletter May 13, 2009

Partnership News Report

Special points of interest:

- **Pieces are Coming Together**
- **Funding the Future**
- **Counting on the Environment update**
- **Federal Support for Making Markets Real**
- **State Support for SWCDs Nutrients and Markets**

Increasing the pace, scope, and effectiveness of conservation in the Willamette Basin

American Forest Foundation and Northwest Environmental Business Council present **Ecosystem Markets: Making them Work** June 18-19, 2009 in Portland, Oregon.

Click here for the agenda, speakers and registration information

Pieces are Coming Together *- David Primozich, Executive Director*

The pieces are coming together that help us pay for the things we need and ensure we're getting what we're paying for. As you saw in the last issue of the Partnership News Report, we've made real progress developing an integrated credit calculation system that can reward better, more comprehensive restoration in the things and places that make a difference. In addition to the credit calculator, we've also made progress finding a credit registry partner with the same commitment to quality that we've pursued for the last five years. We are very pleased to announce the Willamette Partnership has selected TZ1 as a registry provider for projects and credits using the credit calculation methodologies and standards created under the Counting on the Environment project.

A centralized credit registry is integral to the credible implementation of conservation investment. Ecological investment, whether it is for compensatory mitigation or public grant funds share common opportunities and challenges. Ecological services can be accounted for and traded like commodities, but they differ from commodities in terms of their complexity, both before and after projects are implemented and credits are purchased. Actions that improve naturally functioning ecosystems need to meet rigorous performance standards to be sold in ecosystem service markets and the public should demand the same high standards for investments made through other public funding mechanisms.

To ensure we realize the benefits of the dollars invested in ecological restoration, it is important to document and verify project performance, both before a project is purchased and for many years—or even decades—afterwards. Because the basic value and credibility of an individual project or offset credit depends on rigorous verification and ongoing monitoring of performance, a centralized credit registry is a necessity. (Continued on page 3)

Funding for the Future *- Mac Martin Water Resource Analyst*

The Willamette Partnership is a diverse coalition of leaders working to shift the way people value, manage and regulate the environment. Over the last few years, it has been developing new tools that will attract strategic investment to environmental conservation and restoration activities. These innovative tools, that include an ecosystem service marketplace, will allow for the ecosystem services provided by conservation and restoration activities to be consistently quantified, verified and traded. The end goal of all of which is to make restoration practical and profitable for landowners.

The Natural Resource and Conservation Service, through its Conservation Innovations Grant (CIG) program, currently funds the Willamette Partnership. With their generous assistance, the Partnership has made substantial progress towards the creation of the Willamette Basin Ecosystem Service Marketplace. However, much additional work remains to be done and the Partnership submitted a number of grant proposals this Spring to fund it. When allocated, this additional grant funding will help to create a structure that allows important restoration actions, guided by organizations like Soil and Water Conservation Districts (SWCD's), to be recognized and rewarded—contributing to the overall ecological health of the Willamette Basin and the Pacific Northwest.

Counting on the Environment Update

The Willamette Partnership's current NRCS-funded program, called Counting on the Environment, began with three major goals:

1. Gaining agreement on a crediting approach in the Willamette Basin for multiple ecosystem services in both regulated and voluntary markets;

2. Testing this approach at multiple pilot projects; and

3. Developing the tools and technologies needed to make markets accessible to landowners.

The Partnership has already convened the stakeholders needed for gaining agreement, selected credit types that will be included in the first version of the Partnership's Credit Calculator (including water temperature, wetlands, salmonid habitat and prairie) and contracted with a third party to deliver the registry technology that will manage the custody of credits from the time they are issued to their retirement. Taken together, this represents a substantial amount of work, but more is needed.

Restoration pictures by Autumn Bryant , SWCD

Federal Support for Making Markets Real

The Willamette Partnership completed two additional grant applications over the last two months. The first application sought additional CIG funding at the federal level to answer the question many landowners ask about ecosystem service markets, namely, "what do they mean for me?" In recent years we haven't been able to answer that question with much clarity. Now we can. As a result of the earlier investment from NRCS outlined above, we will have the tools, rules, and technologies that will help landowners participate in emerging markets for ecosystem services. What remains is the application of these new credit calculation methodologies and supporting market systems to real sites with real landowners so we can help them help us make market-based approaches to conservation practical.

The five work elements associated with this proposal fall into two categories:

Category One: Make it Real

1. Apply new credit calculation methodologies to real projects so landowners have real information to evaluate how they can participate as producers of ecosystem services.

2. Train land managers and restoration practitioners in the use of new credit calculation methods, credit market rules, and how to develop and evaluate restoration alternatives.

3. Develop a verification training and certification program that includes ongoing auditing functions

Category Two: Make it Connect

1. Extend Version 1 of the Credit Calculator to at least two other large watersheds in the Pacific Northwest with urgent regulatory needs

2. Facilitate inter-regional coordination to ensure technologies currently under development in the Northwest, Chesapeake Bay, and Ohio River regions are interoperable

Farmers, foresters, and ranchers, can't sell what they can't count. The best way for landowners and restoration practitioners to learn about new markets, and the tools required to participate in them, is to *use* them. The best way for people building these new tools to make sure they're practical to use is *apply* them. Not only will we pilot new tools and technologies, we'll also demonstrate and refine the whole system of agreements and relationships needed for sustainable market coordination and operation at a regional scale. This includes identifying high quality restoration projects in priority conservation areas, calculating credits using approved protocols, verifying those credits, and registering them in a credit registry. This project will incorporate training programs for landowners and practitioners in the use of new tools and technologies, rules that govern market participation, and credit development and marketing.

Pieces are Coming Together (continued)

A registry consists of two parts: an institution that inventories and accounts for all credits available and sold within a market by documenting their generation, ownership, and trade; and the resulting database of information. A credit registry must be transparent to regulators, the public, and market participants. In addition, it must be supported by user-friendly technology and backed by the financial resources necessary to protect against accounting errors.

With a registry partner in place and Version 1 of the credit calculator well on its way to functionality, as you'll see in the rest of this newsletter, we're now thinking forward to the next phases of implementation which will involve application of these new tools with restoration professionals and land managers.

State Support for SWCDs, Nutrients and Markets

Integrating SWCD's

At the state level, the Willamette Partnership filed an application for funding from Oregon's CIG program. Through this proposal, the Willamette Partnership and its team of cooperators will:

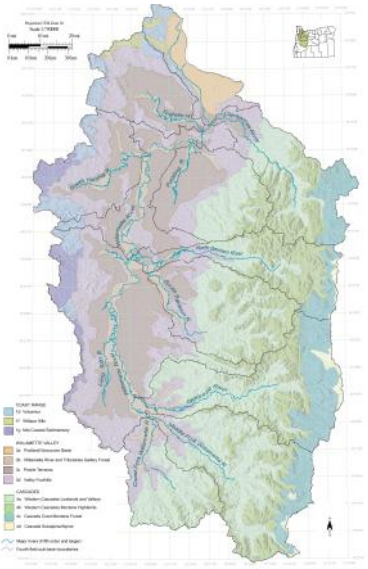
1. Train a core group of SWCD staff in the Willamette Basin on the Partnership's ecosystem assessment methods,

2. Pilot a process for accrediting a cohort of verifiers from SWCD's

3. Weave the credit calculation process into the NRCS Farm Planning Process, and Select an eligible subset of restoration projects, which have gone through the first stages of this process, to create restoration plans, calculate, verify and register credits from these projects, and then make these credits available for sale.

Market processes, at their core, are systems for prioritizing and tracking projects based on their potential and real ecological performance. As such, they're useful for markets, and for other types of conservation investment. More and more, people are asking what we get from Farm Bill payments, state grant programs, and philanthropic giving. The tools necessary to run ecosystem markets can easily be used to answer these questions. The gap that remains is linking these market processes to conservation planning processes (like the Farm Planning process) and then working with third parties (like SWCDs) to run, hone, and adapt the system to ensure it works for producers.

SWCD's have generated working relationships with private landowners, possess the technical skills to design and implement restoration, and hold the required background on different conservation programs necessary to present options to landowners. Around the country active and knowledgeable conservation districts have been key players in the success of ecosystem markets.



This project will build on that important set of capacities, specifically working with the East Multnomah, Clackamas, and Yamhill SWCDs. These three Willamette Valley SWCDs have the local funds to implement projects, the technical staff to conduct ecological assessments, and the strong relationships necessary to work successfully with a diversity of landowners.

Addressing Nutrients and Sediment

A second Oregon CIG proposal

(Continued on page 4)

State Support for SWCDs, Nutrients and Markets (continued)

addressing nutrients and sediments, two of the major challenges facing the world's waters, was filed by Yamhill County SWCD— widely recognized as a leader among SWCDs

This grant application includes multiple partners. The first, the Willamette Partnership has a proven track record of delivering high quality products and has developed a standard process for approving new credit protocols. The second, Clean Water Services has expertise in designing markets. The third, the Texas Institute for Applied Environmental Research has been the lead developer of both the APEX model and the NTT tool in cooperation with NRCS.

In Oregon, nutrients and sediments enter our streams from urban stormwater runoff, wastewater treatment plants, and runoff from farms and forests. In several watersheds throughout Oregon, the Department of Environmental Quality (DEQ) has issued Total Maximum Daily Loads (TMDLs) for nutrients and sediments, which set limits on the quantity of a pollutant a point source, can place into a stream. So Farmers and Foresters can often provide greater nutrient and sediment reductions, for less cost, than the point sources themselves.

The project proposes to create the metrics and models needed to build a credit calculation method for nutrients and sediments in the Willamette Basin. Tarleton State University in Texas and the Natural Resources Conservation Service have built the Nutrient Trading Tool (NTT) a web-based tool that calculates the edge of field reductions in nitrogen, phosphorous, sediments, and pesticides from installed best management practices.

This project will load the data and calibrate NTT to run across Oregon. It will also work with DEQ, potential buyers, and potential sellers to take the NTT outputs and turn them into tradable credits that a wastewater treatment plant could use to meet its water quality requirements.

Conclusion

Ecosystem service markets provide a pivotal link between people willing to pay for actions that improve and protect our environment and those who can take those actions. Oregon has nurtured creative thinking, environmental innovation and leadership for decades and is now poised to propel ecosystem service markets as a way to resolve some of our most challenging environmental problems, while also creating durable economic activity that supports rural communities.

To receive regular updates on the Partnerships progress, subscribe to our newsletter by going to www.willamettepartnership.org and signing up for wp-news

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