



**INCREASING THE PACE, EXPANDING THE SCOPE, AND
IMPROVING THE EFFECTIVENESS OF CONSERVATION**

ORGANIZING THE DEVELOPMENT AND IMPLEMENTATION OF THE WILLAMETTE ECOSYSTEM MARKETPLACE

INTRODUCTION

The premise behind ecosystem markets is fairly simple. Environmental regulations set standards that protect natural resources. Industries, businesses and individuals who change the land or water must meet regulatory standards or compensate for additional degradation. For example a developer who damages a wetland must replace it with a wetland on site or elsewhere. Cities and industries that release wastewater must clean and cool that water before releasing it into the river. Ecosystem markets provide a way for regulated parties to pay others to cool the river, restore a wetland, or provide other ecosystem services in a way that is more economically efficient and ecologically effective. Markets are a way to attain greater environmental benefit at lower cost.

Ecosystem markets make good economic sense, letting us invest money much more effectively. But we are looking for more than economic efficiency. The Willamette Partnership is building markets intended to increase investment in the most ecologically important areas, to restore the ability of natural systems to renew themselves and by so doing protect the public interest and reduce the likelihood of increased regulations into the future.

The Willamette Partnership is a coalition of leaders committed to improving the function of basin ecosystems by developing the Willamette Ecosystem Marketplace where regulated industries, developers and other investors can pay to land managers to manage for important services provided by nature such as clean abundant water, healthy populations of fish and wildlife, and a stable climate.

The primary goal of the Willamette Partnership program is to develop a marketplace that accommodates transaction that addresses the full spectrum of ecological functions and values. Some programs already exist, such as wetland mitigation and endangered species conservation banking. The Willamette Ecosystem Marketplace will assist buyers and sellers in these programs leverage the additional resources of factories, developers, transportation agencies, cities and sewer and water ratepayers to expand the scale and effectiveness of conservation areas in the Basin. The benefit to the public will be more strategic, coordinated conservation investments that produce benefits to the entire ecosystem at less cost than could be accomplished under individual fragmented programs. When fully

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developed, the Marketplace will accommodate multi-party transactions that attract enough investment to support projects at a scale that can make a significant and measurable ecological difference.

BACKGROUND

In 2005 the Willamette Partnership won a \$779,000 “Targeted Watershed Grant” from the U.S. Environmental Protection Agency to inaugurate development of the Marketplace. The grant will allow the Willamette Partnership to: assess the drivers and opportunities for investments; formulate scientifically-sound methods to quantify the value of conservation actions; create a portfolio of investment opportunities; establish the technical, legal, regulatory and institutional mechanisms to allow trading of conservation credits; execute transactions; evaluate the project’s effectiveness; and prepare a strategic and business plan to continue and expand the Marketplace. Under the terms of the EPA grant, the Marketplace must first target transactions to achieve temperature reductions for the Willamette River, consistent with Total Maximum Daily Load (TMDL) objectives for the river established pursuant to the federal Clean Water Act and state law. In the Marketplace, cities and industries that discharge hot water into rivers and streams will be able to purchase conservation credits offered by landowners who restore streamside shade, reconnect floodplains, or take other actions that cool water naturally.

This temperature-focused project, launched in mid-2006, will help construct much of the basic infrastructure needed for the Marketplace’s operation. However, additional scientific, technical, and institution-building work is needed to establish a Marketplace that is self-sustaining and can facilitate a wide range of transactions to achieve other ecological improvements, such as protection and restoration of fish and wildlife habitat and at risk upland oak and prairie landscapes. The Willamette Partnership is therefore vigorously seeking additional seed funding from other sources to underwrite this work in tandem with their implementation of the EPA-funded project.

Effective outreach to positively engage a diverse set of stakeholders, including potential buyers and sellers of ecosystem services, environmental interests, and regulatory agencies, is a prerequisite for the Marketplace’s success. In April 2006 Willamette Partnership won a \$50,000 matching grant from the Oregon Governor’s Fund for the Environment to help fund initial outreach and market appraisal efforts. Additional resources will be needed to develop and implement a comprehensive communication and outreach strategy to foster awareness, understanding of, and participation in the Marketplace.

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ROLES AND RESPONSIBILITIES

Willamette Partnership. The Willamette Partnership is a coalition of conservation, municipal, industry, agriculture, development, and academic leaders who represent the interests needed to develop consensus on innovative conservation policy and action. Project management staff will convene, coordinate, and otherwise support the activities of the Willamette Partnership, Project Steering Committee, and Task Teams (described below), and will provide day-to-day management of consultants. The Partnership, and specifically its Board of Directors, will be responsible for general oversight, strategic direction, and stakeholder access needed to establish the Marketplace. It will also supervise staff and contractors and will be responsible for all project deliverables associated with grant-funded activities, such as the EPA Targeted Watershed Grant and Oregon Governor's Fund for the Environment grant.

Mid-Willamette Valley Council of Governments Mid-Willamette Valley Council of Governments provides administrative support to the Willamette Partnership. Through a contract for services with the Willamette Partnership, the Mid-Willamette Valley Council of Governments provides staffing, fiscal management for grants and other revenue and expenses, contracting services, and reporting.

Clean Water Services. Staff of Clean Water Services, a Special Service District providing wastewater and surface water management in Washington County, Oregon, and a member of the Willamette Partnership, will coordinate technical aspects of the Marketplace's creation, including managing the work of scientific and technical contractors.

Project Steering Committee. Beginning with implementation of the EPA Target Watershed grant-funded project, the Willamette Partnership Board of Directors will recruit a Project Steering Committee with three primary responsibilities: to inform the work of the project staff and consultants, to implement a robust outreach strategy, and to provide guidance and recommendations to the Willamette Partnership Board of Directors Marketplace development. The Project Steering Committee will include some Willamette Partnership Board members, regulatory agency staff and interest group representatives whose organizations have the greatest potential to broadly affect the Marketplace's development. The Steering Committee members are:

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• Bill Gaffi, Clean Water Service	• Neil Mullane, Oreogn DEQ
• John Miller, Wildwood Mahonia	• Claire Schary, U.S. EPA
• Sara Vickerman, Defenders of Wildlife	• Bob Deal, U.S. Forest Service
• Travis Williams, Willamette River Keeper	• Marv Lewallen, Weyerhaeuser Company
• Louise Solliday, Department of State Lands	• Cathy Macdonald, The Nature Conservancy
• David Hulse, University of Oregon	• David Wester, Oregon Association of Conservation Districts
• Peter Ruffier, Metropolitan Wastewater Management Commission	•
• Tom Paul, Oregon Water Resources Department	•

The Project Steering Committee meets Monthly and for special sessions as needed to provide input and feedback at each stage of marketplace development and will work closely with project staff, the consultant team, and Task Teams (see below) as they start, manage, and complete tasks.

Task Teams. Guided by input from the Project Steering Committee and the Willamette Partnership Board of Directors, project staff will convene and coordinate teams of experts and key stakeholders for various Marketplace development tasks as necessary. Individual Task Teams will be intensive limited duration work groups that have knowledge associated with key task needs and will actively explore assumptions and alternatives and provide input, data, and guidance to project staff and project contractors.

Ecosystem Marketplace Roundtables. Roundtables will be used as a mechanism for gathering input from a larger group than the steering committee, and the public. Roundtables that are open to the public will provide opportunities for regular input into the Marketplace development and implementation by a wide range of stakeholders and the interested public.

Regulatory Agencies. Throughout development of the Marketplace, the Oregon Department of Environmental Quality, the U.S. Environmental Protection Agency, the U.S. Fish and Wildlife Service, and other government agencies will have open and direct access to the creation process through service on the Project Steering Committee or participation in Task Teams and other venues.

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GUIDING PRINCIPLES

The Willamette Partnership will operate consistent with the following set of guiding principles as it works to create the Willamette Ecosystem Marketplace:

- The Marketplace should allow for transactions advancing a wide array of ecosystem improvements, while focusing in its first phase on investments that implement the Temperature Total Maximum Daily Load (TMDL) for the Willamette Basin.
- The Marketplace must ensure accountability and fairness in the system by taking measures to safeguard against “gaming” the Marketplace (e.g., landowners clearing property then proposing restoration).
- The Marketplace should be effective locally and replicable nationally.
- The Marketplace should balance the priority to invest in projects that maximize ecosystem benefits against the need to maintain a reasonable level of investment in close proximity to the source of impacts, so that the Marketplace does not drain financial resources needed to address local problems or discourage stewardship in areas that fall outside of specific priority areas.
- The Willamette Partnership should strive to increase the overall pool of funds for restoration in the Willamette River Basin by tapping outside resources for Marketplace investments (e.g., carbon sequestration funds, Columbia River Basin funding, U.S. Department of Agriculture conservation incentive program funding).
- The Marketplace should give priority to ecosystem investments that, but for the existence of the Marketplace, would not occur.
- The Willamette Partnership will evaluate the environmental, economic, and social results of the Marketplace and share those evaluations publicly to advance the state of knowledge of effective strategies to achieve ecosystem restoration.
- The Willamette Partnership will encourage creativity and ideas from non-traditional sources given the ample room for innovation in this field.

PROGRAM GOALS AND ACCOMPLISHMENTS FOR 2006

Implement the EPA Target Watershed Grant-funded project to launch development of the Marketplace.

On April 1, 2006, after several months of discussion and negotiation between the mid-Willamette Valley Council of governments, the Willamette Partnership, and other stakeholders, the Environmental Protection Agency approved the final [work plan](#) for the grant. The workplan

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outlined the specific tasks needed to develop a framework for a trading and banking program that can accommodate transactions in a variety of currencies representing specific TMDL objectives for offsetting or reducing thermal loads and a range of other ecological services related to overall watershed integrity and function. The overall goal of the program is to develop the technical, legal and regulatory frameworks needed to facilitate multi-credit transactions for the purpose of improving the ecological health of the Willamette River Basin.

The first step in implementing the project is to hire the best qualified team of consultants possible to assist the Willamette Partnership in implementing the project. The Willamette Partnership will do this through the administration of its Request for Qualifications (RFQ) to develop the Marketplace, and specifically by ensuring that the RFQ:

- Is consistent with the work plan in the EPA-funded grant.
- Encourages response from teams that will provide the appropriate mix of knowledgeable local representation and national-level linkages, skills, and successes.
- Requires respondents to provide detailed information on individual team members and their experience.
- Provides the criteria for evaluating consultant proposals.
- Gives greater weight to experience and approach.
- Strikes the right balance between defining the approach and deliverables, and encouraging a consulting team's creative contribution.

On April 19, 2006, the Willamette Partnership convened a core group of stakeholders to establish the Willamette Ecosystem Marketplace Project Steering Committee. This committee is intended to be comprised of active stakeholder interests within the Willamette Basin and is intended to guide **development of the Willamette Ecosystem Marketplace**. Working with the Project Steering Committee, the Willamette Partnership initiated a **recruitment process** for a consulting team to help develop the Willamette Ecosystem Marketplace. The Willamette Partnership developed a **Request for Qualifications** and advertised the request in the Journal of Daily Commerce on April 25, 2006. Statements of Qualifications were due from consultants by May 25, 2006.

In response to this request the Partnership received nine statements of qualifications in total for both individuals and teams of consultants. Hard copies of submittals were mailed to the project selection committee, and by Friday, June 2, 2006, committee **scoring** was complete. There was unanimous agreement among the selection committee about the choice for contractors. David Evans and Associates partnering with CH2MHill received the highest overall score and was selected as the lead consultant for all project elements. Other teams including those led by Parametrix, Shaw Environmental, The Good Company, RESOLV, and Jackson Kelly were qualified on an as-needed basis for specific project elements.

Other issues to be addressed by the project Steering Committee include obtaining facilitation services (such services are not included in the RFQ), and ensuring the effective coordination of Marketplace development with other related activities in the Willamette River Basin (e.g.,

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U.S. Army Corps of Engineers (USACE) Floodplain Restoration Feasibility Study and Collaborative Modeling Process, USACE/The Nature Conservancy Sustainable Rivers Flow Recommendations, Pacific Northwest Ecosystem Research Consortium's Floodplain Restoration/Hyporheic Flow Research).

Secure funding for comprehensive Marketplace development, including outreach activities. Describe needed actions and planned activities to supplement the framework created under the EPA grant to add other credit trading schemes beyond temperature, and to get funding to underwrite the outreach activities described below – It is not realistic to think the Steering Committee will be capable of conducting the needed outreach through its member agencies' budgets. We need money and expertise to conduct an effective outreach strategy.

Perform outreach to stakeholders. Continuous outreach to multiple constituent communities will be central to the successful development of the Willamette Ecosystem Marketplace. The primary mechanism for stakeholder communication will be through the diverse memberships and interactions of the Project Steering Committee and the Willamette Partnership Board of Directors. Specific activities will include:

- Developing outreach materials and targeted communication strategies for stakeholder interest groups.
- Participating in to meetings and conferences of stakeholder interest groups throughout the project to deliver presentations and get feedback on framework development.
- Designing and implementing a media strategy.
- Creating a statewide database of interested citizens, community and business leaders, local government officials, environmental leaders and other stakeholders.
- Developing an internet web site and electronic or conventional newsletters to communicate Marketplace information to stakeholders.