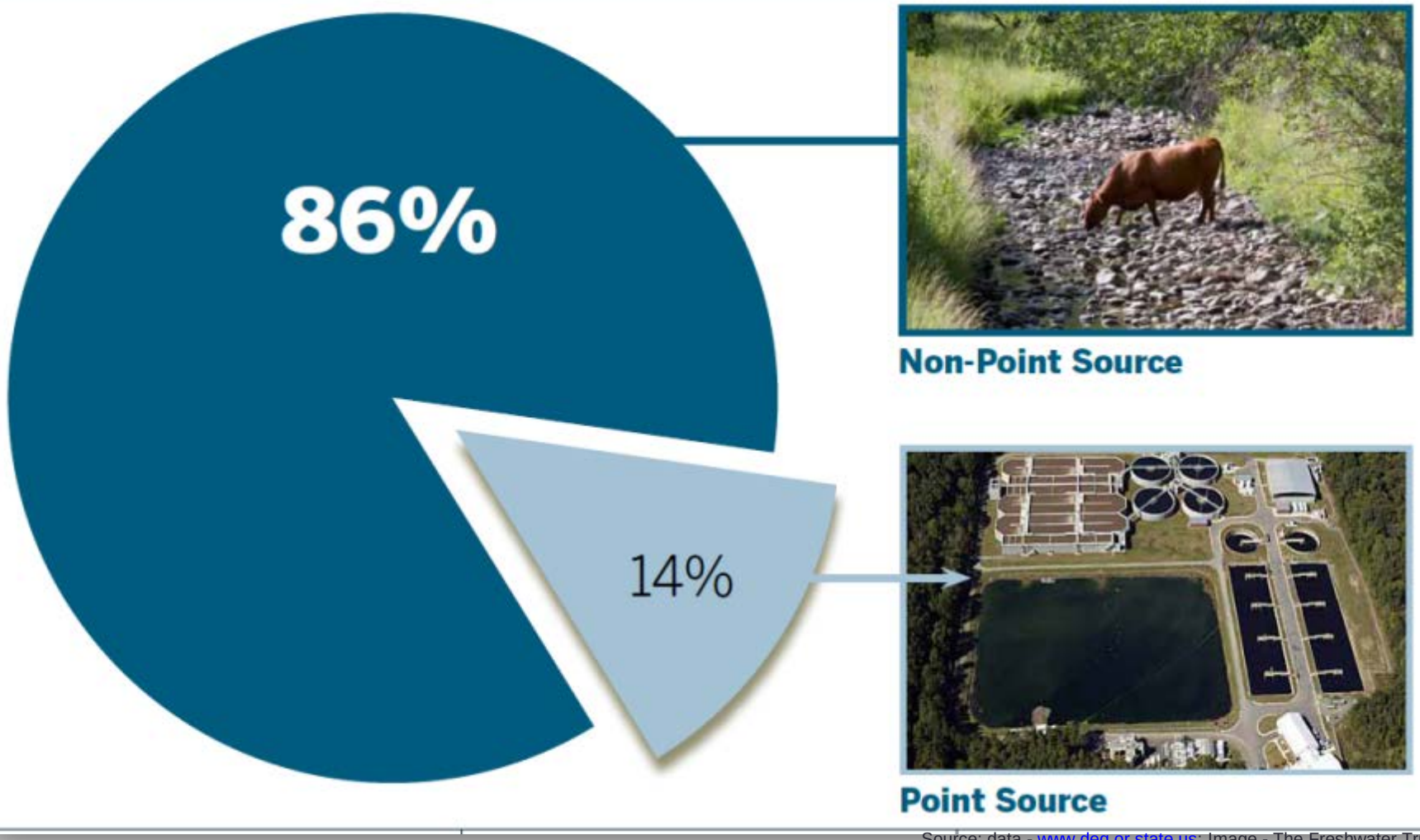
Environmental Markets

CA Board of Food and Ag, July 2014

Using mitigation to meet restoration goals

Investing how Mother Nature would



Source: data - www.deq.or.state.us; Image - The Freshwater Trust

Tualatin River, Oregon

Restoration for compliance, converting…

Cooling Towers

$60 - $120 million

35 miles of restoration

Additional instream flow

$6 million

Source: The Freshwater Trust

Summer, 2004

Summer, 2007

Summer, 2010

Mitigation and Ecosystem Payments

The Good & *The Bad*

- Flexible way to achieve goals
- Requires definition and tracking of performance
- Increases efficiency

- Creates a false sense of certainty
- Reinforces inequities
- Crowds out other actions
- Relies on rule of law

Language confuses people

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Hurdles have been cleared

Mitigation and ecosystem payments

- **CLEAR DEMAND:** Utilities are investing, financing is available.
- **CLEAR PATH:** Templates and capacities are available for agency policies, program design, and operation
- **CLEAR RISK:** There are third parties willing to finance and deliver compliance-grade projects

Forecasting trends?

Mitigation and ecosystem payments

- Science is better and more usable
- From markets as a panacea to markets as a way to deliver performance-based conservation
- We're headed for a period of hard work to engage environmental advocacy groups
- You'll hear more about consistency & sustainable business models than innovation (from us at least)

What we need next for proactive markets

- A focus on connection and learning—not just innovation
- More supportive state and federal legal structures
- Continually better science and adaptive management
- Help keeping successful programs going in the face of delayed or thin transaction volume

Joint Regional Recommendations & National Network on Water Quality trading

- Shared recommendations across states on how point-nonpoint trades might occur;
- Provides clarity on the detailed questions that need answers for trading to work;
- Recognizes each state and watershed needs some flexibility to make trading work; and
- Should help trading programs start faster and more consistently.

Trading Recommendations Outline

1. Regulatory instruments to support trading
2. Eligibility
3. Baseline & additionality
4. Credit quantification
5. Ratios
6. Credit characteristics
7. Credit verification
8. Credit registration
9. Project site monitoring and record keeping
10. Compliance & enforcement
11. Program effectiveness and adaptive management

Thanks!

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