

**Forest Resource Trust Advisory Committee**  
**Meeting Minutes**  
**June 7, 2007**

Members Present:

Mike Atkinson, Matt Delaney, Douglass Fitting, Rick Fletcher, Mike Heath, Patrik Norris, Tom Stoops, and Sara Vickerman.

Members absent:

John Breese, Ken Everett, Mike Haasken, Jim Johnson, and Ilene Waldorf.

ODF staff present:

Mike Cafferata, Jim Cathcart, Peter Daugherty, Gary Lettman, and Linda Price

Guests Present:

Bob Deal, US Forest Service, Pacific Northwest Research Station; Gina LaRocco, Defenders of Wildlife and member of House Bill (HB) 2293 Work Group; David Primovich, Willamette Partnership and member of HB 2293 Work Group.

**Agenda Items:**

1. Call to Order / Introductions / Welcome Attending Public
2. Review / Approval of April 4, 2007 Meeting Minutes
3. House Bill 2293 Update
4. Ecosystem Services Work Session
  - PART I – Information Gathering
  - PART II – Discussion
  - PART III – Action Items
5. Progress Report – Stand Establishment Program
6. Member Roundtable – Announcements / Information Sharing
7. Next Meeting

**Meeting:**

1. **Call to Order / Introductions / Welcome Attending Public:** Pat Norris, Chairman, called to order the meeting of the Forest Resource Trust Advisory Committee at 10:00 a.m. on June 7, 2007 in the Oregon Department of Forestry's Santiam Room located in Building D, 2600 State Street, Salem, Oregon.
  - There were no members of the public present.
  - Invited guests were introduced.
  - Jim Cathcart informed the committee that Jack Carter has resigned from this committee due to health reasons. Jim praised Jack's service and dedication on this committee and as an active owner of small woodlands. Jack was instrumental in helping his mother-in-

law's land be reforested using Forest Resource Trust funds and the project is now free-to-grow.

- Jim also mentioned that although member John Breese could not attend this meeting, John has reviewed the minutes and materials on ecosystem services and has shared his thoughts with Jim as well as with Rick Fletcher.
2. **Review / Approval of April 4, 2007 Meeting Minutes:** The committee approved the minutes.
  3. **House Bill 2293 Update:** Mike Cafferata, Private Forests Policy Unit Manager reported:
    - Since the last meeting of this committee, the bill has been signed by the governor.
    - ODF staff will present draft administrative rules for implementing HB 2293 to the committee at its meeting in September. Staff will propose that the Department's existing cost share mechanism for federal funds also be used for implementing the Trust cost share program.
  4. **Ecosystem Services Work Session:** Jim Cathcart opened the work session by reviewing previous work by the committee regarding ecosystem services. At its April 2007 meeting, the committee expressed interest in framing ecosystem services as an issue for the Board of Forestry. The purpose of the work session was to gather more background from those involved with ecosystem services and then provide some time for the committee to brainstorm key messages for the Board. In addition, the work session would also allow the committee to give the Department some advice regarding how to implement its role in helping landowners participating in Forest Resource Trust programs secure payments for ecosystem services. Guests will present information this morning and the committee will discuss this afternoon.

#### PART I – Information Gathering

- *Ecosystem Services and the Forestry Program for Oregon* – Mike Cafferata distributed a summary (copy attached) of how ecosystem services are addressed by the Board of Forestry's 2003 Forestry Program for Oregon (FPFO). This summary includes environmental and ecological issues the BOF is currently addressing.
  - (a) Before this committee communicates to the BOF, it is important to know what the board is already doing
  - (b) There will be four new board members soon. New members will rely heavily on the FPFO document to familiarize themselves with issues the board addresses. The FPFO is the written policy direction from the board to ODF.
  - (c) Notice in the FPFO, the definition of sustainable forest management already recognizes ecosystem services. Timber is included as an ecosystem service. This is the same definition that was used in HB 2293.
  - (d) When we communicate to the board, we need to relate the issues to the FPFO and need to present it as part of a work plan for ODF. Include how to fund ecosystem services, policy choices, and flush these out in action plans.
  - (e) Ecosystem services are already part of FPFO and part of a work plan being worked on currently by ODF's Resource Planning. Also, regulations cover some of ecosystem services.

Discussion followed:

- (a) Gary Lettman said that FPFO Strategy C (Maintain and Enhance the Productive Capacity of Oregon's Forests) was not mentioned but should be considered as including part of the Board's view on ecosystem services.
  - (b) Sara Vickerman, with regards to Strategy D (Protect, Maintain and Enhance the Soil and Water Resources of Oregon's forests), asked if the Board is moving toward only regulating forest practices with respect to the protection of water resources; leaving fish and wildlife habitat protection up to incentives and voluntary measures. It was pointed out by the Department that this is not the case – the Board has adopted rules regarding specified resource sites for important wildlife such as herons and ospreys and habitats such as wetlands. Further, there are statutory provisions for green tree retention and down wood in clearcuts. Rick Fletcher responded that ODF&W acts in conjunction with the BOF whenever fish and wildlife are involved. Mike Cafferata mentioned that DEQ is more formally involved because water quality has statutory provisions designed to meet federal obligations under the Clean Water Act.
  - (c) Rick Fletcher asked - what about investments by the public - for instance municipalities – that would provide a source of capital for payments for ecosystem services/ Sara Vickerman said that the public already invests by allowing forest and farm landowners to pay a much reduced property tax rate – essentially redirecting the tax burden of forest and farm lands back to the forest and farm landowner so the funds could be invested in their forestlands. Paying this (the payment being less tax revenue collected) is society's recognition of the public values that managed farm and forest lands provide. Mike Cafferata said look at the Board's vision in the FPFO - it includes public recognition of forest resources.
  - (d) Peter Daugherty said to remember that the BOF's charge is forest land and that is their focus.
  - (e) Jim Cathcart asked where does the capital for ecosystems services come from? Look at the Forest Vitality Work Plan. Social demand points to vision statement.
  - (f) Sara Vickerman said that HB 2293 work group removed ecosystem services from the bill because the topic is bigger than the FRT program. Other than some funds for water and soil, there is little funding for other resources. She sees this as showing little commitment to Strategy E (Protect, Maintain and Enhance the Health of Oregon's Forest Ecosystems) by the BOF.
  - (g) Rick Fletcher said the committee should advise the BOF on the issue of ecosystem services and look at developing policy for ecosystem services. Mike Cafferata said the committee is not obligated to talk to the BOF about this issue.
- *Issues Identified by the House Bill (HB) 2293 Work Group* – The following summary of HB 2293 Workgroup issues was distributed to the committee:
    - *Additionality* – Do not use regulation as a baseline for determining additionality. (Additionality means “but for” the market payment or incentive, the environmental service would not have been provided.)
    - *Multiple programs* – complexity. Financial “deals” or contracts with government present a barrier to program participation by landowners. Government programs seem to equate with complexity.

- Giving incentive to the lowest common denominator instead of best behavior.
  - Clear Rules – Who gets paid for what, when? Who decides this? How defined?
  - Eligibility – Does Board have ability to expand eligibility to private and local government forest lands that apply to the Simple Loan Program? That was the intent, but it doesn't appear so.
  - Does this give incentive for the conversion of native habitats such as oak woodlands and savannas to plantations of commercial forest species such as Douglas-fir?
  - Additionality – Ensure investments in ecosystem services “add” conservation value. There is little money now for environmental services... don't want to spend what there is for things that regulation is providing already.
  - What about those who voluntarily are doing added conservation value – will they be penalized by the “but for” requirement defining additionality.
  - Don't want ODF to be a broker for ecosystem services. Individual agencies that silo ecosystem services based on their area of expertise provide a barrier to bundling services.
  - Is it “ecosystem services” or “environment services” and is there any difference?
  - What is the baseline? We do not want to exclude forests from playing in the marketplace. For example, the co-benefits (e.g., ecosystem services) from forests needs to drive whether forests can play in the marketplace; so don't want complexities of baseline unnecessarily exclude forests
  - What is meant by “sustainable” in the term “sustainable non-industrial private forestlands”?
  - There needs to be a definition for \_\_\_\_\_ services. What are we talking about? Then can decide what to call it.
- *Perspective of Family Forest Landowners – Discussion at Recent Symposium* – Mike Cafferata distributed a summary prepared for this committee by Mike Cloughesy, Oregon Forest Resources Institute (copy attached). The summary gives an indication of the amount of discussion related to ecosystem services. The symposium was held in April and was co-sponsored by the Committee for Family Forestlands and the Board of Forestry. In small discussion groups, participants developed a list of action items for the BOF and 2009 Legislature including ecosystem service issues including: uncompensated services and incentives for additionality.

Discussion by the committee included:

- (a) Rick Fletcher said forestland ownership needs to be profitable; otherwise land is used for non forest uses. So, incentives are necessary. Owners want to be compensated for going beyond the Oregon Forest Practices Act requirements. Currently owners get nothing for it. He used the example of the Starker family whose timber is held well beyond typical rotation age. They should be compensated for longer rotation for ecosystem services benefits such as increased carbon sequestration.
- (b) David Primozich said it is easier to describe and quantify ecosystem services outputs (e.g., clean water, carbon sequestration) but we need to quantify supply

side (i.e., condition of forestland, habitats) conditions that produce these outputs. It is the desired conditions on the supply side that we need agreement on; not a focus on regulations.

- (c) Who pays for environmental values? – the ecosystem marketplace is an emerging way for the public to pay.
- (d) Unfair to current owners, formerly owners could clear cut, now there are more regulations and restrictions.
- *Oregon's Ecosystem Marketplace* – David Primozych, Willamette Partnership (and member of HB 2293 workgroup), distributed “How Does an Ecosystem Marketplace Work?” (copy attached). David said:
  - (a) The vision is to develop an ecosystem marketplace where multiple credit types (credits for more than one type of ecosystem service) are traded.
  - (b) Need to avoid and minimize multiple impacts on the landscape. Market forces can dramatically improve the effectiveness of investment by pooling resources and linking buyers and sellers of ecosystem services.
  - (c) Currently, most ecosystem services are regulatory-driven, where buyers purchase offsets for unavoidable environmental impacts.
  - (d) Demand is growing from buyers who want to voluntarily offset their impacts.
  - (e) Ecosystem marketplace would pool multiple buyers and sellers to exchange multiple types of credits.
  - (f) Locally, in the Mid-Willamette Valley, there is more than \$30 million in unmet wetland credit demand and point sources are preparing to spend millions to comply with Total Maximum Daily Load. This level of investment from multiple buyers and sellers warrants more coordinated and transparent exchange systems.
  - (g) A Registry is an inventory and accounting system for all credits available within a marketplace. It would be used by regulators, the public, and other market participants.

Discussion by the committee followed:

- (a) Tom Stoops said one problem is that mitigation funds taken from one location and used at a different location. Funds should be used for projects in same location.
- (b) Matt Delaney said that compared to the Mississippi River Valley, he doesn't think Oregon will ever be competitive in the carbon offsets marketplace.
- *What is happening at the Federal Level?* – Bob Deal, US Forest Service, Pacific Northwest Research Station, distributed: “PNW Client Meeting Summary” (copy attached) that outlined and summarized the results of discussion groups held by the Pacific Northwest Research Station on ecosystem services.” Bob said:
  - (a) Different interest groups have different perspectives on ecosystem services:
    1. Regulations create markets
    2. Conservation groups want stronger regulations. Coordination of the regulators is needed.
    3. Other groups do not want regulations as much.

4. Landowners want recognition for being good stewards, not necessarily more money. Currently, the system is not fair. Additionality is difficult.

Discussion by the group included:

- (a) Rick Fletcher said 60% of land in Oregon is federally owned. Effects of federal lands on neighbors can't be ignored.
  - (b) David Primozych said we need to avoid individual programs and integrate them for land managers. Need to think about potential markets and coordinate these.
- *State Agency Roles and Responsibilities* – Sara Vickerman and Gina LaRocco, Defenders of Wildlife, referenced the Willamette Partnership and Defenders of Wildlife briefing report to Governor Ted Kulongoski's Natural Resource Cabinet (distributed in advance of the workshop): "The Ecosystem Market Place"; specifically page 10 addressing the role of state agencies in an ecosystem marketplace". Gina said:
    - (a) Regulations drive ecosystem services markets
    - (b) There are uneven regulations and resource values. Need to apply them more evenly across the landscape.
    - (c) Agencies provide technical assistance and determine how regulations are applied.
    - (d) There are opportunities for incentives and training.

Discussion followed:

- (a) David said agencies need to coordinate assessment of ecosystem services values like carbon offsets. Willamette Partnership wants to help with this effort in the Willamette Valley. Suppliers (of offsets) need to know how to supply a credit.
- (b) Sara said don't reinvent the wheel. Need to align and simplify and make the system work for all interest groups. A state-wide tool is needed. Need to streamline the current system, make it less complicated. Oregon needs to have explicit conservation goals, currently goals are agency specific.
- (c) Bob said coordination of services and benefits is needed. Avoid "double-dipping" effect.
- (d) Tom said he works solely with developers who need offsets. They prefer to go to the marketplace to buy offsets and have few options other than the Climate Trust currently. Developers would like providers to offer them credits/offsets to them.

Additional notes were taken through the course of this session. See attached Flipchart Notes Part I – Information Gathering

## PART II – Discussion

- *Framing Ecosystem Services as an Issue for the Board of Forestry* – Rick Fletcher led this session.

Before the discussion began, Patrik Norris Chairman took a poll of the Advisory Committee members regarding whether a letter should be sent to the Board of Forestry on the topic of ecosystem services and whether it should focus only on ecosystem services as the topic relates to the Trust or whether it should enlarge the scope by addressing ecosystem services in general. The Committee members agreed that a letter should be sent and it should to ecosystem services in general.

With that consensus, Rick opened the discussion by going around the room and asking each person to give what they feel is their most important point for the letter to convey.

See attached Flipchart Notes Part II – Discussion Summary - Ecosystem Services as a Board of Forestry Issue

- *The Role of ODF Staff and Field Foresters in Helping Participating Landowners in Forest Resource Trust Programs Secure Payments for Ecosystem Services.* Jim Cathcart led this part of the discussion.

See attached Flipchart Notes Part II – Discussion Summary - Role of ODF (Staff and Field) in Helping Landowners “Secure Payments for Ecosystem Services”

### PART III – Action Items

- Jim Cathcart to draft letter
    1. Initial review (help . . .) – Rick F., Mike C., Pat N. – 2 pages, 11 point font
    2. Distribute to committee – 2 weeks
    3. Finalize via e-mail, handle differences one-on-one, and summarize difference/solution for the group – End of July
5. **Progress Report – Stand Establishment Program** – Jim Cathcart reported:
- One 25 acre project in Lane County and one 20 acre project in Yamhill County will be enrolled soon.
  - Also, 47 acres of projects will enroll later this year.
  - Approximately 100 acres withdrew or did not qualify for the Program for various reasons.
  - New applications are received throughout the year.
  - The owner of an enrolled Douglas County project wanted to know if he sells one of the tax lots, which terms are more favorable – the existing contract terms or the new contract terms (4% simple interest etc.). Jim calculated buyout under existing terms and also what it would be if the contract is amended using new terms. He found that:
    - (a) Under existing terms, the incentive is to produce more volume
    - (b) Under the new terms the ability to payback occurs sooner (shorter rotation) but owner has the choice to harvest or not.
    - (c) The new terms are much more favorable financially to the owner even on low site grounds.
6. **Member Roundtable – Information Sharing:** None.
7. **Next Meeting:** Thursday, September 26th from 10-3, here at Salem Headquarters, Bldg. D, Santiam Room. Lunch will be provided.

**Forest Resource Trust Advisory Committee  
Ecosystem Services Work Session**

**Flip Chart Notes  
PART I – Information Gathering**

**June 7, 2007**

- Discussion can't just happen within the Oregon Department of Forestry (ODF)
- Additionality
  - Where do regulatory accomplishments fit in?
  - Role of ODF in markets – broker, aggregator
  - Who's developing the capital for this?
  - Key challenge – unifying the agencies - avoiding "silos"
  - Avoid each agency developing own program
- Challenge – unifying the supply-side of providing services
- Current marketplace only rewards producing wood. If markets could reward other uses, landowner's would willingly provide.
- Penalty or reward - assignment of property rights
- Equity – landowners owned land for generations – eminent domain sort of thing when regulation assigns property right
- "Baseline/Additionality Wickedness"
  - Developing markets
  - Equity/Fairness – rewarding
  - Rewarding bad behavior
  - Early adopters – those who have historically provided
- Scale, service areas where ecosystem services need to be sourced to get mitigation credit for service
- Policy point – defining the scope/service area for the market
- What are the units of measures?
- Federal level very uncoordinated (e.g., agencies, farm bill)
- Research needs
  - Ways to measure
  - What is the role of regulation in developing?
  - Determine social/economic benefits that markets will provide
  - Develop index – ecosystem service factors – prod functions, metrics

### ***Role of State/Federal agencies***

- Establishing baselines
  - Potential roles of agencies
    - Coordination
    - Regulation Drives Markets
    - Regulation
  - Technical Assistance
    - What services are landowners providing?
    - What rules/access to markets?
- } Work together – streamline rules
- Research – quantify ecosystem service outputs on federal lands – 60% of forest in Oregon – Public
  - Agencies can help by developing uniform accounting tools – create chaos if everyone develops their own tools – bundling vs. double dipping issue
  - Developers would rather go to the marketplace and purchase offsets than manage offset projects
  - Market – efficient system of exchange. If create – folks will make speculative investment in these ecosystem services and bring to market.
  - What are the certification standards to ensure suppliers ecosystem service as "creditable" in market?
  - Agencies – verify/certify credits
  - Issue permits for restoration
  - Big picture – what outcome(s) do we want these markets to support?
  - "Private" management of public lands for ecosystem services

### ***Other Agency Roles***

- Landscape scale monitoring
- Support development of electronic exchange system
- Offer loan/interest to spur development of conservation banks
- Land exchanges – public/private get the right land in right ownership
- Aggregating credits?
- PNW – Oregon – Forestry we have not been "bad" enough stewards to be globally competitive in ecosystem service markets

# Forest Resource Trust Advisory Committee Ecosystem Services Work Session

## Flip Chart Notes

### PART II – Discussion Ecosystem Services as a Board of Forestry Issue

June 7, 2007

#### *Purpose of Letter*

- Committee saw ecosystem services as a "tool"
- What we found when we turned over a rock
- Letter – communicate what we found for broader consideration by the board

#### *Advice to the Board*

- David P – ODF provide tech assist and guidance to landowners to access markets for ecosystem services
- Tom S – Incorporate ecosystem service values in Board of Forestry (BOF) work plans to maximize return on investments (encourage profitability of forest lands)
- Gary L – Coordinate and highlight current board actions with respect to ecosystem services to point in the direction of needed long term assessment – revising strategies for 2011 Forestry Program For Oregon (FPFO) and perhaps adding element to forest vitality work plan
- Mike H – Come up with a value\* determination for the State of Oregon (public lands) and for private sector
  - How much, what are the costs?
  - What are the benefits? } Are ecosystem services worth it?
- Mike A – Board must address the inherent inequities with the current justification of ecosystem services – the inequities that markets (emerging) are reinforcing – see Flip Chart Notes from Part I Information Gathering this morning
- Pat N – Mandate BOF and other boards (Agriculture., Fish & Wildlife) to spearhead the coordination of Federal/State agencies to bring together in some form to benefit landowners
- Doug F – Explore incentive opportunities – important to reward good behavior – use as a screen to evaluate other policies under development
- Gina L – Facilitate the institutional integration of the various agencies
  - Addressing outstanding issues additionality, baseline, monitoring . . .
  - Development of common accounting policy
- Sara V – Consider where (ecosystem services markets) can be used to accomplish the ecological goals behind the 2003 FPFO strategies; e.g., Strategies C through G
  - Evaluate current actions
  - Develop new actions
  - Ecosystem services markets as a tool

- Matt D – Help develop/coordinate with existing agencies/entities (i.e., Department of Agriculture) the technical tools (i.e., via the Forest Resource Trust) to account for ecosystem services
  - Example (niche):
    - Opportunity – accounting of carbon offsets from "forestation"
    - Accounting CO<sub>2</sub> offsets – fire/forest health thinnings
    - Baseline – forestland loss in Oregon (conservation of forestlands)
- Bob D – Better coordination of agencies for the regulation and establishment of ecosystem service markets
  - Manage group size – fewer is better
- Mike C – Additionality – Role of government is undefined (preamble). Articulate ownership rights to ecosystem services. (Where unclear and where different land uses)
- Jim C – Affirm landowners own the ecosystem service credits accruing to their lands. Eliminate the "but for" requirement for being a credit. Reward good behavior – those maintaining baseline. What policy structure?
- Sara V – Define the role of forestry as an explicit part of an Oregon (regional) strategy on climate change

**Forest Resource Trust Advisory Committee  
Ecosystem Services Work Session**

**Flip Chart Notes**

**PART II – Discussion**

**Role of ODF (Staff and Field) in Helping Landowners  
“Secure Payments for Ecosystem Services”**

**June 7, 2007**

***Role of ODF (staff and field) in helping landowners "Secure Payments for Ecosystem Services"***

- Where does this fit in workload matrix for Stewardship Foresters?
- Incorporate ecosystem services as part of the development of Forest Management Plans (e.g., forest stewardship plans, tree farm plans)
- Purpose of BOF letter – Think proactively of what "ought" to be out there for landowners
- Point them to what is available now – existing opportunities (training – staff to field.
- Oregon Sustainable Agriculture Resource Center – one-stop shopping – incorporate ecosystem services – broaden beyond agriculture.
- Use existing/developing materials on ecosystem services markets – perhaps Oregon Forest Resources Institute – web based; e.g., Michigan Carbon Offset Program
- Don't need administrative rules to fulfill this function – start out without them, find out when need them