

The Bay Bank™

USDA Forest Service
Northeastern Area
State and Private Forestry



An Ecosystem Service Marketplace for the Chesapeake Bay

Description:

Emerging ecosystem markets can provide an incentive for forest landowners to conserve or improve their land. Currently, access to emerging markets in the Chesapeake Bay is difficult without a centralized marketplace that connects landowners to ecosystem service markets. The Alliance for the Chesapeake Bay, the Pinchot Institute for Conservation, the Northeastern Area, and other stakeholders have begun to develop a functional ecosystem services marketplace for the Chesapeake Bay - the *Bay Bank™*. The project is led by the Pinchot Institute.



The mission of the *Bay Bank™* is to improve the health of the Chesapeake Bay by facilitating a multi-credit, regional ecosystem services marketplace. Acknowledging that others are making advancements in developing markets for ecosystem services (e.g., private firms making individual transactions, individual markets like water quality trading), the *Bay Bank™* focuses on integrating these existing efforts and building the necessary tools to facilitate a centralized marketplace. The ultimate goal of this marketplace is to link private landowners in the Chesapeake Bay watershed to incentives for land stewardship practices that benefit water quality and the environment.

These major components must be addressed in development of the *Bay Bank™* in order to reach its goal of marketplace facilitation:

1. **Baseline:** Environmental Law Institute was contracted to analyze current regulatory drivers for the five ecosystem service markets listed above. The analysis reviewed major stakeholders in land conservation in the Chesapeake as well as state and national regulations and guidelines on generating and trading credits for ecosystem markets. Future *Bay Bank™* development will be guided by this analysis.
2. **Forestry for the Bay:** An existing effort to provide online, coached land stewardship; this program will provide the initial link between landowners and a spatial land registry.
3. **Spatial land registry:** A web-based mapping tool will allow landowners to spatially select and register their parcels of land, input current and proposed land management practices, and generate a report about their land. This report will provide a detailed information on the land and determine its eligibility for participation in current and emerging ecosystem markets. The spatial land registry will eventually link to the *Bay Bank™* online marketplace.
4. **Verification and certification:** To ensure high-quality credits, the *Bay Bank™* will incorporate requirements for on-the-ground verification of practices and third-party certification.
5. **Centralized marketplace:** The *Bay Bank™* will provide an online portal for ecosystem market transactions in existing and emerging exchanges/registries.
6. **Regional Trust Mechanism:** The *Bay Bank™* will seek to leverage funding streams to purchase credits generated by high quality, third-party certified private stewardship activities. The *Bay Bank™* will target investments for ecologically meaningful watershed restoration.

Key Issues:

- Forests are the best land use for water quality in the Chesapeake Bay and provide many other ecosystem services such as wildlife habitat, carbon sequestration, and recreation.
- Ecosystem markets can provide incentives for landowners to maintain well-managed forests
- Access to environmental service markets may increase the financial viability of forest ownership.
- 80% of Chesapeake forests are privately owned and 100 acres/day are being converted to development.

Project Status:

Representatives of the Alliance, Pinchot Institute and the Northeastern Area have formed a Project Development Team. The team has presented the project concept to numerous stakeholders, gaining endorsement from the States of Maryland and Delaware and various regional environmental groups such as the Chesapeake Bay Foundation. The Environmental Law Institute has completed the “*Bay Bank™ Baseline Analysis: Regulatory Drivers of Ecosystem Markets in the Chesapeake Bay*”. Underway is the Spatial Land Registry, a web-based mapping tool that will allow landowners to register their parcels of land, input current and proposed land management practices, and generate a report about their land. A business model and case studies are being developed.

Budget History:

Project funding for the Bay Bank™ (\$ 1000's)		
	FY 2007	FY 2008
Forest Stewardship Program		
-Baseline Analysis	\$24	
-Spatial Land Registry	\$225	
External Partner Contributions		\$200
Totals	\$249	\$200

Future Direction:

- Collaborative framework development and stakeholder outreach.
- Development and testing of the Spatial Land Registry, including adding the capacity for detailed ecosystem service credit identification and estimation.
- Drafting detailed specifications for on-the-ground verification and third-party certification.
- Development of a plan for marketing the *Bay Bank™* to both buyers and sellers.
- Completion of a business plan detailing specifications for the operation of the *Bay Bank™*.
- Final report, or “blueprint,” on how the *Bay Bank™* will operate within each of the states, how trading can occur in a cost-effective manner, and how a marketing plan can enroll buyers and sellers. The final report will also include an implementation strategy.

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