

February 1, 2012

Senator Jackie Dingfelder, Chair
Senate Environment and Natural Resources Committee
Room 347, State Capitol
900 Court Street NE
Salem, OR 97301

Re: Senate Bill 1511

Dear Chair Dingfelder and Members of the Committee:

In the 2009-2011 biennium, representatives from our agencies participated in the Senate Bill 513 (2009) Ecosystem Services and Markets process. Today we write to you in support of Senate Bill 1511, which advances state policy regarding ecosystem services.

The SB 513 process engaged a broad and diverse community of stakeholders to consider how Oregon can achieve ecological goals while improving the state's economy and the quality of life for Oregonians. The SB 513 Working Group developed ten consensus policy recommendations (see www.oregon.gov/OWEB/docs/SB513_final_report.pdf for more information). These recommendations were intended to promote development and implementation of an integrated ecosystem services marketplace, which may in the future offer an "alternative path" to traditional regulatory processes intended to protect Oregon's environment. This marketplace would expand opportunities for Oregon's landowners to sell improved ecosystem services, generating income that helps farm, forest and other landowners to be good stewards of the land, while benefitting their local communities through the creation of restoration-related jobs. The marketplace would also create opportunities for agencies to incorporate ecosystem services approaches and crediting into their grant-making and compensatory mitigation programs. These approaches provide additional tools for natural resource agencies to achieve conservation and restoration goals while promoting jobs through market mechanisms and being accountable and transparent about the ecological outcomes resulting from public investment in and the management of Oregon's natural resources.

We support Senate Bill 1511 because the bill provides continued high level encouragement to agencies to use market-based approaches to help accomplish their goals where and when appropriate. The bill also comports with and gives support to the work natural resource agencies are already conducting. For example:

- The Oregon Watershed Enhancement Board (OWEB) provides grants to help Oregonians protect and restore the state's environment. SB 1511 encourages OWEB to continue to explore options for incorporating ecosystem services-related approaches into the agency's programs, including providing incentives to landowners to conserve ecosystem

services and increase the pace of habitat restoration. OWEB is engaged in a number of pilot projects to test and refine ecosystem services approaches this biennium. These projects connect the Senate Bill 513 recommendations with existing OWEB programs and initiatives in ways that will help the agency achieve its mission and measure the ecological outcomes of the agency's investment, thus increasing accountability about the use of public funds for restoration.

- The Board of Forestry's sustainability strategy, the *Forestry Program for Oregon*, identifies ecosystem services markets as important to its goal of keeping working forests working, in the face of pressure to sell forestlands for non-forest uses. SB 1511 takes steps toward developing effective policies that would provide additional economic opportunity for Oregon's forestland owners. Consistent with this goal, the Oregon Department of Forestry (ODF) was a partner recently in a successful pilot of ecosystem service measures and design of credits, as part of a stream habitat restoration project on Gales Creek, in the Tillamook State Forest. Similarly, ODF continues to participate in the development of emerging markets for forest biomass and carbon offsets, as potential financial incentives to encourage sustainable management of forestlands.
- The state's Integrated Water Resources Strategy, scheduled for adoption by the Water Resources Commission during 2012, calls for the further development of Oregon's ecosystem services markets, particularly as they relate to water quality and quantity. Specifically, it calls upon the state to build upon its policy of ecosystem services markets by continuing to develop, define, and explore how these markets could be used to meet both regulatory and voluntary needs in Oregon.
- The Department of State Lands (DSL) has been and continues to be supportive of the use of ecosystem services concepts to evaluate impacts to waters of the state and to identify appropriate compensatory mitigation. DSL supports development of ecosystem services markets, which will provide high quality compensatory mitigation, provide incentive for landowners to be good stewards of waters of the state, and provide potential opportunities to generate additional revenue from state-owned lands managed by DSL.
- The Department of Environmental Quality (DEQ) is able to incorporate "water quality trading" in wastewater discharge permits as a means to achieve the best overall protection of the environment while lowering costs for the permit holder and promoting jobs. For example, to improve conditions for salmon and other native fish, DEQ's water quality trading program allows dischargers to meet their discharge temperature requirements by taking action to restore streambanks, wetlands, floodplains, and aquatic habitat within a watershed rather than installing wastewater chillers at their facility. The development of measurement and compliance tools for ecosystem services supported by this bill is essential to ensure the ongoing success of DEQ's water quality trading program and advancement of this type of approach into other regulatory programs.
- The Department of Fish and Wildlife (ODFW) supports the use of ecosystem services and markets as a useful tool for implementing meaningful habitat restoration in Oregon. Senate Bill 1511 is consistent with the broad vision identified in the Oregon Conservation

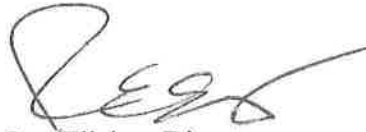
Strategy (Oregon's Comprehensive Wildlife Conservation Strategy) for long-term conservation of Oregon's native fish and wildlife. It also complements ODFW's approach to recommending high quality, accountable mitigation for development actions that impact Oregon's fish and wildlife and their habitats.

In summary, Senate Bill 1511 provides encouragement to state agencies to adopt and implement ecosystem services approaches and market-based programs that accomplish dual economic and environmental goals.

Sincerely,



Dick Pedersen, Director
Department of Environmental Quality



Roy Elicker, Director
Department of Fish and Wildlife



Doug Decker, State Forester
Department of Forestry



Louise Solliday, Director
Department of State Lands



Thomas M. Byler, Director
Oregon Watershed Enhancement Board



Phillip C. Ward, Director
Water Resources Department

- c Richard Whitman, Governor's Natural Resources Policy Director
Brett Brownscombe, Governor's Natural Resource Policy Advisor