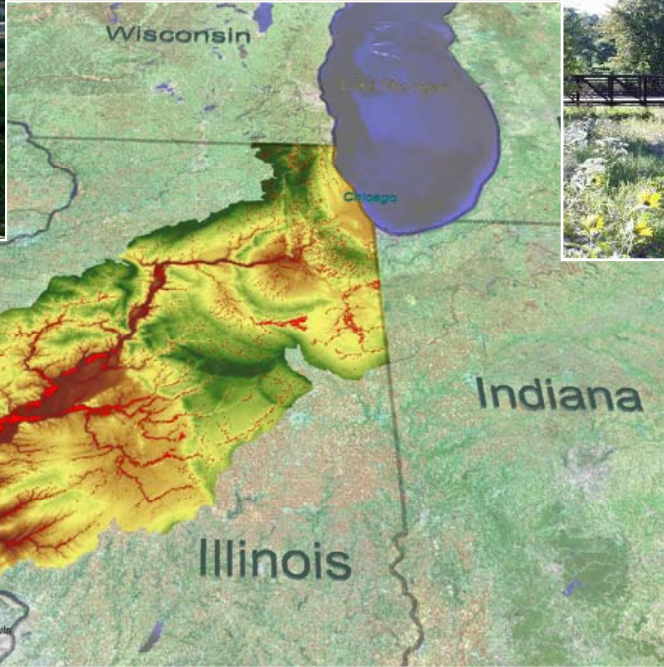




Alternative Land Use: Emerging Ecosystem Service Markets



The 2009 Conference on the Management of the Illinois River System

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Today's discussion....

- Using Ecosystem Service Markets to advance Illinois River watershed goals...***where are we now?***
- The state of domestic Ecosystem Service Markets...***encouraging developments***
- Should we promote broad-based ES market development in Illinois...***where do we go from here?***

The promise of Ecosystem Service markets...

Alternative Land Use?

- 100 years of “traditional” development within the Illinois River watershed with little economic value placed on its natural capital
- Result...few market incentives for the conservation and restoration of ecosystems

With declining supply of Ecosystem Services, this is beginning to change...emerging ES markets may provide land owners an “alternative” to traditional land use.



Typical (not always common) ES Market Opportunities

- Carbon sequestration
- Wetlands mitigation banking
- Flood mitigation
- Water quality trading
- Conservation banking / biodiversity offsets
- Water rights
- Water temperature offsets
- Transferable development rights

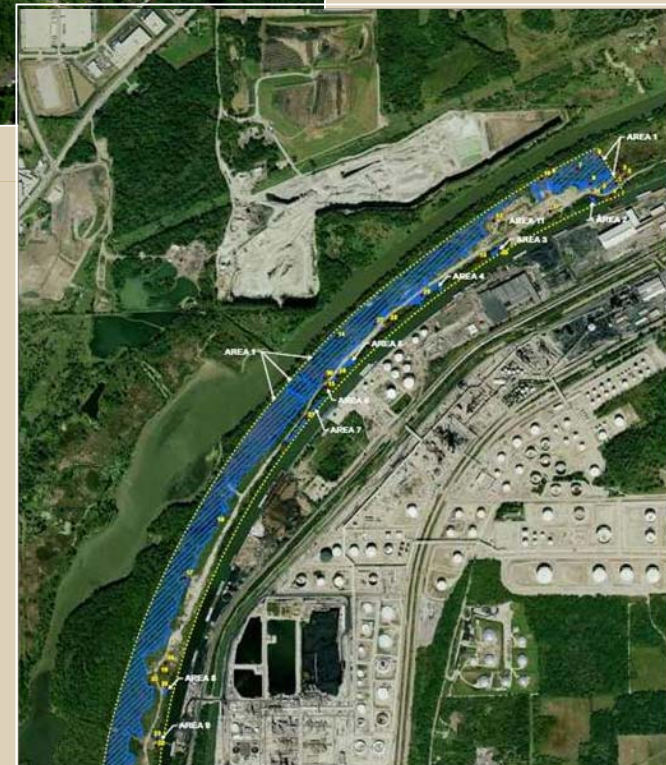
What role can ES Markets play within the Illinois River watershed?



Corporate Lands / Surplus Properties

- Underutilized corporate lands offer...
 - Ecological reuse
 - Connections - biodiversity / wildlife corridors
- Private sector is ready...but we need additional catalysts

Integrated, multi-credit ES Markets?



How might ES Markets help within the Illinois River watershed?

Rural / Agricultural Lands

Nutrient reduction...carbon sequestration...flood mitigation...wetland mitigation...biodiversity...

- Another means of conservation finance or landowner returns?
- Where might stacking of multiple credits be appropriate?
 - May be key to effective financial incentives

Broad-based ES markets that complement public incentives?



Current ES Markets in Illinois...

Where are we now?

- **Wetland mitigation banking market**
 - Robust / mature => Illinois has been a leader
 - Demand is fragmented / concentrated
 - Banking rule was a positive development
- **Voluntary carbon market**
 - Increased demand in anticipation of Cap & Trade
 - At present a very limited market, with very low pricing
- **Virtually no water quality trading**
 - Limited bilateral trades
 - Early feasibility efforts beginning in several watersheds
- **Conservation banking / biodiversity offsets**
 - Some voluntary biodiversity transactions



Currently ES Markets are single-purpose...fragmented (regulatory and geographic)...often lack obvious demand...and can be high risk (buyers and sellers).

Emerging ES Markets...encouraging developments

- ***Private Sector Momentum***
Corporate Social Responsibility / Sustainability
- ***Federal Policy***
USDA, Office of Ecosystem Services and Markets
- ***Carbon Markets***
 - Voluntary carbon markets / retail offsets
 - Pending Cap & Trade legislation
- ***Market Infrastructure***
Environmental Exchanges & Registries





Emerging ES Markets...state / regional efforts

- ***Oregon Senate Bill 513***
State policy to support ES market
- ***Willamette Partnership***
Integrated ES marketplace
- ***Bonneville Environmental Foundation***
Moving beyond carbon...the first voluntary water restoration market!
- ***Ohio River Basin Trading Program***
Interstate nutrient / GHG reduction

Is there a case for robust ES Markets in Illinois?

Can we develop integrated, multi-credit ES markets in Illinois...that promote strategic restoration and conservation?

- **Regulatory drivers on the horizon?**
 - **Water quality trading** – will meaningful drivers materialize?
 - Nutrient Standards
 - TMDLs – implementation?
 - Gulf Hypoxia
 - **Carbon offsets** – cap and trade?
- **Corporate Social Responsibility (Sustainability) / Public Sentiment**
 - **Real and significant trend...will have a large role in shaping the future**
 - **Expanding voluntary markets**
 - Retail carbon
 - Biodiversity
 - Water quality / consumption
 - **Climate change & carbon market development...conversation and efforts have provided tremendous value by educating and increasing awareness**
- **The Future?**
 - **Holistic water markets** – consumption (waste) and quality?
 - **Biodiversity offsets?**
 - **Flood mitigation?**
 - **More significant voluntary and incentive-based actions?**

How can we (should we) promote a comprehensive ES Market in Illinois...in the Illinois River watershed?

Backdrop

- ***Illinois River Integrated Management Plan***
 - framework for grassroots advocacy, education and innovation
 - maintains a commitment to voluntary incentive-based actions...
 - steers away from over-reliance on command and control solutions
- **Integrated, multi-credit (holistic) ES markets**
 - compatible with the Integrated Management Plan, but...
 - *markets must be sustainable...must provide real benefit*
 - Enable strategic, outcomes-based actions ...within the watershed
 - Provide businesses and landowners within the watershed opportunities for more significant local stewardship and community contributions ...increases ability to leverage CSR / Sustainability for local benefit





How can we (should we) promote a comprehensive ES Market in Illinois...in the Illinois River watershed?

Key Question

- Should Illinois and watershed stakeholders take a proactive role in promoting the development of integrated and holistic ES markets (now)?
- ...or, wait to see if (how) regulatory drivers materialize?



Questions or Comments?

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