Alternative Land Use: Emerging Ecosystem Service Markets

The 2009 Conference on the Management of the Illinois River System

Presented by:
Keith R. Oswald, P.E.
V3 Companies, Ltd.
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?
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?

Contact Information:
Keith Oswald
V3 Companies, Ltd.
120 N. LaSalle St., Ste. 1550
Chicago, IL 60602
312.924.3559
koswald@v3co.com