Sagebrush Ecosystem Program
201 S. Roop Street, Suite 101
Carson City, Nevada 89701
Telephone (775) 684-8600
Facsimile (775) 684-8604

www.sagebrusheco.nv.gov

Tim Rubald, Program Manager
John Copeland, Forestry/Wildland Fire
Melissa Faigeles, State Lands
Kelly McGowan, Agriculture
Lara Niell, Wildlife

STATE OF NEVADA
Sagebrush Ecosystem Program

SAGEBRUSH ECOSYSTEM COUNCIL
STAFF REPORT
MEETING DATE: June 17, 3013

DATE: June 15, 2013

TO: Sagebrush Ecosystem Council Members

FROM: Melissa Faigeles, Watershed Specialist; Lara Niell, Wildlife Staff Specialist; Tim Rubald, Program manager.
Telephone: 775-684-8600

THROUGH: Tim Rubald, Program Manager
Telephone: 775-684-8600, Email: timrubald@sagebrusheco.nv.gov

SUBJECT: Conservation Credit Systems discussion resulting from the RFI presentations.

SUMMARY

At the May 31, 2013 Council meeting, four companies presented concepts for the development of a conservation credit system to the Council. The following are highlights from these presentations that staff would like to see the Council discuss at their June 17th meeting with direction for the development of an RFP in order to engage a vendor to develop the credit system.

PREVIOUS ACTION

None

BACKGROUND

Possible Conservation Credit System Development Process:

1. Consensus building workshops
2. Planning sessions with stakeholders (development/scoping of system, modeling and analysis, and implementation)
3. Economic and habitat modeling for habitat valuation to feed credit system metrics
4. Establish framework and mechanisms for issuing credits and tracking mitigation/conservation success
5. Create/Launch an interactive GIS-based application to manage credits and mitigation/conservation activities
6. Update and maintain models, metrics

How you determine your fair market value:
Establish Credits with Habitat Equivalency Analysis (HEA):

- The cost to create an equivalent habitat to what was disturbed or lost Relies on two calculations: a) quality-adjusted acres of habitat disturbed or lost and b) quality-adjusted acres of habitat created
- This involves computing an amount of acre-years of lost habitat and determining the size of a habitat restoration project that would generate an equivalent number of acre-years of comparable habitat, adjusted for quality. The fair market value of the loss is determined from the lifecycle cost of replacing the habitat services in the rehabilitated or restored area.
- The metrics are determined on acreage basis.

Coates model to be used as a starting point to determine quality of habitat lost or gained. Other factors could include:

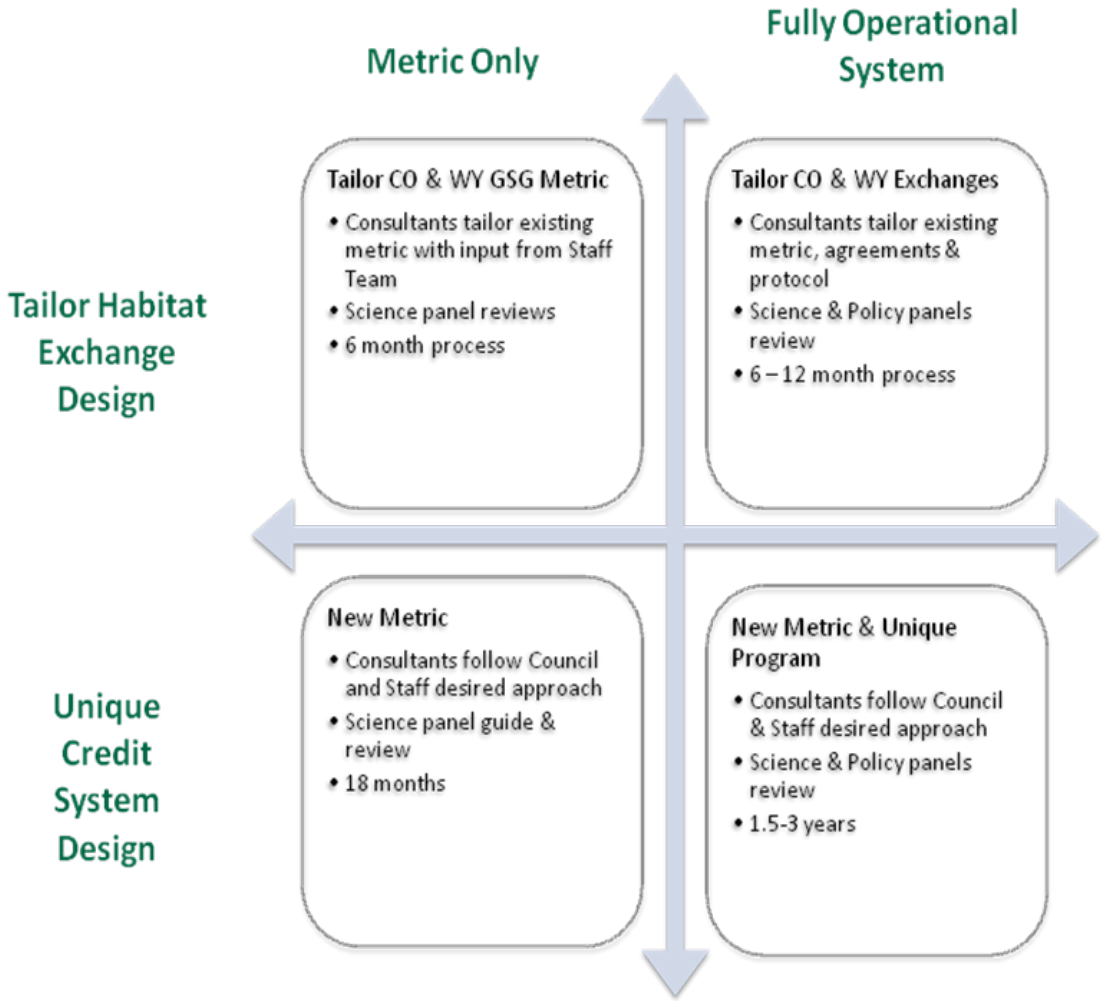
- Population of sage-grouse supported;
- Core breeding areas;
- Types of habitat disturbances and impacts (potentially by industry);
- Permanent, temporary, and seasonal impacts
- Rate of growth in natural habitat service after restoration; and
- Habitat susceptibility to wildfires and invasive species (resistance and resilience)

Risk Analysis Process (RAP) - process entails a facilitated discussion to reach consensus among selected experts and stakeholders to reach conclusions about how to best use data input into the model

1) *Habitat Quantification Metric*
   Quantifying functional habitat benefits and impacts
   Credits can be generated by conservation practices that increase functional habitat and mechanisms that secure the long-term protection of existing high quality habitat.
   The science working group is convened to ensure the latest and best science available is used in the development of the metrics as well as to inform policy decisions related to the conservation credit system.
2) *Policies, Contracts and Agreements*
   A Candidate Conservation Agreement for credits generated on public lands and a Candidate Conservation Agreement with Assurances on private lands can be developed in a manner that convert to Habitat Conservation Plans if a species is listed and provides certainty that future listing decisions will not create additional requirements for credit developers.
3) *Operational Manual & Registry*

An online registry is used to help credit producers and buyers to find each other, and track credit production, acquisition and exchanges.

This Protocol clearly defines and integrates the metrics into each operational process step necessary to produce a credit, acquire a credit and administer the program.
The policy/operations working group, which will be made up of local leaders, will inform the development of operational procedures and policies of the conservation credit system. The operational procedures include steps for land owners and program administers to generate credits through conservation practices, acquire credits for mitigation or public investments into habitat improvement, and improve the tools, procedures and policies as new science becomes available and the policy setting changes. The policy/operations working group also communicates progress to relevant stakeholder groups, and conducts outreach to potential pilot participants.



Additional thoughts for decisions to be made for the RFP process.

- We need to consider the timeframe in which we want the system developed. Environmental Incentives had provided different options for meeting timeframes of six months to three years.

- All presentations recommended use of panel of scientific experts and stakeholder coordination to ensure transparency and robustness. For example Environmental Incentives recommended a Joint Fact Finding group as the

scientific experts and HDR recommended their Risk Analysis Process to account for uncertainty.

- A framework and process will need to be established for tracking and issuing credits. Environmental Incentives suggested that "Landowners produce conservation credits that can be purchased by energy companies or other buyers to generate net environmental benefits. In return, the buyers and sellers of credits receive regulatory assurances to protect their investment in the program. The assurances increase regulatory certainty and accelerate timelines for project development." This approach provides assurances for the creditors and debitors, but staff concerns are that it may lead to a piece-meal approach for restoration as opposed to a strategic approach in which efforts are focused in a cohesive manner on high priority areas that will provide for the greatest benefit to sage-grouse and their habitat.

- Finally, what are we hiring the contractor to do? Do we want them to just establish the metrics and values, or do we want them to set up the entire credit system and establish how the credits and debits will be exchanged? Do we want to hire a contractor long-term to provide on-call services to update (e.g. new data, change in on-the-ground conditions) and run the model as needed into the future?

FISCAL IMPACT

None at this time.

RECOMMENDATION

Staff recommends the Council discuss the possibilities provided above and develop direction for the SETT sufficient to draft an RFP that can be put into play when appropriate.

POSSIBLE MOTION

Should the Board agree with the staff recommendation, a possible motion would be, Motion to authorize the SETT to develop a draft RFP for a Conservation Credit System.