



STATE OF NEVADA
SAGEBRUSH ECOSYSTEM COUNCIL
201 South Roop Street, Suite 101
Carson City, Nevada 89701-5247
Phone (775) 684-8600 - Fax (775) 684-8604

**MEETING OF THE SAGEBRUSH ECOSYSTEM COUNCIL'S
COMMITTEE ON THE CONSERVATION CREDIT SYSTEM
DRAFT MINUTES**

Date: Tuesday, February 4th, 2014 - 8:30 a.m.
Time: Nevada Department of Conservation and Natural Resources, Richard Bryan Building
Place: 901 S. Stewart Street, 2nd Floor, Water Hearing Room, Carson City, Nevada 89701

A full audio recording of this meeting is accessible through the following website -
<http://sagebrusheco.nv.gov/Meetings/CCS/2014/>

Committee Members Present: Allen Biaggi, Jeremy Drew, Starla Lacy, and Tina Nappe.

Staff Members Present: John Copeland, Melissa Faigeles, Jim Lawrence, Kelly McGowan, Lara Niell, and Tim Rubald.

1. **CALL TO ORDER** – Tim Rubald, Sagebrush Ecosystem Program Manager called the meeting to order at 8:36 a.m., in lieu of a committee chair.
2. **PUBLIC COMMENT**
 - a. *Duane Coombs*, representing the Smith Creek Ranch in Austin, Nevada. Mr. Coombs entered into the record a brief he prepared on Stewardship Agreements on BLM lands. Mr. Coombs shared his experiences with BLM Stewardship Agreements as a livestock grazing permittee. He stated this was an excellent avenue to accomplish much needed habitat and range improvement projects that would otherwise be much more costly for BLM to contract out. He also stated that it is a mechanism to keep money in the local economy, while accomplishing habitat improvement projects that otherwise might not occur. Under this program, permittees agree to provide certain services on BLM lands in lieu of paying grazing fees. He also stated that while a portion of the grazing fees go to the local Grazing Boards, approximately 40% is returned to the U.S. Treasury. Discussion on the proposal ensued. The brief is available upon request and on the Sagebrush Ecosystem Program's website.
3. **SELECTION OF COMMITTEE CHAIR**
 - A. Member Nappe moved to nominate Member Drew as the Committee Chair; seconded by Member Biaggi, motion passed unanimously. ***Action**

4. **REVIEW AND CONSIDERATION OF APPROVAL OF AGENDA** – Member Biaggi moved to approve the agenda; seconded by Member Lacy, motion passed unanimously. *Action

5. **COMMITTEE MEMBER ITEMS AND CORRESPONDENCE.**

A. The Committee members did not present correspondence under this item.

6. **PRESENTATION, DISCUSSION AND POSSIBLE CONSIDERATION OF ITEMS PRESENTED BY ENVIRONMENTAL INCENTIVES, THE CONTRACTOR DEVELOPING THE STATE'S CONSERVATION CREDIT SYSTEM.**

A. Jeremy Sokulsky and Eoin Doherty of Environmental Incentives and Linda Hwang (via phone) of EcoMetrix provided a PowerPoint presentation to the Committee on proposals for the Nevada Conservation Credit System (CCS). The presentation included the following major topics: 1) Habitat Quantification Approach; 2) Credit/Debit Transaction Overview; 3) Mitigation Ratios; 4) Reserve Accounts; and 5) determination of the need for a meeting on 2/10. The presentation is available upon request and on the Sagebrush Ecosystem Program's website. A full account of the discussion is captured in the audio recording and available on the website.

Ms. Hwang presented an overview of the Habitat Quantification Approach. This entails a multi-spatial scale framework, which includes four order scales. This provides a measure of seasonal habitat for sage-grouse and delineates and quantifies relevant habitat criteria for sage-grouse survival at the appropriate scale. Ms. Hwang stated that for the Conservation Credit System (CCS) the 1st order scale – Sage-grouse Range, would be the habitat range of sage-grouse within the State of Nevada; 2nd order scale – Landscape Context, would be identified priority habitat within the state; 3rd order scale – Local Context, would be the habitat surrounding a proposed project (20 km); and 4th order scale – Site, would be the project site itself. A discussion ensued.

Ms. Hwang then presented a diagram which depicts the life history requirements for sage-grouse, which has been vetted by the Technical Review Group (TRG). She explained that these are the attributes important to sage-grouse survival and will be measured in the field to inform 4th order scale. Committee discussion ensued about the attributes and how they are measured. Ms. Hwang explained that the field measurements would need to take place during a certain time of the season, preferably late July. The Committee expressed concern about the practicality of this and expressed interest in exploring options to use remote imagery. The Chair took public comment from Duane Coombs and Fred Voltz.

Mr. Sokulsky presented an example of how a credit/debit transaction would occur. He illustrated that a debit would have a net mitigation ratio, or a multiplier to determine the credit obligation. The total credits to offset debits would also include a credit reserve contribution applied to the credit side that acts as an insurance pool. A discussion ensued.

Mr. Sokulsky then presented on mitigation ratios. Mr. Sokulsky explained that mitigation ratios ensure that sage-grouse habitat mitigation offsets result in a net environmental benefit. Mr. Sokulsky stated that the proposed mitigation ratio factors are: 1) habitat priority; 2) seasonal habitat scarcity; and 3) distance. The habitat priority and seasonal habitat scarcity factors would be applied both to the debit and credit sites. The distance factor would be the distance between the sites. He then presented a draft example Mitigation Ratio Checklist. A discussion ensued about the factors. Member Biaggi stated that he liked the seasonal habitat scarcity factor in particular. Mr. Sokulsky stated it has

not yet been determined how to analyze seasonal habitat scarcity and the specifics on this will not be worked out until after February 28th deadline for the BLM EIS. Member Lacy expressed concern that the distance factor may lead to money being spent on credits that may not provide the greatest benefit for sage-grouse. *There was Committee consensus that these were the appropriate factors to use in determining the mitigation ratios.*

Chair Drew called for a short recess at 9:52am. Member Drew called the meeting back to order at 10:07am.

Mr. Sokulsky then presented how the factors are proposed to be applied to a debit site. He stated that the habitat priority factors would be based on the Core, Priority, and Low to General Management Categories adopted by the SEC. A discussion ensued. *There was Committee consensus that projects within the Non-Habitat Management Category would still need to be analyzed for habitat presence and indirect impacts and that mitigation may be required for projects in the Non-Habitat Management Category. There was also Committee consensus to use the management categories previously adopted by the SEC.*

Mr. Sokulsky also presented on the proposed application of the seasonal habitat factor to a debit site. He stated there are three proposed seasonal habitat categories: summer, winter, and brood rearing. The proposed impact to seasonal habitat would be categorized as: severe, significant, and limiting impacts. The exact thresholds for the impact categories still need to be defined. A discussion ensued. The Committee expressed concerns with the practicality and logistical issues of determining seasonal habitat scarcity in the landscape context surrounding a project site.

Mr. Sokulsky continued to present on the proposed application of the habitat priority and seasonal habitat factors to a credit site. He explained that it was similar to a debit site, but reverse. A discussion ensued.

Mr. Sokulsky then presented on the proposed Distance Factor. He stated that under this scenario there would not be defined, mapped Service Areas. The Distance Factor would be categorized as: Population Connectivity; Connectivity for Dispersal; and No Population Connection. Mr. Sokulsky warned that USFWS might not accept the absence of defined, mapped service areas. Melissa Faigeles added that this may also not be acceptable to the BLM because new national BLM direction to be incorporated into all Sub-regional LUPA/EISs define Service Areas at the WAFWA management zone level. A discussion ensued about the WAFWA management zones. Chair Drew suggested Population Connectivity could be defined as within a PMU; Connectivity for Dispersal as not within the PMU but within the WAFWA management zone; and No Population Connection as not within the WAFWA management zone. *There was Committee consensus to use the WAFWA management zones as defined Service Areas.*

Mr. Sokulsky then presented a draft mitigation ratio checklist example. Example multipliers were used to demonstrate how the factor categories would be applied to an example credit/debit transaction. He noted that this example contained negative multipliers, which is unique to this system. He also stated that under this scenario it would be possible to have less than a 1:1 mitigation ratio and that this concept would have to be discussed with USFWS for concurrence. A discussion ensued. Mr. Sokulsky clarified that this ratio accounted for functional acres, not actual acres.

Member Nappe stated that the overhead and administrative costs would have to be built into the program. A discussion ensued. Mr. Sokulsky clarified it is the intention for the program to cover its own administrative costs. A discussion ensued. There was Committee consensus to go through this exercise with the SEC, but to caveat the discussion that the multipliers are strictly illustrative at this point and it refers to functional acres, not actual acres.

Mr. Sokulsky then presented on the topic of Reserve Accounts. He explained that this is an insurance pool to ensure that there are always more credits than debits in case credits are degraded and walked through examples of how this is applied. A discussion ensued. Member Biaggi asked how the issue of durability of credits on federal lands would be dealt with. Mr. Sokulsky stated they are considering the use of stewardship agreements. Mr. Lawrence also stated there is the possibility of doing Recreation and Public Purposes Act leases between the State and BLM on BLM lands. There was Committee consensus to continue the discussion of credit durability on public lands at a later date. Mr. Sokulsky continued the presentation on Reserve Accounts. He stated that there are three valid reserve account withdrawal scenarios: force majeure, mineral development, and contract breach, and walked through examples of the scenarios, including an explanation of financial assurances. A discussion ensued.

Mr. Sokulsky then presented a draft credit producer reserve account deposit checklist. The factors for the checklist include: base contribution; risk of wildfire and invasive species; probability of mineral development; and risk of land use conversion. A discussion ensued. Member Biaggi stated that it was unfair to specifically call out mineral development and no other anthropogenic impacts. Member Nappe commented that the factor "risk of land use conversion" did not accurately reflect the impact of current, multiple land uses on federal lands. There was Committee consensus that the factor categories need to be modified.

Mr. Sokulsky then presented possible discussion topics for the February 10, 2014 Committee meeting, which included: durable credits on public lands; stacking of credits with public payments and conservation easements; and credit release and verification. There was Committee consensus to hold a meeting on February 10, 2014.

Chair Drew called for public comment. Fred Voltz requested the Committee address the following three questions: 1) Has a similar system been implemented anywhere else successfully?; 2) What are the associated project administrative expenses?; 3) Are debits and credits considered taxable income by the IRS?

7. REVIEW OF ACTION ITEMS AND FUTURE AGENDA ITEMS

A. The Committee, with staff assistance, reviewed items discussed, as well as possible topics for the next Committee meeting. There was Committee consensus to hold the meeting on February 10, 2014.

February 10, 2014 Agenda Items:

- Durable credits on public lands
- Stacking of credits with public payments and conservation easements
- Credit release and verification
- Other CCS items presented by Environmental Incentives
- Three questions raised during public comment:
 - 1) Has a similar system been implemented anywhere else successfully?

- 2) What are the associated project administrative expenses?
- 3) Are debits and credits considered taxable income by the IRS?

8. PUBLIC COMMENT

A. There was no public comment.

- 9. ADJOURNMENT** – Chair Drew entertained a motion to adjourn; motion by Member Nappe, seconded by Member Lacy, meeting adjourned by acclamation at 12:58 p.m.

DRAFT