



CHECKLIST AND GUIDANCE FOR CONSERVATION DISTRICTS AND PARTNERS ON ENVIRONMENTAL MARKETS



HANDBOOK FOR CONSERVATION DISTRICTS ON **Environmental Markets**

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Introduction

In 2008, the National Association of Conservation Districts (NACD) concluded that market-based engagement opportunities for conservation districts could be important additions to existing district strategies and initiatives and help highlight and assign economic value to the ecological services that well-managed farmland provides (NACD 2008). Conservation districts continue to help develop these market frameworks and are actively recruiting farmers to participate in these markets as credit generators. In some cases, districts also help producers design, place and implement best management practices to generate credits for sale, while in others; they confirm the baseline status of farms and/or verify and monitor practices to validate those credits.

To further advance understanding of these environmental markets, NACD and American Farmland Trust (AFT) joined forces to review and draw lessons from current district involvement in a particular ecosystem service market: water quality trading (WQT). In September 2015, the USDA Natural Resources Conservation Service (NRCS) awarded a two-year Conservation Innovation Grant to NACD and AFT (titled *Enlisting Conservation Districts to Accelerate Participation in Environmental Markets*) to engage and empower conservation districts to participate in environmental markets by developing this booklet and widely disseminating its findings.

The level of district involvement in emerging markets varies considerably. The core competencies of conservation districts have helped them take on review, outreach, technical support and/or administrative roles in these markets. Review-based roles include site screening, initial project review and on-going project review. Technical support-based roles include calculating credits and providing technical assistance to farmers. Outreach-based roles include educating the public through newsletters, social media, websites and meetings, and engaging with farmers to help them decide whether to participate. Administrative activities include developing a water quality trading program and verifying and/or certifying credits.

The NACD-AFT case studies captured in the handbook show that districts derive benefits from their involvement in environmental markets, particularly when that involvement helps to strengthen dialogue among other districts and partnering organizations. The conservation districts that participated in the case studies also advised other districts:

1. Against pursuing markets as a revenue generator, seeing them more as a partnership to provide local benefits to multiple stakeholders; and
2. To view any trading income to farmers as a supplemental source of revenue to help demonstrate that “conservation pays.”

Some of the districts profiled in the case studies indicated they were most comfortable in roles that included direct contact with producers (i.e. implementing projects and monitoring and verifying them). Several others also cautioned that WQT could be a “time sink” for districts not equipped to handle an influx of paperwork.

In addition to the case studies, the handbook provides a checklist and guidance for conservation districts interested in water quality trading and other environmental markets. These tools are meant to help districts develop a business plan for such programs.

The case studies and the checklist/guidance are included as appendices in the full handbook and are also available as stand-alone documents on the AFT and NACD web sites.

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BOTTOM FAR RIGHT: NRCS PHOTO/PRESTON KERES

Checklist and Guidance for Conservation Districts and Partners

This checklist and accompanying guidance are intended to assist districts interested in water quality trading and other payment for ecosystem services programs.

Some initial questions before you proceed:

1. Has water quality been identified as a major resource concern by your district and its partners?
 - *What programs and activities are in place to address water quality issues?*
 - *Have these programs and activities led to measurable improvement in water quality?*
 - *What other programs and activities would help address water quality?*
2. Is your district in an impaired watershed(s)?
 - *If yes, what are the watershed's impairment issues?*
 - *Has a total daily maximum load (TMDL) been established for the watershed(s)?*
 - *Is there a plan to address impairment issues?*
 - *Is the plan successfully addressing the issues?*
 - *Is there more work to do before the impairment status can be removed?*
3. Is your district interested in pursuing a water quality trading or other ecosystem-services payments project?
 - *If there is interest, guidance on program development and implementation is provided in the Key Guidance and References section of Building a Water Quality Trading Program: Options and Considerations.*
 - *Also refer to Appendix I: Case Studies in this handbook for several examples of district activities in these areas.*

If you've answered yes to all three questions, the following questions may help you decide if market opportunities exist

1. In the watersheds where your district provides services, what are the Clean Water Act-permitted point-source entities, including water utilities, treatment facilities, industries or others that discharge or treat water?
 - *Has your district discussed possible cooperation on water quality issues with these entities?*
2. Which entities in your watershed are responsible for source-water protection for drinking water and other human needs?
 - *Has your district discussed possible cooperation on water quality issues with these entities?*

3. How are point sources addressing impairment issues, including TMDLs?
 - *Traditional infrastructure and treatment protocols?*
4. Are these measures sufficient to help the entities comply with their permits and other requirements?
5. Would a whole-watershed approach help these entities comply with permits and other requirements and reduce costs?
6. Do the point sources use tax revenues, user fees and other funding sources to address impacts on water quality outside jurisdictional boundaries?
 - *If so, do they provide funding for district programs that address resource issues such as water quality? If not, have you discussed the possibility with them?*
7. Have any of the point sources expressed an interest in trading or payment for ecosystem services trading programs to address their permitting, source-water protection or other water-quality issues?
 - *Are they familiar with guidance documents, including Building a Water Quality Trading Program: Options and Considerations?*
8. Has the district been involved in discussions with point sources and other stakeholders about possible trading or payment programs?
 - *If so, what is the status of these discussions?*
 - *If not, are there opportunities to have such discussions?*

If point sources aren't interested, it may be difficult to find potential buyers. But if they have expressed an interest in learning more:

1. What state agencies interact with the district and point sources in addressing resource concerns, such as water quality? You should touch base with them before you go any further.
 - *Are these agencies among those on your participation list?*
2. Which of these are regulatory agencies?
 - *Are they included on your list?*
3. Which oversee and support district activities and services?
 - *Are they included on your list?*
4. Which regulatory agencies interact with Clean Water Act-permitted point sources in watersheds where the district provides services?
 - *Are they included on your list?*

If you confirm that the key players are supportive, here are some more questions you may need to consider

1. What is the level of familiarity among district board members about trading or payments for ecosystem services programs?
 - *To increase the level of awareness, see Building a Water Quality Trading Program: Options and Considerations.*

2. What is the level of familiarity among district staff and close partners, such as local and state NRCS contacts, about trading or payments for ecosystem services?
 - *To increase the level of awareness, see Building a Water Quality Trading Program: Options and Considerations.*
3. What is the level of familiarity about trading or payments for ecosystem services programs among private landowners and cooperators in your district?
4. Is the district able to host an educational program to raise awareness about water quality trading/ ecosystem services payment programs?
 - *Are neighboring districts interested in co-hosting an educational program?*
 - *What stakeholders would be invited to participate?*
 - *Which experts would be asked to present information?*
5. What resources would your district be able to direct to development and implementation of a trading program?
 - *Staff time and expertise?*
 - *Board expertise?*
 - *Funding sources?*
 - *Experience with grant writing?*
 - *Meeting space and other physical resources?*
 - *Ability to take on contractual obligations?*
 - *Other?*

For districts with a mix of rural and urban

1. What percentage of landowners and cooperators in your district is classified as rural/agricultural?
2. What percentage is classified as urban?
3. Are they in shared watersheds?
4. Are there opportunities to address water quality concerns through rural-urban cooperation?

If you are still feeling positive at this point, consider:

1. Would your district consider leading or participating in stakeholder or technical committees to explore, develop and support programs such as water quality trading and payments for ecosystem services to solve mutual water quality concerns?
 - *See Appendix I, Case Studies, for examples of district activities in these areas, including stakeholder and technical advisory committees.*
2. Which individuals would represent your district as members or leaders of stakeholder or technical committees exploring water quality trading and ecosystem services trading programs?

3. Does the district have staff capacity to serve in either active or support roles on stakeholder or technical committees?
 - *Can your district share staff time with other districts for participation and leadership?*
4. Are neighboring districts able to participate?

If participation by neighboring districts is desirable and seems feasible, consider:

1. Does the district already cooperate with neighboring districts on projects, such as watershed and landscape-scale conservation efforts?
2. Is the district aware of state Joint Powers Agreement protocols that may help in the development of an operating board for a possible program?
 - *Is there already a structure for Joint Boards? See Appendix I, Case Studies: Lycoming Co, PAI.*
3. Do the districts find that they are able to enhance capacity to address conservation issues by sharing their resources and expertise and cooperating beyond their own boundaries?

Your opportunities are really looking good. Just a few final considerations

1. What other partners and stakeholders outside the district boundaries should be included on committees exploring program implementation? (These may include other local, state and federal government entities, businesses, communities, citizen groups, nongovernmental organizations, at-large community leaders and others.)
 - *Develop a list with contact information, then share it with trusted partners to identify who's missing from the list.*
2. Is the district aware of funding sources to support water-quality trading/ecosystem services payment programs? (These may include federal, state and local government grants and cost-share program, payments from point sources, foundation/nongovernmental grants and cost-sharing, and support from supply-chain entities interested in sustainability.)



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