

Tools for Slowing Conversion in Addition to an Offset or Cap and Trade System:
Ecosystem Services Districts
Draft Concept 06 17 08

We propose the concept of "ecosystem services districts" and broader payment for ecosystem service programs as a complimentary mechanism to a carbon market as a source of income for landowners who are under pressure to convert to non-forest land uses. We assume that some sort of offset or credit market for forest-based carbon sequestration will emerge from implementation of HB2815. A carbon market has the potential to be much larger than most other ecosystem service markets (and therefore earn higher prices than a locally limited market), thus the ideas presented here are designed to be complimentary to carbon as a source of income to forest landowners. In addition to carbon sequestration, other forest services include water flow regulation, water quality maintenance, air quality maintenance, local climate regulation, soil erosion control, habitat provision for threatened and endangered species, general biodiversity support, aesthetics, and recreation. People living downstream or in close proximity to forests benefit especially from water flow regulation, water quality, air quality, local climate regulation, and soil erosion control services. People of the state and from further away benefit from habitat and biodiversity protection, and aesthetic and recreation services.

By designing a system of payments to private landowners for the provision of these services on their lands, a flow of income in addition to commercial forest products can be created. This additional income stream could serve as an incentive to keep lands in areas under pressure to convert from doing so. Payments for ecosystem service provision would be predicated on a contractual obligation to provide the services for an agreed upon period of time and for a agreed upon level of quality. Both of these conditions would preclude development for the period of payments.

The source of income for payments to landowners could come from a variety of sources. For services that are used downstream or within the same watershed, watershed boundaries could serve as the ecosystem service district boundary. Such districts could function as Public Utility Districts in which fees are charged to maintain or restore collectively supported public benefits. Limited Improvement Districts could be a vehicle in cases where only one or two services were the focus of agreement. Downstream beneficiaries of flood water control could be charged an annual fee or fees from existing stormwater districts could be used for "natural" infrastructure rather than human-engineered structures (where appropriate). "Pavement" taxes could be generated from development within the watershed. The state could authorize local jurisdictions the option of collecting fees for some specified ecosystem service benefit. One possibility would be for the state to authorize local conservation districts to increase their fees to address forest conservation for other services of local benefit.

For services that are used at a larger scale, state-wide funding programs could be created. State and federal funding designated for restoring the Puget Sound could be

used to a source of payment to landowners to prevent pollution run-off into the sound. Additionally, a state-wide sustainability credit, paid for through a statewide bond campaign could be created. Credits would be awarded to landowners who agree to manage their lands for selected ecosystem services. This approach could also be pursued county by county. This could address either a narrow scope (just carbon) or multiple ecosystem services. Voluntary income sources similar to the "duck stamp" concept could be generated alongside the sale of hunting and fishing licenses to preserve habitat for species of recreational importance on private lands. Counties that currently have not adopted Conservation Futures Funding – could do so and dedicate those funds to ecosystem service payments.