

### Developing Water's Potential as a Forest Value Stream Focusing on the bright spots to map future successes

“What’s working, and how can we do more of it?”

That’s how to make change when change is hard, according to Chip Heath and Dan Heath in their New York Times bestseller, *Switch*. Identifying *bright spots*—successful efforts worth emulating—can reduce the potential for “paralysis by analysis” when taking on complicated issues.

It’s also the approach used by more than 60 leaders who gathered to tackle the mother of all change in the water market world: How to convince consumers that spending a little now to protect and manage their forested watersheds is smarter than spending a lot later on concrete treatment facilities.

The group of 60 who gathered on April 13-14, 2011, represented the philanthropic, business, government, utility, and non-profit communities.

Harris Sherman, Under Secretary, USDA Natural Resources and Environment, began the workshop by challenging the group to identify more opportunities for public/private collaboration, and to better understand how to broker these partnerships.

The group then focused on three bright spots, representing diverse geographic and demographic scenarios:

- New York City/Catskills-Delaware Watershed, by Albert Appleton;
- Denver Watershed, by Claire Harper and Tom Gougeon; and
- Ashland, Oregon/Rogue River Watershed, by Bobby Cochran and Alan Horton.

Through facilitated, small-group sessions, meeting participants strived to identify what made these bright spots successful. See what we learned on pages 2-3, and our recommendations on page 4.

A special thanks to the following foundations and agencies for their financial support of the Chicago Water Convening:

- Weyerhaeuser Family Foundation
- U.S. Endowment for Forestry and Communities
- American Forest Foundation
- Lora L. and Martin N. Kelley Family Foundation Trust
- Knobloch Family Foundation
- Sand County Foundation Bradley Fund for the Environment
- U.S. Forest Service/Cooperative Forestry

# Following the Bright Spots: What Worked?

## Economics:

- Protecting forested watersheds is economic common sense. It can be much less expensive to protect or restore a forested watershed than it is to build and especially to maintain a water treatment plant;
- Providing the public and decision-makers with a clear economic choice—green vs. gray infrastructure—makes for a stark and compelling comparison; quantifying costs and benefits is important;
- Convincing people to pay modestly *now* (to protect their forested watershed) to avoid much higher costs later (for a bricks and mortar solution after the forested watershed has been degraded), is challenging — “avoided costs” is important economically but challenging from the human nature standpoint;
- The economic risk of not acting to protect forested watersheds could be very high.

*This workshop was narrowly focused on seeking ways to encourage water consumers to help pay to protect the forested watersheds upon which the quality and quantify of their water supply depends.*

## Demographics/Scale

- We found bright spots in both small communities and large cities (New York); scale seemed less important than having a well-defined watershed and effective outreach to the population there.

## Landowners

- Engaging watershed land owners (water sellers) as part of the project design helps increase their acceptance of the concept and their willingness to participate;
- Economics alone is not the only motivator—cultural and life-style benefits are important.

## Urgency

- Urgency stimulates action. Whether it is the threat of watershed wildfires or regulatory action, a crisis or decision point spurs action. The clearer the threat and more obvious the consequences, the more likely is the action;
- Threats to rural and other lifestyles may create urgency.

## Leadership/Vision

- Strong leadership and clear vision are key to success. Combining top-down and bottom-up approaches and getting buy-in from the right stakeholders is important;
- Having a clearly defined vision that links to the future and that is coupled with tangible outcomes (economic, lifestyle, etc.) is a formula for success;
- Political leadership, rather than bureaucratic processes, are what works;
- A sound scientific analysis of the issue, with clear authority and a path to a solution, is the desired route.

## Regulatory

- Regulations can be a driver. Standardizing regulations facilitates broad-scale action. A sound regulatory framework provides certainty and incentives for action.

## Who are critical participants in successful payment for watershed services projects?

- A flexible leader who sees the big picture;
- Regulators;
- Water buyers and sellers;
- Trusted brokers;
- Diverse partners with aligned goals; and
- Governments willing to form partnerships

## Communications

- Simple, clear messages that define the problem and clarify the solution are essential; simplify the concepts and clearly describe the benefits, in economic and lifestyle terms.

## How do we replicate successful models?

- Need clear standards but a recognition that markets are not monolithic;
- Share tools and methodologies to build a field of practice vs. “one-off examples”;
- Develop regulatory agreement across local/state/fed agencies;
- Define consistent protocols;
- Identify watersheds with similar characteristics/issues and apply the corresponding successful model to them.

## Are there major gaps in information that need filling?

- A complete assessment of payment for watershed services projects is needed;
- Defining common process steps/tools;
- A clearinghouse for information, projects, funding sources, etc.;
- Curricula and training for practitioners, regulators, landowners and buyers to help initiate markets;
- Performance metrics to verify compliance;
- More information/data on water treatment costs and the effects of land cover change;
- Quantifying the return on investment for a range of options - easements, permanent, management practices, etc.;
- Finding other ways to motivate water buyers besides crises and regulations, such as creating passion for water and watersheds through sensory experiences;
- Better developing the business case for payments for watershed services, particularly as it applies to forested watersheds.

## What are the priorities and opportuni-

### Is timing important?

- Timing can make or break your deal—if the time isn’t right, invest resources to create fertile ground;
- Change happened when leadership entertained discussion of alternatives.;
- Sequencing of issues when developing a plan is important;
- A sense of urgency may be more important than timing, per se.

## ties for pilot projects?

- Picking pilots with the best chance of success, based on bright spot criteria;
- An Request for Proposals to utilities to put them in the lead on project development, rather than land managers;
- Ensuring that existing pilots have adequate funding, rather than launching lots of new projects;
- Raising awareness about successes and solutions;
- Chasing “close in” projects —those near the finish line that need one final boost—rather than funding all start-up projects.

## What are the key barriers/challenges

### What are the keys to measuring success?

- Defining simple, up-front metrics to ensure accountability;
- Better understanding of how sustainable forestry practices by individual landowners tie to landscape/water quality improvements;
- Generating consumer acceptance of impositions (tax increases, land use restrictions) and also celebrating positives (increased recreation);

## to organizing pilot projects?

- Overcoming regulatory and cultural barriers;
- Financing to do preliminary work;
- Getting serious consideration of green solutions;
- Measuring negative potential costs of land use change;
- Finding or creating situations with the essential, bright spot ingredients: visionary leaders; benefits clearly defined & local; confined system of stewardship impacts & beneficiaries; driver of urgency; 3rd party negotiator; 3rd party who will assist or lead implementation; and a solution that is mutually designed by key leaders;
- Establishing peer to peer learning programs;
- Creating a “support center” for maintaining energy/enthusiasm on the issues.

## Next Steps

Based on the discussion during the break out groups, we suggest the following areas of opportunity for short-term follow-up from the Chicago convening. We believe these projects have significant potential to leverage high-yields for modest investments. It is the Endowment's intention to fully-develop these ideas and seek additional funding for specific projects associated with these concepts:

- **Better engage the water utility industry as an early partner in payment for watershed service projects.** Organizations with an interest in ecosystem markets have worked with individual utilities and their trade groups, with some success. However, we recommend a more strategic and comprehensive effort, perhaps using retired or former staff from the utility industry to help craft and implement a plan using language, strategies, and projects to which the utilities are accustomed—speaking their language. One extension of this approach would be to consider providing funding to water utilities, perhaps through a “request for proposals,” for payment for watershed service projects of their own design, to affirm their leadership role on this strategy.
  - **Prioritize watersheds using bright spot criteria to identify sites where payment for watershed service projects are most likely to be successful.** By identifying places where success is most likely, and funding projects there, we can build momentum, acceptance, and a broader field of practice. Al Todd and Emily Weidner presented a compelling presentation in Chicago that looked at the potential benefits of prioritizing watersheds based on surface drinking water supply, the importance of forests, and threats such as development, wildfire, and insect and disease outbreaks. Expanding this model to include bright spot criteria such as urgency, well-developed economics, appropriate demographics, landowner interest, regulatory structure, funding opportunities,
- and leadership, could accelerate successful project implementation.
  - **Building the business case for payments for watershed services.** One major challenge for advancing this concept is better defining “who pays” for the water, specifically as it applies to forested watersheds versus agricultural lands. In the words of Rob Olszewski of Plum Creek, “How do we get potential “buyers” of the water protection services that forest land management provides to break their existing paradigm and pay for those services? One approach would be to continue to better quantify the economic costs and benefits of the new paradigm, and to also continue funding existing and new pilot projects to build the database necessary to answer this question.
  - **Identify funding sources to help with short-term needs and pilot projects.** Until the paradigm shifts and there is broad-scale consumer acceptance of paying for water services, additional funding will be needed for pilot projects. A stimulating presentation from Ernest Cook and Will Abberger from The Trust for Public Lands suggests that ballot measures are one opportunity, particularly given the public's interest in protecting water resources. At least two states have been able to use Safe Drinking Water Act funds for watershed protection, and there may be potential to expand this approach.
  - **Peer to peer communication.** There was strong group interest in seeing elected officials, water utility staff, and water board members who have piloted successful projects, reach out to their peers in other, priority watersheds. They will know best how to deliver the messages that are most important for launching new projects. A strategic approach to this kind of communication may yield significant benefits.

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