MEMORANDUM

DATE	May 4, 2011
FROM	Jeremy Sokulsky, Environmental Incentives, LLC (530) 541-2980, jsokulsky@enviroincentives.com
TO	All Interested Environmental Professionals and Policymakers
RE	Environmental Accounting Program Operations Overview

This memo provides an overview of the general operations, tools and products involved in environmental accounting programs. It also identifies roles for each of the three main types of program participants – credit users, credit producers and program administrators.

Credit Users		Non-regulated credit users purchase credits or fund restoration efforts to produce and retire credits as a means to meet their environmental restoration goals. Credits provide the performance metric to determine the effectiveness and efficiency of the use of funds to produce environmental benefits.
		Regulators compel others to produce environmental benefits. Regulators use credits to define performance-based targets in permits and mitigation requirements.
Credit Producers		Credit producers are those individuals or entities that have the ability to produce credits by implementing improvements on current assets (land or facilities). Credit aggregators are a type of producer that creates opportunities to produce credits by working with others who own assets or by purchasing assets. Program provides performance metrics and flexibility to regulated credit producers.
Administrators		Program administrators are responsible for managing the overall program, including all of the necessary tools and protocols. Administrators are also responsible for the adaptive management cycle to ensure continual program improvement.

Two sets of operations are necessary to (1) prioritize the investment in conservation actions and define benefits of implemented actions, and (2) report outcomes and make ongoing technical and operational improvements to ensure the system continues to motivate effective actions over time. A fully operational program will clearly define the roles, tools and products, including forms, templates and technical guidance.

ENVIRONMENTAL BENEFIT REGISTRATION & ACQUISITION PROCESS

The environmental benefit registration and acquisition process overview is described in Table 1, which outlines the process for credit producers and credit users to engage in an environmental accounting program. Blue arrows signify the steps undertaken by credit producers or project proponents, green arrows represent the steps for credit users or investors, and the orange Track & Transfer connector provides the platform for these two entities to come together. A brief description is provided for each step of the process, as well as associated tools, products and administrative roles.

Table 2. Program Operations Overview Table

	Select Site	Calculate Credit	Verify Conditions	Register & Issue	Track & Transfer	Procurement Strategy	Credit Demand
Description	Producer sets the project boundaries and determines types of credits applicable to project design (Infrequently/once per project)	Producer implements the project, calculates baseline conditions and estimates anticipated project benefits based on as-built information (Infrequently/once per project)	Third party verifier confirms that protocols were followed and anticipated environmental impact was appropriately calculated (At project completion & periodically)	Producer enters project into the online registry and program administrator issues credit periodically when impact is confirmed (Periodically/annually)	Issued credits are tracked by program administrators and either transferred to credit users or retired.	Credit user sets procurement strategy for obtaining desired credits (reverse auction, pooled resources, etc.)	Credit user determines internal demand for credits and funding availability
Tools	• Validation checklist • Program eligibility descriptions	• Credit calculators & protocols • Field measurement datasheets • Features inventory templates • Stewardship plan template • Easement Templates	• Rapid Assessment Methodology • Registry and Reporting Tool	• Online Registry and Reporting Tool	• Online Registry and Reporting Tool	• Online Registry and Reporting Tool • Online User Interface • Purchase agreement & standard contract templates	• Internal Documentation (permit or program requirements)
Products	• Property Maps • Notice of Validation (optional)	• Credit Estimate Report • Agency Banking Agreements (if applicable) • Stewardship plan/easements (if applicable)	• Accreditation Certificate • Verification Service Agreement (optional) • Verification and Monitoring Report	• Agency Certification Form • Annual Report • Credit Suspension or Cancellation Notice (if applicable)	• Credit balance report • Notice of sale • Approval of sale	• Formal Agency Approval (if fulfilling permit or program requirement) • RFP • Credit balance report	• Statement of Demand or Available Funding • Watershed Loadings Profile
Administrator Role	• Determine eligibility to participate • Provide Notice of Validation, technical commentary and anticipated credit estimate	• Provide credit calculators and datasheets • Determine reserve pool contributions • Provide Technical Assistance	• Verifier accreditation and training • Maintain online registry	• Provide registry guidance • Issue and list credits online • Generate Annual Report • Maintain online registry and user interface	• Confirm issuance, transfer and retirement of credits • Maintain online registry and user interface	• Determine buyer eligibility to participate • Assist with procurement • Confirm transaction through Registry and Reporting Tool	• Consultation and orientation to program

PROGRAM MANAGEMENT SYSTEM

The Program Management System establishes a coordinated annual cycle, defining a transparent program improvement process. Adaptive management functions incorporate targeted research and monitoring into action by systematically testing hypotheses in order to ensure credit calculation tools and assessment protocols accurately reflect environmental outcomes. Continual improvement functions enhance performance through an iterative process of developing plans with performance targets, tracking and reviewing actual performance, and using the information to improve operations. Periodic program adjustments ensure that the program continues to provide incentives to implement effective actions over time.

Figure 1 outlines the process for administrators to routinely evaluate new information, report results and make overall programmatic improvement decisions. Table 2 provides more detailed descriptions of each step, and associated tools, products and participant roles. The program management system steps are divided into four stages:

1. **Plan** – identify goals to be achieved, define how potential actions relate to the goal, document explicit objectives and action plans, define areas of uncertainty and allocate resources.
2. **Do** – implement and document actions, perform research and effectiveness monitoring to test hypotheses and reduce uncertainty.
3. **Check** – track, monitor and evaluate the results of the actions implemented, then synthesize information for decision makers.
4. **Act** - adopt operational and technical improvements and adjust future goals and plans in light of reduced uncertainty.

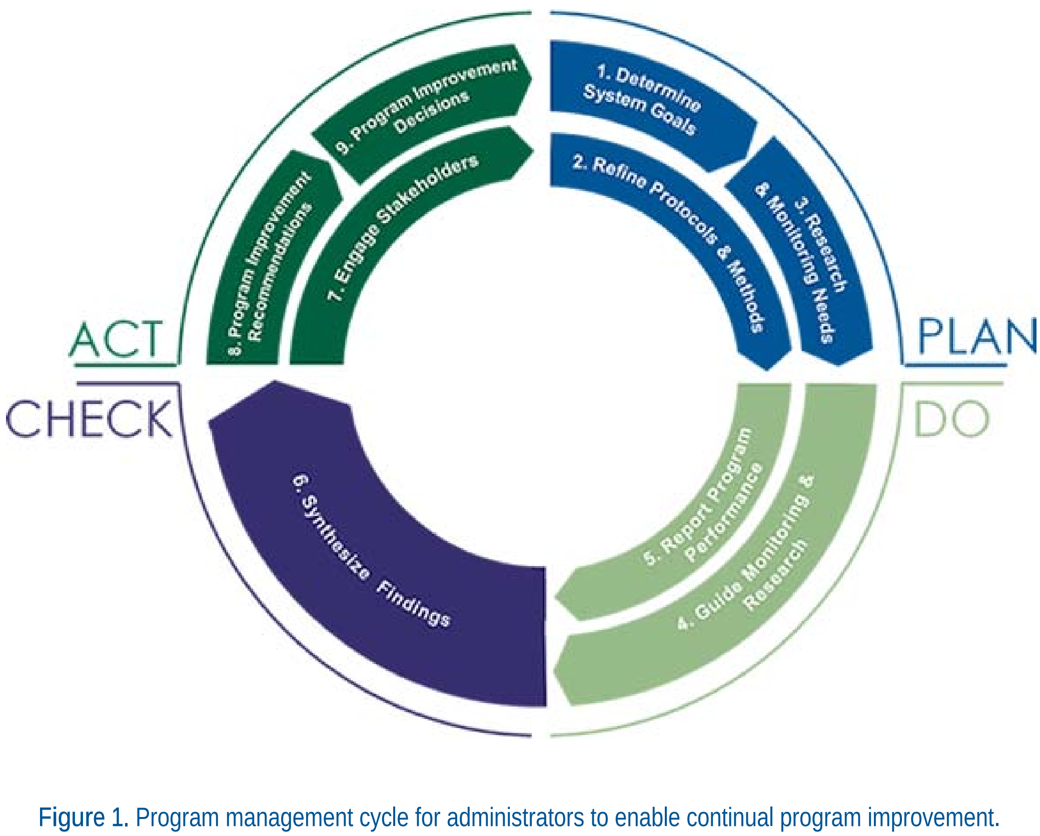

Figure 1. Program management cycle for administrators to enable continual program improvement.

Table 3. Program Management System Overview Table

	1. Determine System Goals	2. Refine Protocols & Methods	3. Research & Monitoring Needs	4. Guide Monitoring & Research	5. Report Program Performance	6. Synthesize Findings	7. Engage Stakeholders	8. Program Improvement Recs	9. Program Improvement Decisions
Description	Determine overall goals for environmental improvement using number of credits and measurable environmental status	Define operational protocols and accepted calculation and assessment methods to inform credit issuance	Identify and prioritize research and monitoring needs, maintain the List of Areas for Investigation	Coordinate research and monitoring funding efforts to address items in the List of Areas for Investigation, conduct monitoring and research	Develop the Program Performance Report to summarize credit awards and environmental improvement achieved	Synthesize relevant research, monitoring and operational findings to inform program improvements	Engage stakeholders to inform them of program progress and to solicit input for Program Improvement Recommendations	Develop operational and technical improvement recommendation to ensure the program continues to motivate effective actions	Decide which Program Improvement Recommendations to officially adopt
Tools	Registry/tracking and accounting tool, implementation plans	Operations protocols/ handbook with supporting credit estimation and field assessment tools, List of Operational Improvements	List of Areas for Investigation	List of Areas for Investigation, research and monitoring findings template	Registry/tracking & accounting tool, annual Program Performance Report template	Annual Synthesis of Findings Report template	List of interested stakeholders, Program Improvement Recommendations Form	Program Improvement Recommendations Form, List of Operational Improvements, List of Areas for Investigation	Program Improvement Recommendations, Operations Handbook, List of Areas for Investigation, Operational Improvements List
Products	Statement of purpose, overall and user-specific credit targets with defined timeframes	Updated handbook, updated and prioritized List of Operational Improvements	Updated and prioritized List of Areas for Investigation	Findings from targeted research and monitoring efforts	Annual Program Performance Report	Annual Synthesis of Findings Report	Informed and engaged stakeholders, Program Improvement Recommendations	Program Improvement Recommendations	Record of Decisions, improved Operations Handbook and supporting tools
Participant Role	Provide input to credit target setting	Provide recommendations for operational improvements	Provide recommendations for areas of investigation to inform decisions and improve accuracy of tools	Support coordinated research and monitoring funding efforts	Review Program Improvement Performance Report to inform future decisions	Provide input to and review Synthesis of Findings Report	Participate in meeting and provide program improvement recommendations	Review and comment on program improvement recommendations	Participate in decisions meeting