

- # Environmental Finance Action Team

Draft Report – *“The Path Forward”*

April 13, 2017



Hello!

**I AM JAG KHUMAN**

I am here to talk about environmental finance.  
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## ● BACKGROUND

●  
At the July 2015 Executive Council meeting, it was resolved that the Chesapeake Bay Program would conduct a symposium on environmental financing and report any findings and recommendations at the next meeting of this council.

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In April 2016, the Environmental Finance Center at UMD, in collaboration with the CBP, held the Chesapeake Bay Environmental Finance Symposium, which provided the foundation for the analysis and recommendations for the final report issued in August 2016.

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In October 2016, the Management Board convened the Environmental Finance Action Team, and charged the team with proposing a “path forward” regarding the recommendations in the report, with input from the Principals’ Staff Committee, symposium attendees, and others with financing and environmental market expertise.

## ● THE PROCESS

●  
The Action Team conducted an exploratory analysis of all ten recommendations in the symposium report (Appendix 4 – Environmental Finance Recommendations Matrix).

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The PSC identified three priority recommendations for the Action Team to focus on in its report: Core Recommendation #1, Theme Recommendation #3, and Theme Recommendation #1 (Appendix 1 – Finance Symposium Report Summary).

●  
The Action Team developed a draft report outlining short (12-18 months), intermediate (1.5-3 years), and long-term actions (>3 years) for the three priority recommendations, as well as examples of existing related work from throughout the watershed.

# THE RECOMMENDATIONS MATRIX

Action Team Working DRAFT

March 21, 2017



## Chesapeake Bay Program Environmental Finance Symposium Recommendations Matrix

Core Recommendation #1: Advance a Chesapeake Bay restoration economic development effort.					
Partnership vs. Individual Approach?	Opportunities	Challenges/Barriers (ex. cost, workload, resource implications)	Action Item(s)	Existing Related Work (internal, external)	Responsible Entity (ex. GIT, Workgroup, other partner)
Partnership	<p>EPA and jurisdiction green infrastructure programs - green streets, green jobs</p> <p>Analyze current CBP BMPs to determine how they can support local and regional economies, including multiple benefits</p> <p>Since revenues for clean-up activities are hard to come by, and the need is great, we should look to alt. ways of bringing in financial resources. Identifying ways that we could generate revenues while helping with Bay clean-up is crucial</p>	<p>EPA &amp; States help to eliminate regulatory barriers (e.g. waste-to-energy systems)</p> <p>Lack of consistency across state boundaries</p> <p>Need to add economic development experts into the PSC and/or State Finance Advisory Boards.</p> <p>Resources needed: Economists, universities, community colleges, EFC, State Economic Development Authorities, etc.</p>	<p><b>Short-term 12 to 18 months:</b> Quantify the economic impact of WQ capital investments including grants (MDE)</p> <p>Possible steps:</p> <ol style="list-style-type: none"> <li>1. Determine which grants will be evaluated.</li> <li>2. Establish progress for determining economic impact of spending of grant money including procurement, employment, and other economic elements.</li> <li>3. Determine reporting procedures (responsibility of grantee or grantor) (VA)</li> </ol>	<p>EPA G3 program and jurisdiction GI programs</p> <p>IMPLAN (Impact Analysis for PLANning) data exists for economic impact modeling/jobs created for financial investment by sector</p> <p>PG County and Corvias partnership is an excellent example of how to structure such programs. See attachment: "Elements of effective</p>	<p>Water Quality GIT</p> <p>Budget &amp; Finance Workgroup</p> <p>EPA Region III, with help from States and HQ</p> <p>Initial costs may be able to be offset by benefits realized</p>

## ● PRIORITY RECOMMENDATIONS

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**Core Recommendation #1:** Advance a Chesapeake Bay restoration economic development effort.

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**Theme Recommendation #3:** Advance public-private partnerships, where appropriate.

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**Theme Recommendation #1:** Pilot pay for success investment models.



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# Short-Term Actions

12-18 months

## ● Action Item – A

Recommendation(s) Addressed: Core Recommendation #1

○ Identify and develop implementable business cases for revenue-generating Bay restoration activities.

- **Purpose:** Identify financially self-sustaining revenue generating activities, while simultaneously contributing to Bay restoration.
- **Proposed Lead:** Jurisdictions (through CBIG or other grants), or CRC (or similar organization) to access university business schools



## ● Action Item – B

Recommendation(s) Addressed: Theme Recommendation #1

○ Compile successful pay for success pilot project case studies from across the country. Share information through workshops, or other means, with organizations which may undertake similar efforts in the Chesapeake Bay Watershed.

- **Purpose:** Expand the pay for success model into standard practice more broadly through the watershed.
- **Proposed Lead:** Budget & Finance Workgroup, in coordination with jurisdictions

## ● Action Item – C

Recommendation(s) Addressed: Theme Recommendation #3

○ Evaluate statutes in each jurisdiction to determine current authority for P3 projects addressing water quality, stormwater and related issues.

- **Purpose:** To identify jurisdictions current authorities for P3 projects and lessons learned.
- **Proposed Lead:** Budget & Finance Workgroup with CBC and Region 3, and supported by LGAC



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## Intermediate Actions

1.5-3 Years

- **Action Item – D**

Recommendation(s) Addressed: Core Recommendation #1

- Create enabling conditions for engaging private finance in Bay restoration by developing a standardized water quality credit system for the watershed.

- **Purpose:** Build a watershed-wide water quality credit system into the routine verification operations for the CBP.
- **Proposed Lead:** STAC

- **Action Item – E**

Recommendation(s) Addressed: Theme Recommendation #3

- Undertake a Pilot Project using nutrient purchases (cost/pound) as a commodity for cash, in lieu of funding a BMP.

- **Purpose:** Pilot the use of nutrient and sediment load purchases at a lower cost than using grant funds for implementing BMPs. Measure success by growth of private equity investments in Bay restoration and decreasing cost per pound (or ton) over time. Maryland plans to share lessons learned with the jurisdictions and other partners.
- **Proposed Lead:** MDE



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## Long-Term Actions

>3 Years



## Action Item – F

Recommendation(s) Addressed: All Priority Recommendations



## Measure project-specific finance metrics of SUCCESS:

- Example: Project goals delivered at or below cost projected
- Example: Private enterprise profits from exchange
- **Purpose:** Ensure that the success or failure of individual projects and the driving economic factors of either result are being reported and used to guide the overall effort.
- **Proposed Lead:** Bay Funders Network, with the jurisdictions

- **Action Item – G**

Recommendation(s) Addressed: All Priority Recommendations

- **Measure overall finance metrics of success:**

- Example: Growth of private equity invested in Bay restoration
- Example: Decreasing cost of pounds of nutrients reduced over time
- **Purpose:** Ensure that the decisions being made are yielding desired economic results in terms of watershed wide Bay restoration efforts.
- **Proposed Lead:** Budget & Finance Workgroup



## ● MANAGEMENT BOARD COMMENTS

●  
Management Board members asked to review draft report and provide comments by April 10

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Comments received:

- Pennsylvania Department of Environmental Protection

●  
Are there other comments or reactions from the Management Board?

## ● ACTION TEAM SCHEDULE

Date	Time	Purpose
March 28	9AM-11AM	Action Team meeting
March 30/31	--	Send draft report to Management Board (MB)
April 10	--	Comments from MB due to Action Team
April 13	10AM-3PM	MB meeting
April 18	9AM-11AM	Action Team meeting
April 20	--	Send draft report to Principals' Staff Committee (PSC)
May 5	--	Comments from PSC due to Action Team
May 9	9AM-11AM	Action Team meeting
May 11	--	Send revised draft report to PSC
May 17	TBD	PSC meeting
May 23	9AM-11AM	Action Team meeting
May 25	--	Send final report to Executive Council (EC) staff
June 8	TBD	EC meeting

Thanks!

ANY QUESTIONS?

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