



January 26, 2022

The Honorable Sarah Elfreth
James Senate Office Building
11 Bladen St., Annapolis, MD 21401

Re: Comprehensive Conservation Finance Act – SB 0348

Dear Senator Elfreth,

GreenVest is a 25-year-old company engaged in the restoration of environmentally sensitive land throughout the eastern part of the United States. Our company has completed or in the process of carrying out almost \$162 million in restoration work in our Bay region and throughout the Atlantic Seaboard. I know you are aware of our work throughout the Chesapeake Bay Program (CBP) area and our involvement in helping advance innovative strategies to enhance the efficiency of advancing restoration work. You also are aware of the significant costs faced by all responsible parties in Maryland who are trying to comply with CBP mandates and related timelines.

With this communication I am writing to thank you and cosponsors for introducing the Comprehensive Conservation Finance Act. It makes very good sense, particularly at this time when all State and County budgets are strained by reduced revenues and increased spending to protect the health of Maryland citizens.

The Act recognizes the significant growth in private investment of companies like GreenVest, with the goal of generating both a financial return and a measurable environmental result. It is not a lack of initiative by companies like GreenVest or access to capital holding back conservation investing, its policy. The lack of guidance, and better yet, rules have a critical role to play in unlocking the potential for conservation investing. The policies and rules do not exist at the level we need them. If put in place, changes like the ones in this proposal will signal market stability, bolstering demand, improving transaction efficiencies, and reducing risk. The net result will be more low-cost funds to get restoration projects in the ground faster.

Our analysis of the Comprehensive Conservation Finance Act (CCFA) suggests that the proposed legislation strengthens enabling conditions and would significantly attract private investment capital for conservation in Maryland. We think the most important ways this Act will trigger more investment in the CBP are as follows:

Signaling Market Stability

The CCFA helps expand investment by allowing the Bay Trust fund to pay for water quality outcomes through Pay for Success contracts and to prioritize and price other co-benefits. The legislation also expressly encourages and supports larger scale, multi-year, nonpoint source water quality and co-

benefit initiatives through the Chesapeake Trust Fund. These changes and the backing by state contracts help signal market stability, effectively reducing risk for private investors.

Bolster Demand

Government policy can encourage private investment by signaling consistent and dependable demand for conservation outcomes. By authorizing Pay-for-Success more broadly for DOT and four other agencies as a competitive procurement practice, the CCFA creates the opportunity for the state to buy completed environmental outcomes, for example to meet stormwater permit requirements for road projects. If private investors perceive the state as a predictable buyer of environmental commodities, they will start investing in the delivery of water quality and similar outcomes in advance of the state's need. The proposed policy changes make it more likely that investors, banks, and other capital sources will want to provide us with even higher levels of support which in turn allow us to carry out more restoration projects, support more local jobs, and advance more of the state's goals. In addition, by setting a preference for third-party forest banks, the CCFA also decreases the level of risk in market-based investments and establishes a secure and stable footing for these investments to occur.

Improving Transaction Efficiency

The CCFA seeks to improve transaction efficiency in several ways. By defining "environmental outcome" as a commodity, it creates a way for agencies to use commodity or supply contracting authorities, which should dramatically simplify the paperwork needed for them. The legislation encourages the formation of public/private partnerships to aggregate projects for carbon market offset sales. Given the importance of scale for successful carbon development projects, aggregation is critical to reducing transaction costs. The Green and Blue Infrastructure Policy Advisory Commission created by the CCFA is, among other things, tasked with identifying overlapping areas of state and local procedures that could be simplified to make restoration easier. Similarly, the working group on carbon offset sales is charged with reducing barriers for Maryland landowners to participate in growing carbon markets.

Reducing Risk

Publicly funded mechanisms that reduce risk have the potential to leverage significant private capital. The CCFA proposes changes to the state revolving funds for drinking water and clean water to clarify all the ways these funds can be used for source water protection. These federally backed programs provide very low interest rate financing (typically less than 2% and as low as 0% for certain projects) that has largely been used for traditional water infrastructure. Out of the \$2.5 billion provided over the last 20 years in Maryland, only \$130 million has gone toward green infrastructure. State revolving funds have been critical to large conservation efforts in other states because they reduce risk to private partners by offering them access to concessionary rate financing.

Private Investment in Maryland

Maryland has committed significant public financial resources toward safeguarding the Chesapeake Bay. However, public funding is limited and will be stretched even further to keep up with the growing need in the current economic environment. Markets that encourage

conservation and support ecosystem functions on private lands are critical to protecting the Bay and safeguarding natural resources and community health throughout Maryland.

Billions of dollars are now flowing into sustainable and green investment initiatives and that flow has not stopped during this pandemic. The CCFA will help Maryland become a leader in the region—and perhaps the country—in attracting private conservation dollars. Maryland would be the first state in the country to introduce comprehensive legislation like this and we hope others will follow its lead.

Enhanced Access to Federal Dollars

There is a strong connection between the pronounced agendas of some of the new Biden Administration appointments at FEMA, EPA and OMB and what would be accomplished with this bill. If passed, many provisions track very closely to these new agency agendas and therefore the State can become an enabler of some of the Executive Orders and policies being advocated at the Federal level.

Here is the rationale. COVID 19, the economy, racial inequality and climate change are among the highest priorities of the Biden Administration. COVID work is a function of resecuring a healthy standard of living and maintaining it. Water quality, enhanced air quality and the environmental restoration work we seek to do is important to this goal. We are also seeking more and more opportunities to do work in or near more burdened communities so site selection for our stream restoration projects is better targeted to creating community co-benefits and environmental justice ones too. Getting jobs permitted and funded in a timely manner puts more people back to work. And last but not least, all of the work we do helps negate an accelerated level of climate change.

If we secure passage of this legislation our industry will aggressively seek to implement the benefits being espoused. Maryland can become a national thought leader and advocate nationally for this type of creative work and thus the environment as a whole can be positively impacted. However, Maryland's passage of this legislation may also make it far easier for the state to compete for new federal funds or initiatives that are aligned with the same priorities covered by this legislation and that would already be built-in to state law in advance.

Tech innovations have transformed our lives in unimaginable ways, and it has happened fast. Why do we embrace and accept that pace of change but accept so little innovation in government policies and rules that hinder our ability to have clean water, clean our streams, rivers, and bays? This legislation helps address a significant barrier to efficiency and sends an important message at a critical time.

I have attached two exhibits that might be helpful to advance your support and that of others. First is a two-page summary of the legislation and second some key statements of support from many stakeholders.

We thank you for your support and also appreciate the support of the Departments of Environment, Natural Resources, and Transportation. We encourage other members of the Senate and House to support this bill and pass it this session.

Thank you for your consideration. Please feel free to call me at 301-529-1592 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Lashley", with a long horizontal flourish extending to the right.

Doug Lashley

Managing Member
GreenVest, LLC

Cc: Governor's Council on The Chesapeake Bay
lee.currey@maryland.gov

Delegate Sara Love
210 Lowe House Office Building
6 Bladen Street
Annapolis, MD 21401

Delegate Regina Boyce
316 Lowe House Office Building
6 Bladen Street
Annapolis, MD 21401

Comprehensive Conservation Finance Act Support

Senator Sarah Elfreth and co-sponsors will introduce legislation this session to make amendments to state policies that will not increase the state budget but will allow Maryland to attract more private investment to achieve our Bay and climate goals, as well as environmental justice goals.

The following are some of the statements of support received so far for this legislation.

“No U.S. state legislative body or governor has ever proposed or passed any legislation that could be reasonably called a comprehensive conservation finance act. ...this gives Maryland a chance to stand out.” *Nicholas Dilks, Managing Partner, EIP. Ecosystem Investment Partners, Baltimore City.*

“Our members are increasingly seeking out large scale restoration projects and initiatives because of the scale of investment from pension funds and other investors ... There are multiple changes in the CCFA that would make much larger scale investment possible and likely.” *Sara Johnson, Executive Director, ERBA. The Ecological Restoration Business Association represents ecological restoration firms across the U.S.*

“If put in place, changes like the ones in this proposal will signal market stability, bolstering demand, improving transaction efficiencies, and reducing risk. The net result will be more low-cost funds to get restoration projects in the ground faster.”

— *Doug Lashley, Managing Member, GreenVest LLC, Bowie Maryland.*

“The policy changes and initiatives contained within it will make it easier for Maryland to attract private funding and finance of conservation, and for innovative efforts like the Revolving Water Fund to provide turnkey compliance options for permit holders.”

— *Ashley Allen Jones, CEO, i2 Capital, Washington, DC.*

“If a state like Maryland gets policies like these right, it will lead to more jobs and investment in the state at a critical time for the Bay and the economy.” *Michael Hare, Director of Government Relations, RES, Glen Burnie, Maryland.*

“The proposed CCFA legislation will serve to 1) bolster ecological restoration demand; 2) improve transaction efficiencies; 3) increase investment in ecological restoration and; 4) reduce the cost of financing these critical infrastructure improvements.”

— *Jeffrey Eckel, Chairman and CEO, Hannon Armstrong (NYSE: HASI). Annapolis, Maryland.*

“By authorizing Pay-for-Success as a competitive procurement practice, the CCFA creates the opportunity for the state to buy completed environmental outcomes.” *Peter Stein, Managing Director, Lyme Timber. Lyme Timber Company LP*

“Encouraging and incentivizing programs that address environmental justice and equity is a welcome feature of this Act and will focus development on projects that address water quality and quantity challenges in disadvantaged communities.” *Eric Letsinger, CEO, Quantified Ventures. Quantified Ventures, an outcomes-based capital firm based in Chevy Chase, Maryland*

“Corvias has been a part of the Maryland success story through our Clean Water Partnership with Prince George’s County. The proposed changes expand the State’s ability to apply what has worked, improve the procurement process by bringing purchasing power to local cities or counties, and encourage additional private financing or public-private financing partnerships.” *Sean Agid, Partnership Development, Corvias, Co.*

“The enabling conditions created by the CCFA will increase private investment in projects that will deliver ecosystem services to Marylanders.” *David Tepper, CEO, The Earth Partners. Bethesda, Maryland.*

“Combined, these and other changes represent a powerful approach to stretch public dollars and increase the viability of cross-sector investments that support healthy forests.” *Blake Stansell, CEO, Forestlands Group, Maryland’s largest private landowner*

“This comprehensive measure would advance conservation, environmental justice, and water quality efforts throughout the State, unlocking both private capital and federal funding. Maryland has the chance to be a national leader by passing this Act.” *April Mendez, CEO, Greenprint Partners, a certified B Corporation*

Maryland's Comprehensive Conservation Finance Act

Global, profit-seeking investment in environmental conservation is expected to grow to more than \$200 billion per year in the coming years. This investment is already making a difference in Maryland. For example, Prince George's County's innovative \$250 million Clean Water Partnership is funded by private capital until projects are successful and paid back with public funds. Maryland could attract more investment to achieve our Bay and environmental outcomes with adjustments to policies that make our state programs work better.

Senator Sarah Elfreth and co-sponsors have introduced legislation this session to make no-cost amendments to state policies that will allow Maryland to attract more investment to achieve our Bay and climate goals, as well as environmental justice goals.

Highlights:

- Makes Maryland the first state to define 'blue infrastructure' and puts both blue and green infrastructure on equal footing for state financing to gray infrastructure projects.
- Conservation easements on forests, tree planting, and other green infrastructure projects would be more eligible for MDE state revolving fund loans, grants, and loan guarantees.
- Expands eligibility of non-profits or for profits to receive loan guarantees that can help secure low-cost financing for green bonds and environmental impact bonds, like Baltimore's environmental impact bond.
- Strengthens direction for MDE to use loans and similar financing to support toxic lead pipe removal.
- Creates a green infrastructure and restoration commission to make recommendations on how the state can make permitting and installation of projects easier and faster to achieve.
- Asks the state's Environmental Justice Commission to recommends actions needed to create a human right to affordable, clean water, as California has done.
- Expands DNR Chesapeake and Coastal Bays Trust Fund contracting to allow them to use Pay for Success contracts that buy environmental outcomes like reduced nitrogen pollution after projects succeed and allows the agency to prioritize and pay for environmental justice and local job co-benefits.
- Strengthens incentives for the establishment and use of forest banks that protect and restore forests and offset forest losses from development.
- Authorizes both DNR and Department of Agriculture to create working groups or hire carbon market experts to help develop programs and standards that make it easier for Maryland landowners to find voluntary carbon market buyers for carbon stored in soils and forests.
- Adopts language in three areas of state law to make sure that contracts and easements don't prevent Maryland landowners from being able to participate in voluntary carbon markets.

- Expands opportunities for private finance to support removal of hazardous dams to restore fish populations or retrofit of old dams for hydropower.
- Allows MDE to make loans to watershed and conservation projects in the Pennsylvania portion of the Susquehanna watershed to accelerate water pollution improvements there, to be paid back by Pennsylvania.
- Allows DOT to use public-private partnerships to install and maintain green and blue infrastructure.
- Creates a Natural Capital Task Force, co-chaired by UMD, to recommend best practices for local and state government to account for natural assets like flood protection and forest carbon on government balance sheets.
- Makes Maryland the second state to create a new form of contracting in state procurement law called “Pay for Success” that makes it easier for DOA, MDE, DNR, DOT, and MET to pay for projects after they deliver results as opposed to before.
- Makes Maryland the first state to define ‘environmental outcomes’ like carbon sequestration and nutrient pollution runoff as a commodity that can be more easily requisitioned and purchased by the state to meet conservation and climate goals.