



February 10, 2021

The Honorable Paul G. Pinsky , Chair  
The Honorable Cheryl C. Kagan, Vice Chair  
Maryland Senate Education, Health, and Environmental Affairs Committee  
Miller Senate Office Building, 2 West Wing  
11 Bladen St., Annapolis, MD 21401 – 1991

Chair Pinsky and Vice Chair Kagan:

The Earth Partners, LP (TEP) develops new markets and builds large-scale ecological restoration projects to improve water quality, sequester carbon, and build resiliency to the impacts of climate change. Examples of TEP's work include the creation of a market to facilitate the removal of invasive woody brush species on hundreds of thousands of acres of private ranchland in Texas and New Mexico in order to generate feedstock for bioenergy facilities. TEP also developed innovative revenue streams to incentivize the removal of bark beetle infested trees in South Dakota. TEP has created a carbon protocol to provide credits for projects that sequester carbon in soil, and most recently, TEP is utilizing the mitigation banking market to restore thousands of acres of wetlands and many miles of streams on the Texas Coastal Plain.

TEP is pleased to provide you this letter in support of the Comprehensive Conservation Finance Act (CCFA) and we encourage you to prioritize this legislation in the upcoming session. While public agency budgets are especially tight due to the economic challenges associated with the COVID-19 pandemic, protecting the ecosystem services that Marylanders rely on is the most cost-effective way to protect the long-term health of your constituents. Doing so while leveraging as much private capital as is possible to supplement public resources is one of the most fiscally responsible actions the legislature can take.

Unfortunately, due to the tragedy of the commons, Mother Nature's resources are severely undervalued in the marketplace. This is where policy is needed, to create economic value where it might not otherwise exist, to align public and private incentives. If well designed, policies can incentivize projects that sequester carbon, reduce flood risk, and result in cleaner air and water. Furthermore, it should be policymakers' aim to lower the risks associated with private sector actors realizing the economic value associated with ecosystem service generation. As the risks decrease, so does the cost of capital, and a higher proportion of dollars are spent on achieving environmental outcomes, and not on compensating capital providers for the risks they assume.

The CCFA moves Maryland closer to the goal of aligning public and private incentives and reducing risks by creating programs that make revenues more predictable, lower transaction costs, and create demand for environmental outcomes. The enabling conditions created by the CCFA will increase private investment in projects that will deliver ecosystem services to Marylanders. We are particularly supportive of:



- The increased flexibility in how funds are spent – particularly in the Chesapeake Trust Fund and the state drinking water and clean water revolving funds – which will catalyze more private investment in environmental outcomes and green infrastructure;
- The authorization of Pay-for-Success contract structures in government procurement, which will allow agencies to transfer project performance risk to private investors;
- The creation of a state agency preference for the purchase of credits from forest banks, which as was seen in the federal mitigation program under the Clean Water Act was one of the key drivers for the growth of that industry over the past decade;
- Defining “environmental outcome” in a way that allows for simpler contracting with public agencies.

TEP is perpetually looking for places to spend the institutional capital that we have access to on land restoration and climate resiliency projects. However, the conditions must be in place – including market stability, demand for environmental outcomes, and low transaction costs – before we are willing to enter a new market. The CCFA in many ways provides those enabling conditions and its passage is more likely to lead to TEP’s investment in Maryland, and the subsequent job creation and positive environmental outcomes that our projects bring.

Sincerely,

David Groves  
Director of Business Development  
The Earth Partners, LP

CC:

Senator Jim Rosapepe  
Senator Guy Guzzone  
Senator Sarah Elfreth  
Senator Will Smith  
Senator Ron Young