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U.S. Department of Agriculture Provides Boost to Emerging Environmental Markets

The secretary for U.S. Department of Agriculture (USDA), Ed Schafer, announced on December 18 a decision to establish a new Office of Ecosystem Services and Markets to help promote market-based approaches to conserving the environment. ([Click here](#) for the announcement.) This marks a significant development in the continued emergence of environmental markets for tradable credits for carbon, water quality, and wild-life habitat. Sally Collins, associate chief of the U.S. Forest Service and a strong advocate for market-based approaches, has been named to lead this effort.

The Food, Conservation, and Energy Act of 2008 also requires USDA to develop methods for measuring the benefits of conservation and land management activities to help farmers, ranchers, and forest owners participate in the “emerging environmental services markets.” The new office will provide administrative and technical help in developing guidelines and other tools to assess the value of environmental goods and services, and expand markets for clean air and water, wildlife habitat, and other ecosystem services. It will also support a new interagency board for Conservation and Land Management Environmental Services to be chaired by secretaries of agriculture, interior, energy, commerce,

transportation, and defense; the administrator of the Environmental Protection Agency; and other agency heads.

While many of the existing markets for ecosystem services, such as carbon and nitrogen sequestration, are voluntary, this initiative will provide much-needed support to expand compliance-oriented markets. Increasingly, states are looking to such markets as a way to help address complex environmental problems, some of which cannot be solved using traditional regulatory approaches. For example, in response to water pollution in the Chesapeake Bay and the Gulf of Mexico, caused by high levels of nitrogen, states such as Virginia, Pennsylvania, and Ohio now have programs that allow entities permitted under the Clean Water Act to purchase tradable credits from farmers and other sources to satisfy their regulatory obligations at much lower costs. One major impediment to the growth of such markets has been the lack of clarity, transparency, and consistent standards needed to engender market confidence. USDA can play a major role in helping to create the tools and standards necessary to create such confidence.

USDA's decision is drawing praise from environmental groups, such as the Environmental Defense Fund, a group that has advocated strongly for incentive-based approaches to

conservation. Other groups, such as Forest Trends and American Farmland Trust, have been influential in helping to shape these latest developments.

These markets are extremely fluid and present unique and exciting opportunities for many companies. For more information about these or any other environmental matters, please contact us.

Hunton & Williams LLP provides legal services to corporations, financial institutions, governments, and individuals as well as to a broad array of other entities. With a substantial domestic and international environmental practice, our firm has established a prominent role in shaping these emerging environmental markets. Our lawyers routinely represent and strategically advise clients

on participation in the voluntary- or compliance-oriented markets, including carbon, water quality, and species. The firm was [recognized](#) by *Environmental Finance* and *Carbon Finance* readers as the top law firm for the U.S. emissions market in 2008 and 2006.

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