



Great Lakes Trading Network

developing and implementing market-based strategies for healthy, sustainable ecosystems

October 12, 2001 Conference Call

Representatives from the following organizations participated in the conference call: Fox-Wolf Basin 2000 (FWB), EPA's Office of Water, EPA Region 10, Ohio EPA, Resource Strategies, Inc., the World Resources Institute, NETL (Sarah Forbes), Miller Canfield Paddock & Stone, Texas A&M University and Kieser & Associates (K&A). Dave Batchelor (formerly, Michigan Department of Environmental Quality; now, U.S.EPA Office of Water) chaired the call. Dave also recommended that Mark Kieser of K&A serve as interim chair of the Network until such time that the organization was incorporated. In his new position with EPA, Dave will continue to participate on the network but believed it appropriate to step down as the Chair at this time. There were no objections to the new Chair.

The August 2001 conference call summary was approved without comments. The final version is attached. (September's call was cancelled due to the tragedies of September 11th.)

A brief discussion regarding the status of Senator Lugar's version of the Senate Farm Bill S 1326 was made at the start of the call. No one was aware of the current status of this draft legislation that had proposed significant support for trading (see <http://www.gltm.org/calls/8-13-01call.htm>). Patricia Zurita of WRI indicated she would try to obtain an update on this information for the November conference call.

Dave Batchelor reviewed the history of the Great Lakes Trading Network (GLTN) as a prelude to discussions of the future status of this organization. The network originated as part of a regional (Great Lakes) component of the Kalamazoo River Trading Demonstration Project. Over the past three years the network has evolved with a more national focus on market based environmental programs. A current grant through the Great Lakes Protection Fund (GLPF) now targets the incorporation of the GLTN as a self-sustained, non-profit entity. A future vision of the GLTN that has been discussed over the past 1.5 years has been for the network to serve as a national clearinghouse for trading. A second component of the GLPF grant is a feasibility analysis of developing markets to manage ecosystems. Such markets might include overlapping opportunities for water quality trading, greenhouse gases, wetlands and endangered species (habitat). (See the attached September 2001 Conference Summary for additional information.)

Dave introduced project team members. Each team member is preparing a summary paper examining the feasibility of the multiple markets concept that will be provided to the GLTN for review and comment.

Incorporation of the GLTN

The purpose of formalizing the GLTN is to maintain the direction and momentum of the network, facilitate the needs of participants, serve as a national clearinghouse for trading, and potentially support trading programs as a pass-through or administering organization. Draft Bylaws and Articles of Incorporation in these regards, which were previously distributed, were discussed by the GLTN. Leo Goddeyne of Miller Canfield Paddock & Stone as a partner on the GLPF grant drafted these documents with input from Dave Batchelor and Mark Kieser.

The non-profit GLTN would be a "directorship" organization, led by a Board of Directors (as opposed to a "membership" organization). Dave Batchelor, as the "Incorporator", would file the Articles of Incorporation and appoint the first Board of Directors. (Dave solicited comments from the network for potential board candidates.) The Board of Directors would appoint an Executive Director, carry forth the future direction of the GLTN, approve policy and funding, approve the structure of and appoint advisory committees, and establish a membership fee structure. Discussion ensued on the draft language in the Bylaws and Articles in relation to the future mission and desired IRS tax exempt status as a non-profit.



One of the first comments made regarded the name of the organization, the “Great Lakes” Trading Network when the focus has been and will be more national. A name change may be in order to reflect the broader mission. Questions were raised regarding the draft purpose and objectives of the network in the Articles and the need to emphasize a strong educational aspect of the organization. This is important from both the public interest perspective as well as the IRS tax exemption requirements. Other established organizations such as the Emissions Marketing Association (www.emissions.org) were noted as possible models for adapting the network’s draft objectives.

Discussion focused on the possible role of the network in “brokering” trades. Could the incorporated network manage projects, retain and sell credits as a non-profit? Leo Goddeyne indicated that explaining the organization’s activities more from an educational perspective, i.e., that there will be a public benefit through demonstrations and information sharing, might be more appropriate for the IRS tax exempt status. The network would therefore “engage in these activities on behalf of the public trust”. Claire Schary (EPA Region 10) cited the Idaho Clean Water Cooperative as an example of a group “administering” a trading database, rather than as a brokering organization.

Comments were raised regarding the ability of the network “to participate and provide input and comment on existing and proposed federal and state regulations and laws...” (Article II 1(c)). Discussion focused on the concern with lobbying to influence legislation. The network approach should be on “sharing” information on pending legislation and “providing information and education about proposed federal and state legislation”. Participants identified other similar organizations that addressed this issue through other vehicles. Claire Schary noted the Emissions Marketing Association and “Environmental Resources Trust” (www.ert.net) as examples. Jim Pinkham of FWB noted the “Alliance for Justice” organization (<http://www.afj.org/>).

Claire suggested that the network might consider taking on the role of supporting WRI’s NutrientNet. This could be done under the auspices of the network as a Clearinghouse, which might have the defined roles for conference calls, the website, trading demonstrations, and sharing of information (education).

Dave Batchelor shared his vision of the “business functions” of the incorporated network which would include: obtaining funds/grants (for a self-sustaining organization and for demonstration projects), purchasing real property for conservation opportunities and environmental improvements, managing pass-through funding for network partners, implementing projects to study market mechanisms. These efforts would generate information to share with the network, as well as the opportunity to generate, hold title to, and sell credits. Transparency of these transactions and shared information would be an integral part of the network in these efforts.

This view was supported by conference call participants, though this might be “ambitious” with regards to the tax exemption issues. Gail Hesse (Ohio EPA) noted that this role of the network was viewed as bringing value added services to trading activities that neither government or private sector could address. The transparency of these trades would be valuable if conducted through a neutral (“charitable”) non-profit organization facilitating environmental improvements. Patricia Zurita (WRI) noted the benefits of a “national” trading network in these regards to assist states in adopting trading (and NutrientNet), and thus bringing with it, credibility and new ideas.

Leo Goddeyne summarized the governance issues of the network becoming a directorship organization vs. membership based. The directorship approach affords the organization the opportunity to remain focused on its specific mission while still recognizing the input of its participants. This could come through non-voting memberships. Membership could be at various levels with variable fee structures. Possible member services were discussed including conference call participation, publications, website access and reduced rates for conference attendees. Jim Pinkham noted that any organization considering membership will need to assess the value of those services offered. This proposed governance approach received support from call participants.

Mark Kieser indicated he would respond to conference call comments and institute recommendations for review by GLPF project partners. A finalized draft of the Bylaws and Articles of Incorporation would be



provided to GLTN participants. The proposed schedule for finalization and submittal of these documents was targeted for November 2001.

The next conference call was set for Tuesday, November 13, 2001, 11-12 noon, EST.