

Center for Natural Resources Investment

The United States Department of the Interior (Department) protects and manages natural and cultural resources in the United States, including providing water, protecting landscapes and conserving species. Given the emerging challenges of the 21st century – increased development pressure, climate variability, and constrained budgets – the Department is pursuing innovative approaches to help accomplish our conservation and stewardship mission.

Mission: The Natural Resources Investment Center (Center) will use market-based tools and innovative public-private collaborations to conserve natural resources, enhance efficient water allocation, and promote increased investments in critical infrastructure in conjunction with the Department's programs, bureaus and offices.

The proposed Center is inspired by President Obama's [Build America Investment Initiative](#), which calls on federal agencies to find new ways to increase investment in ports, roads, water and sewer systems, bridges, broadband networks, and other 21st-century infrastructure projects, by facilitating partnerships among federal, state, local and tribal governments, and private sector investors.

Objectives: The Center will focus on three major objectives:

- 1) Increase investment in critical water infrastructure, both major rehabilitation and replacement of existing infrastructure and construction of new infrastructure, for water supply resilience.**

Why we must focus on this: Under his Build America Investment Initiative, the President called for the Federal government to do more to improve infrastructure for water supply and public health. We need to invest in infrastructure to retain and deliver water and to stretch water supplies to serve our communities. These investments will require public-private collaboration.

An example of what's been done: The Bureau of Reclamation manages reservoir operations on the lower Colorado River. To respond more effectively to the changing conditions on the River, Reclamation and stakeholders in Nevada, Arizona, and California collaboratively constructed the new Drop 2 Storage, later officially renamed the Warren H. Brock Reservoir. Municipal water users in the lower basin states of Arizona, California and Nevada provided \$172 million of non-Federal funding to invest in new infrastructure to conserve water and maximize the use of available water supplies. The Bureau of Reclamation conducted environmental compliance, oversaw construction, and integrated the project into its operations in the Lower Colorado River system. The project was completed in roughly two years.

What's next: Using this successful model as a guide, the Center will work to expand investment in water supply infrastructure and resilience by developing new funding approaches and helping to finance and execute specific projects. The Center will build relationships among potential private sector funders, NGO partners, impact investors and interested operating entities.

- 2) Increase investment in water conservation and build up water supply resilience by facilitating water exchange in the western U.S in partnership with local, state and tribal governments.**

Why we must focus on this: In the West, America is confronting and will continue to confront severe drought and rising water supply variability. Market-based transfers can provide local water users much-needed flexibility to make decisions about allocating resources. Because of its project infrastructure, the federal government can ensure that its policy, operations, and review processes enable market transfers where desired by local communities. This strategy will promote efficiency and stretch water supplies.

An example of what's been done: The Central Valley Project (CVP) in California features one of the nation's most robust water transfers programs. It improves operational flexibility through expanded use of voluntary water transfers. Individuals or water districts receiving CVP water can transfer all or a portion of their water to other California water users or a water agency, state or federal agency, tribes, or private non-profit organization. Through this program, 300,000 to 400,000 acre-feet of water is transferred in a typical year, allowing high-value agriculture and cities to maintain deliveries through scarcity.

What's next: To address this need, the Center will work with states and water user partners to replicate the CVP model and support locally-led water exchanges. As a first step, the Center will develop a report documenting how the Bureau of Reclamation is facilitating water transfers and water banking. The Center will build relationships with water transfer leaders and explore multi-benefit banking or water trade deals. The Center will work closely with states, tribes, water user and non-governmental organizations.

3) Foster private impact investments and support well-structured markets that advance efficient permitting and conservation of species, habitats, and other natural resources.

Why we must focus on this: The Department is responsible for protecting endangered species and certain other types of wildlife and their habitat from the impacts of development wherever it occurs. Public lands have a long history of supplying the natural resources that support economic growth and community well-being such as oil and gas, timber, minerals and other uses including the development of renewable energy sources. Through its wildlife conservation mission and as stewards of public lands and resources, the Department can require that impacts of resource extraction and development be mitigated, to avoid, minimize, and compensate for any unavoidable impacts that may occur. The protection and restoration of habitat to compensate for unavoidable impacts creates business opportunities for those who can establish and sell offsets through various banking and credit instruments. The Center will expand the use of these market forces to create opportunities for investment in protecting and restoring habitat on public lands and elsewhere to meet mitigation requirements associated with wildlife conservation and public land uses.

An example of what's been done: In partnership with Barrick Gold of North America (and the Nature Conservancy), the Department announced a novel agreement to bring transparency and predictability to the company's operations in greater sage grouse habitat in Nevada. The agreement allows Barrick to obtain credits for successful habitat protection and restoration projects that protect and enhance greater sage grouse habitat on its private ranchlands. In return, the company is assured that such credits can be used to offset impacts to habitat from the company's planned future mine expansion on public lands.

What's next: To expand the use of market-based strategies for mitigation, the Center will leverage its finance and private market expertise to assist in the identification and development of landscape-scale mitigation projects. In doing so, the Center will work with businesses, Indian tribes, federal agencies, states, non-governmental organizations and impact investors to identify the primary opportunities for, and obstacles to, private sector investments in furthering the mitigation work at the Department. There is an immediate need to develop compensatory mitigation to conserve the greater sage grouse.

Anticipated Partnerships: The Center will build partnerships with organizations interested in innovative conservation financing. We are exploring partnerships with water users, foundations, impact investors, businesses, NGOs, as well as academic institutions that have strong environmental programs or business schools.

Who Will Be Involved: The Center will be housed within the Department of the Interior's Deputy Secretary's Office. The Center will include a small team with strong private-sector finance and environmental markets expertise. It will coordinate a Department-wide team, working with designated staff members in the Bureau of Reclamation, U.S. Fish and Wildlife Service, Bureau of Land

Management, National Park Service and U.S Geological Survey, who would help to achieve objectives pulling on the resources of each bureau.