



DEVELOPING AN EFFECTIVE WATER MARKET IN CALIFORNIA

ACWA POLICY PRINCIPLES

As historic drought tightens its grip on California, ACWA believes a more efficient and effective water market can play a vital role in reducing impacts on the state's economy, now and in the future. Developing such a market should be a top priority for the Brown Administration and state leaders – not only for immediate drought response but also as part of a comprehensive, long-term water management policy as outlined in the California Water Action Plan and as directed by Administration executive orders and drought proclamations.

ACWA believes a more efficient and effective water market should be seen as a primary tool to leverage significant local and regional investments made over the past two decades to increase water supply reliability. Used in conjunction with investments in conservation, water recycling, surface and groundwater storage, desalination and other strategies, an effective water market can help the state weather multiple years of drought while protecting economic and environmental uses of water.

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August 2015



POLICY STATEMENTS

- ACWA supports California's existing water rights laws and priority system, which was developed over the past 150 years and is foundational to the state's property rights system and the economy.
- California's water rights system provides for and encourages use of market mechanisms for voluntary water transfers (i.e., transactions between willing buyers and sellers) to help meet water demands, especially in drought conditions.
- Regulatory actions that reallocate water supplies should not be used as a substitute for voluntary water transfers. Market-based transactions are a more effective tool because they rely on pricing signals to move water to where it is needed and incentivize innovative approaches to water allocation and demand reduction by water agencies and individual water users.
- Based on legislation approved in the late 1980s that streamlined the water transfer process, voluntary water transfers have been an effective way to supplement California's water needs, as evidenced by the landmark 1991 Governor's Emergency Drought Water Bank and numerous subsequent water banks, exchanges and short- and long-term water transfers.
- Developing a more efficient and effective water market is the next logical step on the path toward a more comprehensive and integrated suite of solutions that includes conservation, water recycling, desalination, stormwater capture, surface storage, groundwater storage, recharge and water banking. A more efficient and effective water market can help protect existing local and regional investments in these strategies, improve coordination among water agencies, and incentivize significant investments in the future.
- A more efficient and effective water market can benefit the environment by improving the overall resiliency of the state's water supply system and potentially increasing the amount of water available for environmental use. Several leading environmental organizations promote water market-based mechanisms as a way to improve water use efficiency and pricing, which in turn can contribute to enhanced stream flows and make more water available for wetlands and other environmental resources. This benefit would be of particular importance during prolonged drought.
- The drought provides a timely opportunity to evaluate alternative water market mechanisms that significantly enhance the role of a more efficient and effective water market as part of California's overall water management system.
- ACWA is committed to working with the Brown Administration and others to identify ways to make the water transfer process more efficient and effective to enhance the role of a voluntary water market as California combats a prolonged, historic drought.