What are water markets?

• Management tools for water resources
  • Provide drought mitigation and risk management
  • Depend on other rules and regulations being in place

• Ways to change where and when water is used, increasing its value
  • Cost-effective way of reaching management goals

• Voluntary transactions between willing buyers and sellers
  • Should increase profits for all participants
Water market basics

• What happens in a water market?
  • Regulatory → Permitting and compliance
  • Financial → Price discovery and negotiation

• Who operates water markets?
  Water users associations, government agencies (local, state, and national), private industry, no-one

• What’s traded in a water market? Often not water
  Rights to water, irrigated land, wells or development; access time to a canal or pump; derivatives
Misconceptions about water “markets”

Water markets...
• Often aren’t markets
• Are often not viewed as markets by active participants
• Are not a new idea – have been around for >1000 years
• Work with all kinds of water rights
• Are most common between agricultural water users
Water markets – Formal to Informal

• “Water markets” include many different transaction types
  • Leasing, permanent transfers, sharing, banking, rotation, pooling, & offsets

• People generally think of water markets as formal institutions
  • Centralized registry, standard price discovery mechanism, and strict reporting
  • Require high degree of property rights security, strong governance

• Most water transfers, worldwide, are informal
  • No centralized recording, handshake contracts
  • Lack tenure security, lack regulatory approval
Regional Pool Bid Opening  
March 23, 2017  2:10 PM

Regional Pool Allocation (3/9/2017)  
12,300 acre-feet
Regional Pool Awards  
12,300 acre-feet
Balance Remaining - Current Allocation  
- acre-feet
Regional Pool Revenues  
$1,153,177.00
Weighted Average - All Bids Awarded  
$93.75 per acre-foot
Minimum Successful Bid  
$81.00 per acre-foot
Total amount of water requested  
36,010 acre-feet

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Real Estate Auction  
3 Center Pivots & Water - Keith County, Nebraska  
1 PM MT Tuesday, March 1, 2016 - Quality Inn in Ogallala, Nebraska

water rights for sale (Grand Island)

Central Platte NRD certified irrigated acres for sale west of Gibbon. 84% depletion.
Design summary

• Local concerns and issues are vital to market design
• Water market design affects efficiency and equity
  • Search, compliance, and other costs may be very high
  • Many markets are intentionally biased
• Groundwater markets are more complex than surface water markets
• Perceived fairness and financial privacy are underappreciated obstacles in water markets; trust is vital
Public policy perspective

• Water markets are not suitable for all environmental or social objectives
• Governance must be adequate; markets will stress-test governance
• Monitoring and enforcement costs are much larger than is generally acknowledged (e.g. meter and turnout tampering is common worldwide)