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# **Water Rights Trading in England and Wales**

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# Background

- Review of water abstraction licensing
- Research into the use of economic instruments
  - Tuning Water Taking
- Identification of current trading opportunities
- Water Act 2003
  - separation of land and water right
  - discretion on advertising

# Next Steps

- Consultation closed - Oct 2003
- Issued consultation response - Apr 2004
  - [www.environment-agency.gov.uk/subjects/waterres](http://www.environment-agency.gov.uk/subjects/waterres)
- Finalising trading proposals
- Monitoring and evaluation

# Benefits of Water Rights Trading

- more efficient allocation of resources
- greater awareness of the value of water
- incentive to invest in water efficiency
- allow potential abstractors to obtain rights where they would not otherwise be available
- enable licence holders to manage water needs more flexibly
- more adaptable to changing economic conditions



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# Underlying Principles

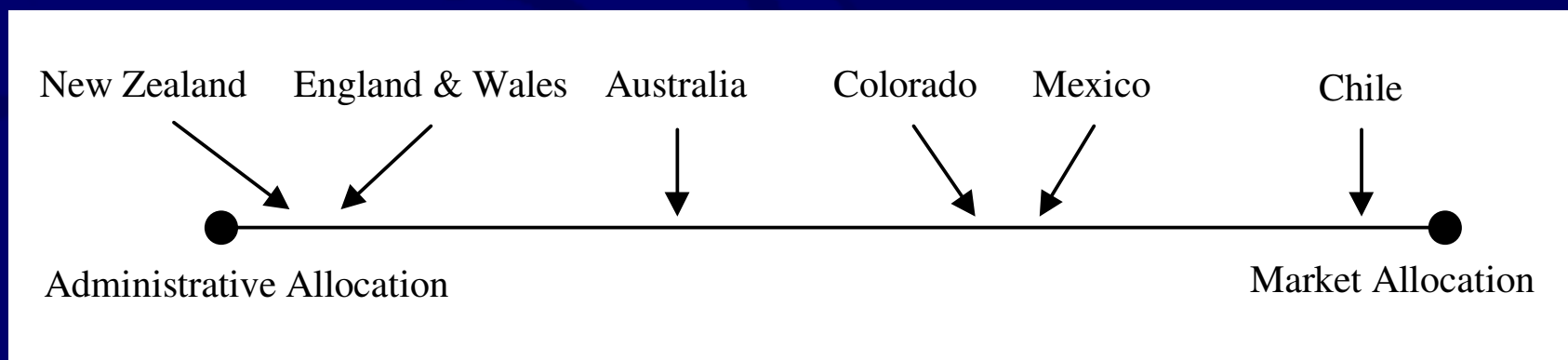
- Environmental protection
- Proper use of water resources
- No impingement of existing rights
- Maintain the existing regulatory framework
  - no re-allocation of existing rights
- Trading possible in every catchment

# Challenges

- unsustainable licences
  - “sleepers”
  - over-licensed/over-abstracted catchments
- transaction costs
  - facilitating short-term trades
- information provision
  - CAMS/trading website
- uncertainty over level of activity

# International Experience

- Trading further developed in other countries



Source: New Zealand Institute for the Study of Competition and Regulation 2003

- Different geographical characteristics and historic licensing practice

# International experience - Questions

- Has trading delivered measurable improvements in the efficient allocation and use of water?
- How have environmental concerns and the problems of sleeper licences been overcome?
- How reduce transaction costs?
- What role does the state have in providing market information?
- How monitor trading and measure success?



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