

Preface

A growing demand for water combined with the impact of climate change on the timing and quantity of water availability have dramatically changed how policy makers view water resources. Pressure is building on water managers to do a better job of conserving and allocating water resources. Adding to this is the demand for more water to meet environmental needs, which makes it even more imperative that we substantially improve our water use. One mechanism for doing this is the increased use of water markets.

One of the objectives of this book is to provide the reader with a clear picture of what we have learned about water markets. Since we completed our first water markets book in the 1990s (Easter, Rosegrant, and Dinar, 1998, *Markets for Water: Potential and Performance*) a lot has happened around the world which has improved our understanding of the possible problems and opportunities for the future use of water markets. The book is a combination of results from new research and surveys of water markets in key parts of the world. Water markets in countries across five continents are examined. Australia has discovered the problem of sleeper water rights and has begun to use the water market to buy water for environmental flows. We have also become aware of local water markets that have been operating in Oman for centuries. These and many other experiences need to be spelled out in one place to help guide our future use and development of water markets.

The second objective of the book is to assess where we are with water markets and what suggestions we can make for their use in the twenty-first century to help us adapt to the impact of climate change and population growth on the availability of water resources. It is clear that with climate change water will need to be reallocated and used more effectively. We need to use less water and stop polluting it. The big question for us is how water markets can better help us address these tasks. Changes in water institutions will be a key part of the process as will the allocation of water rights or water use rights. Some of the biggest new insights come from the experience Australia has had with water markets over the last two decades in which they made major changes in their water institutions. Other countries such as Chile, Spain, and the USA have made modest changes, but more are needed. Yet countries such as South Africa may eliminate the use of water markets because politicians

have raised concerns regarding the equity of the current ownership of water rights. Many seem to forget that water markets are just a tool to help manage and allocate water. The actual ownership and allocation of water rights or use rights is a separate issue. Water markets do not determine the initial allocation of rights. Markets can come into play once the water rights or use rights have been established. Since water rights are generally quite valuable their distribution can be highly political. The findings in this book suggest that a holistic approach should be taken to consider the physical environmental as well as institutions and politics in developing effective water markets.

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