

Water Marketing in the West

**Water Policy Interim Committee
12 – 13 March, 2008 Helena**



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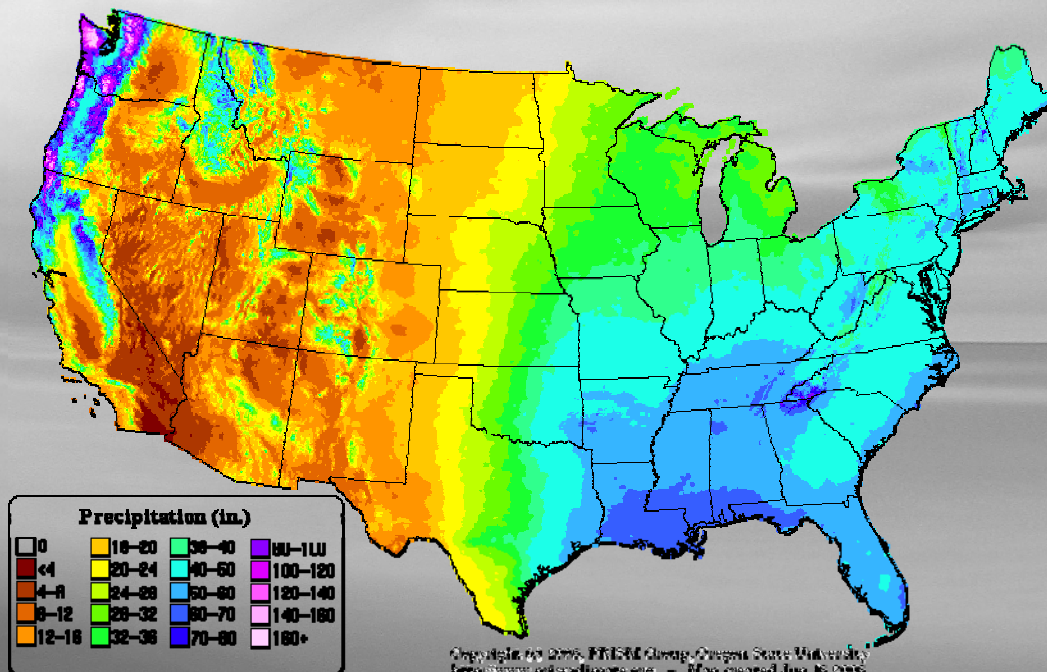


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WHY WATER MARKETS?

- **Scarcity (limited water resources)**
- **Population Growth & Drought**
- **Conflicting Demands**

Precipitation: Annual Climatology (1971-2000)



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http://www.prismclimate.org - Map created Jan 16, 2006

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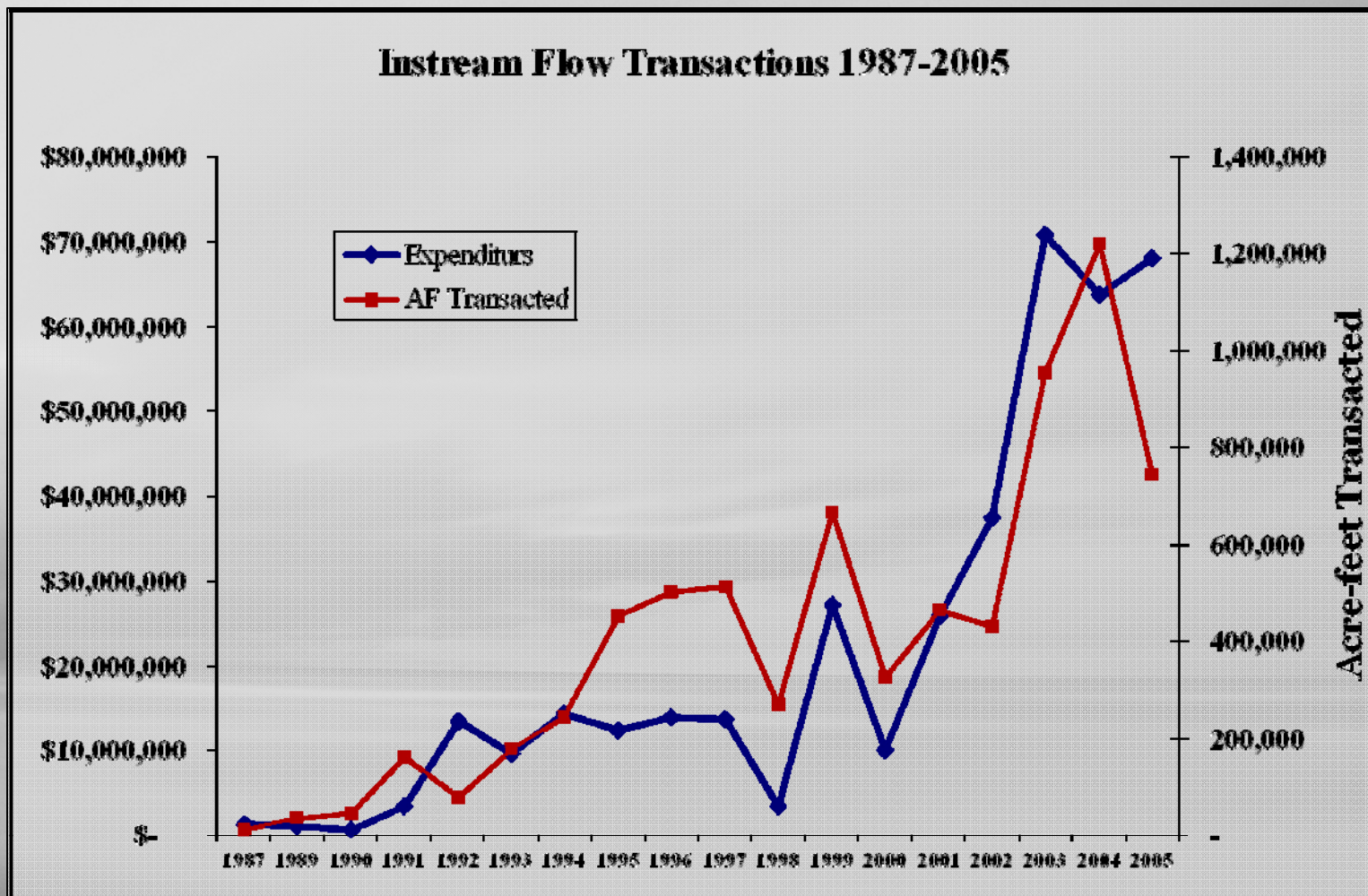
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THE STATE'S ROLE

- **Define Property Rights to Water**
- **Enforcement**
- **Create Incentives for Trading**
 - **Remove Market Barriers**
 - **Beneficial Use**
 - **Diversions**
 - **Transferability of Rights (lease, donate, sell)**
- **Reduce Transaction Costs**

INSTREAM FLOW MARKETS



Source: Scarborough, *in press*

MARKET/BANKING COSTS

- **Third party effects**
 - **Groundwater-Surface water interactions**
 - **Existing Right Holders**
 - **Downstream users**
- **Increased consumptive water use**
- **Environmental impacts**
- **Economic Costs**
- **Social Impacts**

CONCLUSIONS

- **Montana ahead of much of the West**
- **Strong Institutional Setting**
 - **Property Rights**
 - **Water Right Transfers**
- **Groundwater-Surface Water Interaction**
- **Improve Information Availability**
 - **Prices, Bulletin Boards, Central Database**