

# Water Shortage and Water Misallocation An Integrated Solution

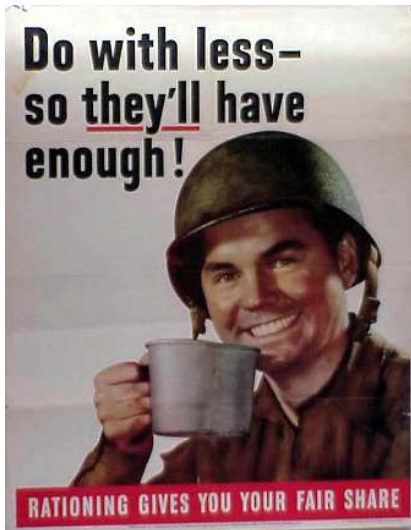
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Headwaters to Oceans  
Long Beach, 29 Oct 2008

- Water is in short supply.
- What happens after environmental “needs” are met ?
- Allocation among sectors (ag, urban, enviro) with auctions.
- Conservation within sectors (urban retail) with pricing.

## What We Want to Avoid



- 1 Adjudicate rights to ground and surface water.
- 2 Set aside basic environmental and human flows.
- 3 Auction *known*, remaining water to ag, urban and enviro.
- 4 Highest rejected price; revenue to rights owners.
- 5 Rights owners can “buy from self” – no takings.
- 6 Price determined by economic value of water.

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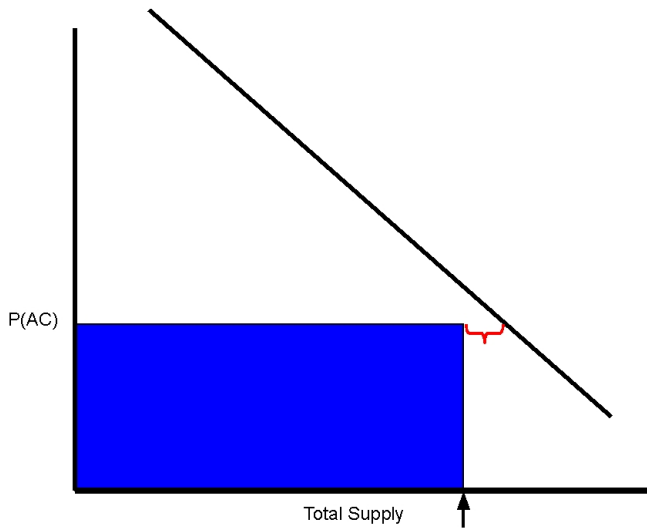
- Current pricing is based on average or marginal cost.
- Cost-based pricing is too low to affect demand.
- Conservation pricing reduces the quantity demanded and reduces the need for new sources of supply, e.g., reservoirs, aqueducts, desalination, reclamation, etc.
- Per capita rebates of excess revenue are progressive.

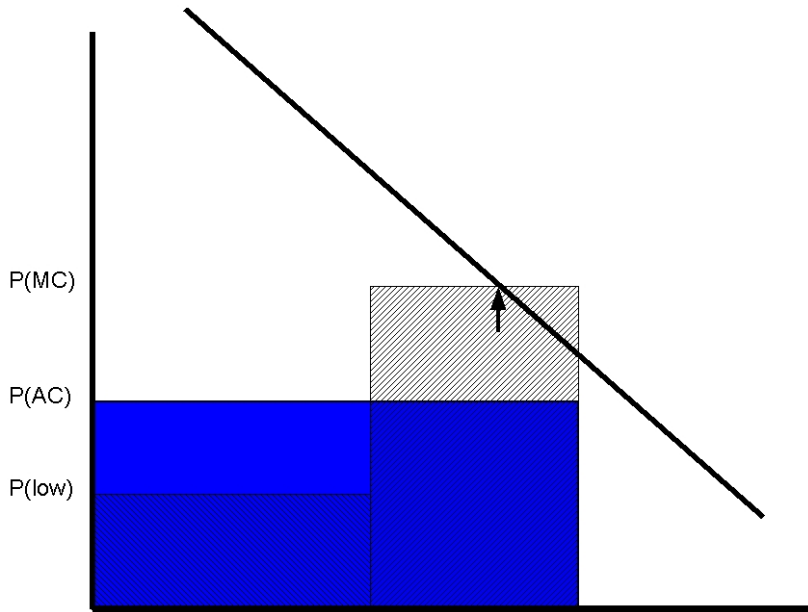
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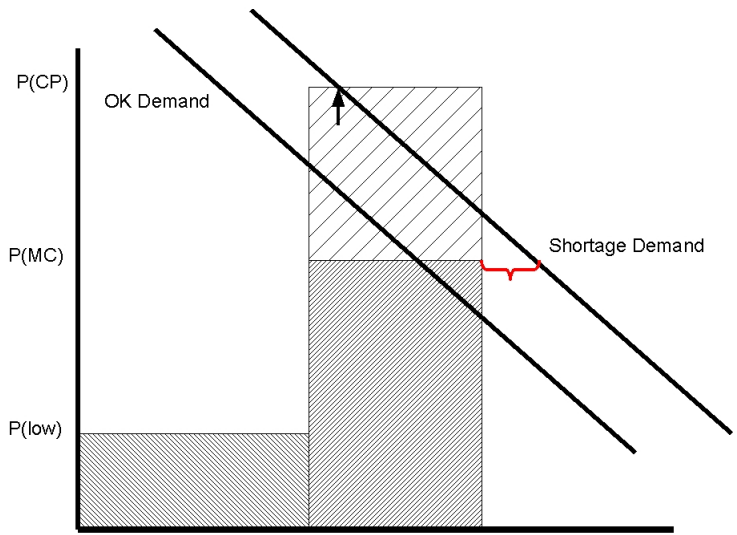
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# Avoiding Shortage







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Read my blog at <http://aguanomics.com/>.