

## Opinion: Free market should set California's water price

By Dan Walters

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California's shrill, drought-driven debate over water has become a Hydra Lernaia – a multi-headed aquatic monster.

Who's getting how much water and at what price? Does it really take a gallon to produce one almond? What does a 25 percent reduction mean? Should corporations buy city water for pennies and resell it for dollars in plastic bottles? Should water-wasters face huge fines?

And so forth.

The high decibel level reflects water's fundamental-to-life necessity. But underlying it is a question: What is water's economic value?

Some, particularly farmers and cities holding decades-old rights to take water from rivers, lakes or underground aquifers, pay little or even nothing.

At the other end of the scale, some almond farmers are paying up to \$2,000 per acre-foot (325,851 gallons) to keep their trees alive, and that's just about what water from a soon-to-open desalination plant near San Diego will cost.

Let's assume that \$2,000 per acre-foot is the true market value of water. The average California household, we're told, uses 360 gallons of water a day, or 131,400 gallons a year. At \$2,000, therefore, each of those gallons would cost a bit over a half-cent, which translates into \$2.21 a day or about \$67 a month.

In other words, even at this maximum price, an average household would be spending less each day for its vital supply of water than one Starbucks latte.

Let's look at a \$2,000 water value another way. If applied to the roughly 40 million acre-feet that California's humans use each year, including for agriculture, it makes our water worth a total of \$80 billion – a lot of money, certainly, but just 4 percent of Californians' \$2 trillion in annual personal income.

Even at \$2,000 per acre-foot, therefore, water is cheap and we would be well-served to allow it to be priced by the market, rather than via an arcane system of water rights.

Market pricing would encourage conservation by households and commercial customers. It would encourage farmers to invest in technology that saves water and use it for high-value commodities, such as almonds and wine grapes, while discouraging them from squandering artificially undervalued water on low-value crops.

Meanwhile, on the supply side, market pricing would make the development of new reservoirs, underground water banks and wastewater reclamation and desalination plants (such as one proposed for Huntington Beach) more cost-effective.

Replacing our antiquated, very inefficient water rights system with market pricing would not be easy. Those who would be compelled to give up their rights should receive fair compensation.

However, facing drought and supply uncertainty problems similar to those in California, Australia did it a few years ago. And we could do it as well, if we had sufficient political will.

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