



POLITÉCNICA

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An historical perspective on the development of water markets in Spain

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1. INTRODUCTION

- 1985: Surface water and groundwater : PUBLIC DOMAIN
- The origin 1999 Reform of the Water Law

Law's Preamble:

“In this sense, the experience of the severe drought, ..., on the other hand to increase water use efficiency it is required that the water use right system (the concessions) must **be made more flexible**, by means of a new contract for transferring water rights which permit **socially optimising** such a scarce resource”.

1. INTRODUCTION

1985: Surface water and groundwater : PUBLIC DOMAIN

1990s: ↑ water demand

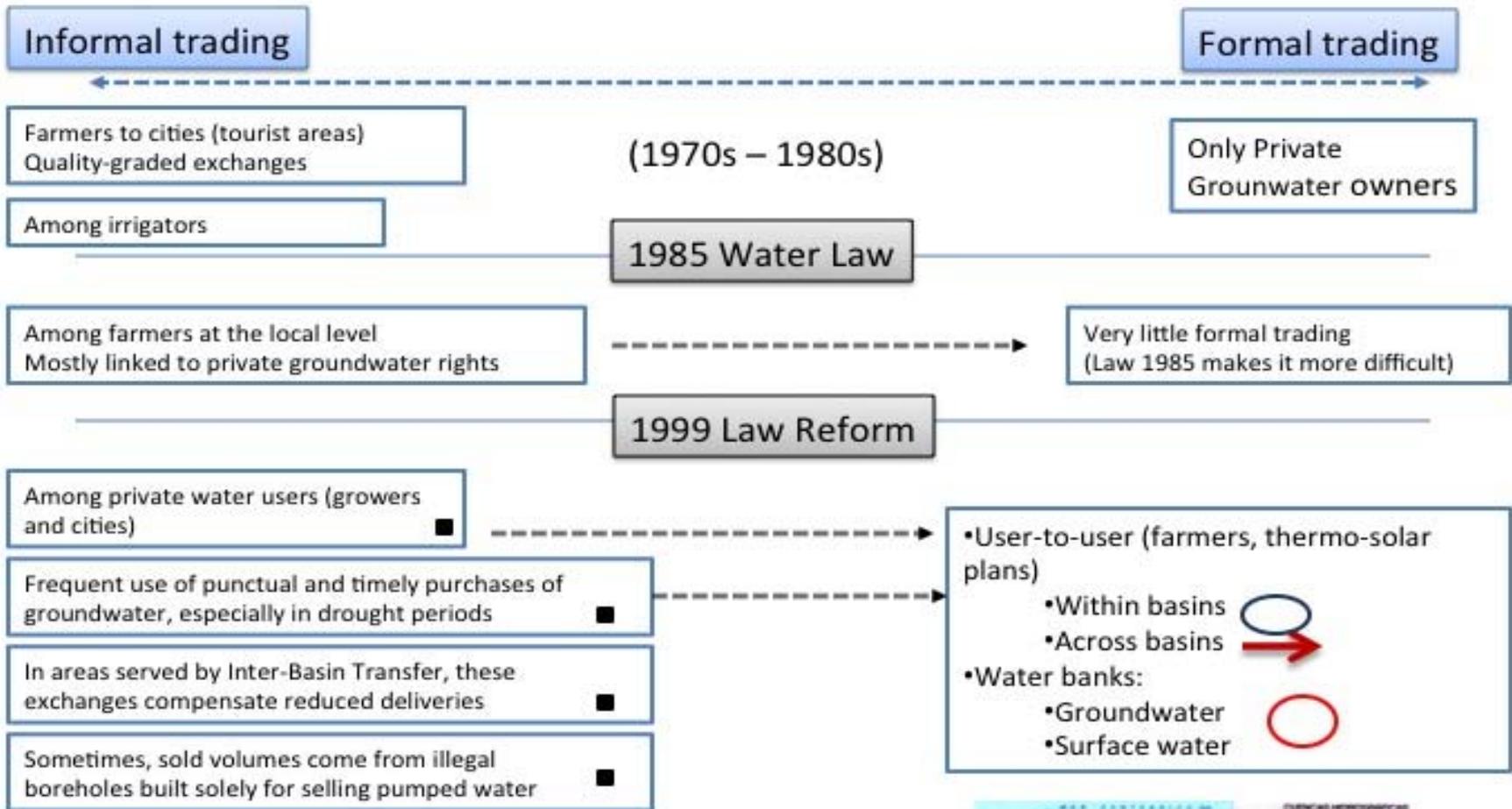
- New irrigated areas
- Industrial activity
- Urban development

Water scarcity problems in several areas of Spain

Need of more flexibility (1999 Reform of the Water Law)

- Allowing the temporary exchange of water concessions between users:
 - Formal lease contracts
 - Water exchange centres
- Avoiding the creation of a real market for water (speculation)

2. Informal / formal trading



2. SPANISH WATER RIGHTS

- Typically water rights are made available through publicly built infrastructures (dams or water transfers) or privately built with permission of the state (hydroelectricity).
- Restricted to the use for it was issued.
- Rights appurtenant to a plot must be transmitted with land.
- Rights can be forfeited by RBA if water is not used by the holder.

4. PRICES

- FORMAL LEASE CONTRACTS (Tagus Basin)
 - 38 000 €/year + a variable quantity of 0.04 €/m³ for the first 4 hm³, and **0.02 €/m³** for the rest of the total volume.
- PUBLIC EXCHANGE CENTRE
 - Júcar: **0.13-0.19 €/ m³**
 - Segura: average **0.168 €/ m³**; max **0.18 €/ m³**
- INTER-BASIN EXCHANGES
 - Tagus-Segura: **0.23-0.28 €/ m³**; **0.19-0.22 €/ m³**
 - Negratín-Almanzora: **0.15-0.18 €/m³**

5. RECENT INSTITUTIONAL REFORMS

- The Andalusian Law (2010) (with little geographical application, though, because the Guadalquivir is an inter-regional river):
 - Eliminates use priorities
 - Allows purchases for non-right holders
 - Creation of new Water Banks in 3 different basins in Andalusia.
- A National reform (*Royal Decree 17/2012, May 4th, 2012*):
 - Concerning groundwater rights.

6. REASONS BEHIND LIMITED SUCCESS OF WMS IN SPAIN

- Restrictions and pre-requisites for the approval of the water exchange.
- Water markets do not always work efficiently because water concessions were not designed for market transactions
- Regulatory elements that hampers the market activity
 - rights to consumptive uses cannot be sold to holders of non-consumptive use rights (hydropower) and viceversa.
 - rights can only be leased out to other rights holders of an equivalent or higher category in the order of preference.
 - limits to the spatial extent of trading.
 - regulations may determine maximum prices for water licenses.

7. CONCLUSIONS

- Water trading is a tool to cope with water scarcity and to improve water use efficiency
- Water regulation should move towards a more flexible, agile and dynamic management system
- The existence of informal water markets proves that there is a demand for the reallocation of water resources among users



THANK YOU

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