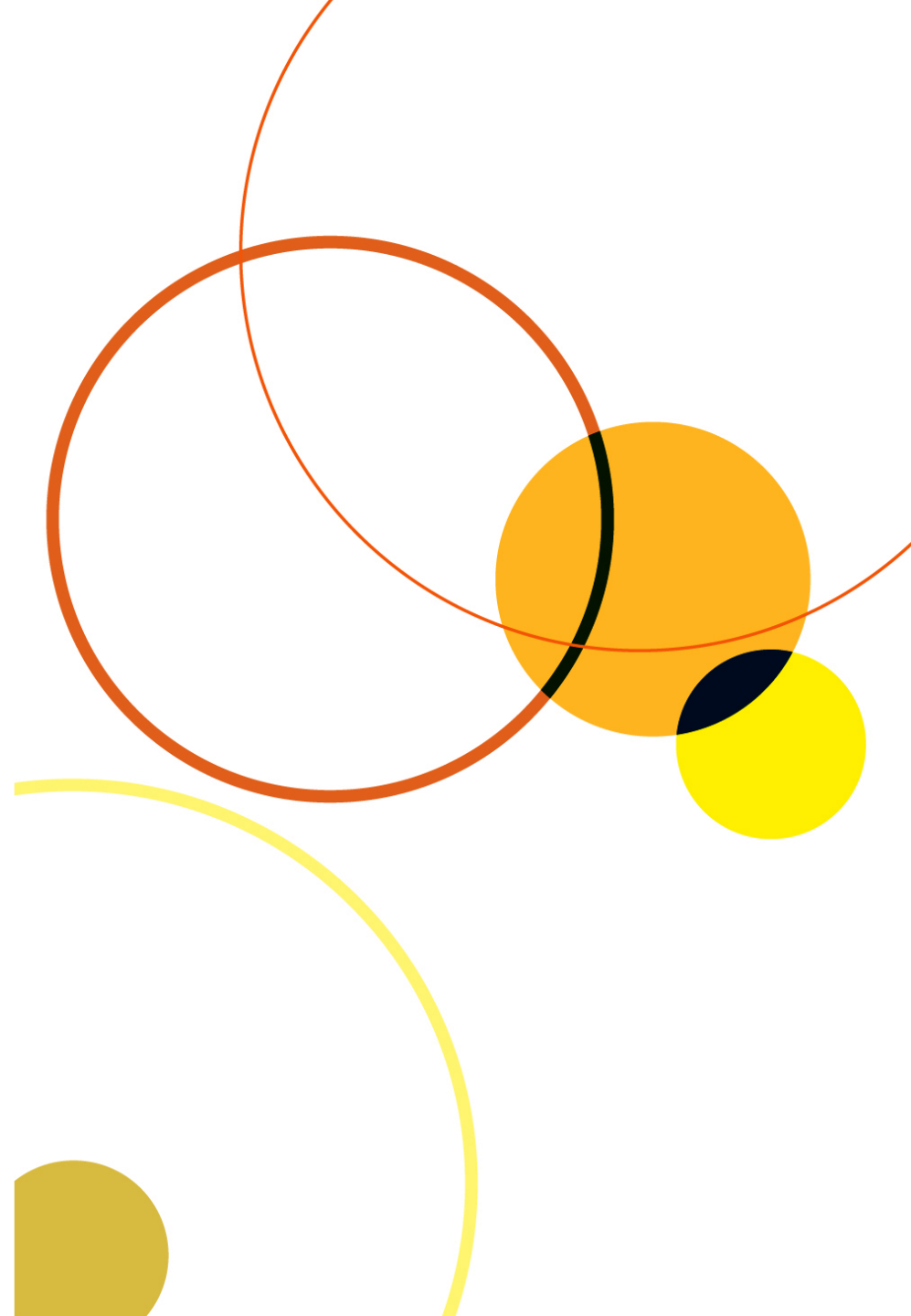


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Drivers of value in water markets

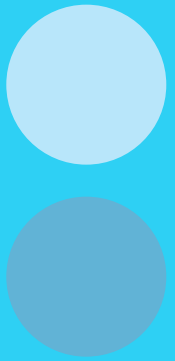
OECD water markets workshop

11th February 2014



Contents

1. Origins of gains from trade
2. Resilience of the system
3. Markets and investment
4. Role of public water supply



Wealth from trade

Silk, salt, obsidian and now water



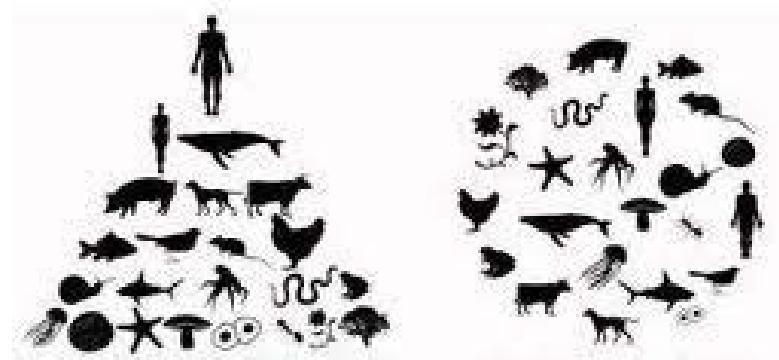
Value from an uneven or changing distribution

Over time, space and people



growth

attitudes to the environment



climate change

A snap drought tests trading

Abstractors respond to soaring prices



reshuffling across uses

wiser usage and process
efficiency

Resilience of the system

Trading and infrastructure complement and substitute each other



short term adjustment

- demand shedding
- curtailment of low value uses
- compensation
- improved use of infrastructure
- release of water

long term investment

- headroom in system capacity
- expanded network



Markets and investment

A solution where prices are reliable and counterparties trustworthy

coordination through a price signal

- across time: storage
- across space: interconnection
- across users: markets

market malfunction

- liquidity and true prices
- forward markets and future prices
- experience of tail events

potential obstacles for investment

- matching of term
- reliance on counterparty
- complexity and small scale of water markets



A broad set of services from public water supply

A risk-absorbing franchise and source of scale: broader than city and industry

pipe and pipeless integration



liquidity



maturity transformation



aggregation



credible counterparty



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Company Profile

Vivid Economics is a leading strategic economics consultancy with global reach. We strive to create lasting value for our clients, both in government and the private sector, and for society at large.

We are a premier consultant in the policy-commerce interface and resource and environment-intensive sectors, where we advise on the most critical and complex policy and commercial questions facing clients around the world. The success we bring to our clients reflects a strong partnership culture, solid foundation of skills and analytical assets, and close cooperation with a large network of contacts across key organisations.

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