

# Henry's Fork Basin Working Group

## Water Markets

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# The Current Idaho Market

- Limited market activity relative to other western states
- Few permanent sales - more water “under contract” than has actually moved
  - Leasing activity – primarily in the State Water Supply Bank and the Local Rental Pools
- Most active areas:
  - Eastern Snake Plain
  - Wood River Valley
  - Treasure Valley



# Innovations in Western Water Markets

- Market Examples
  - Alternatives to “Buy and Dry”
  - Market incentives for aquifer protection
- Potential for Henrys Fork



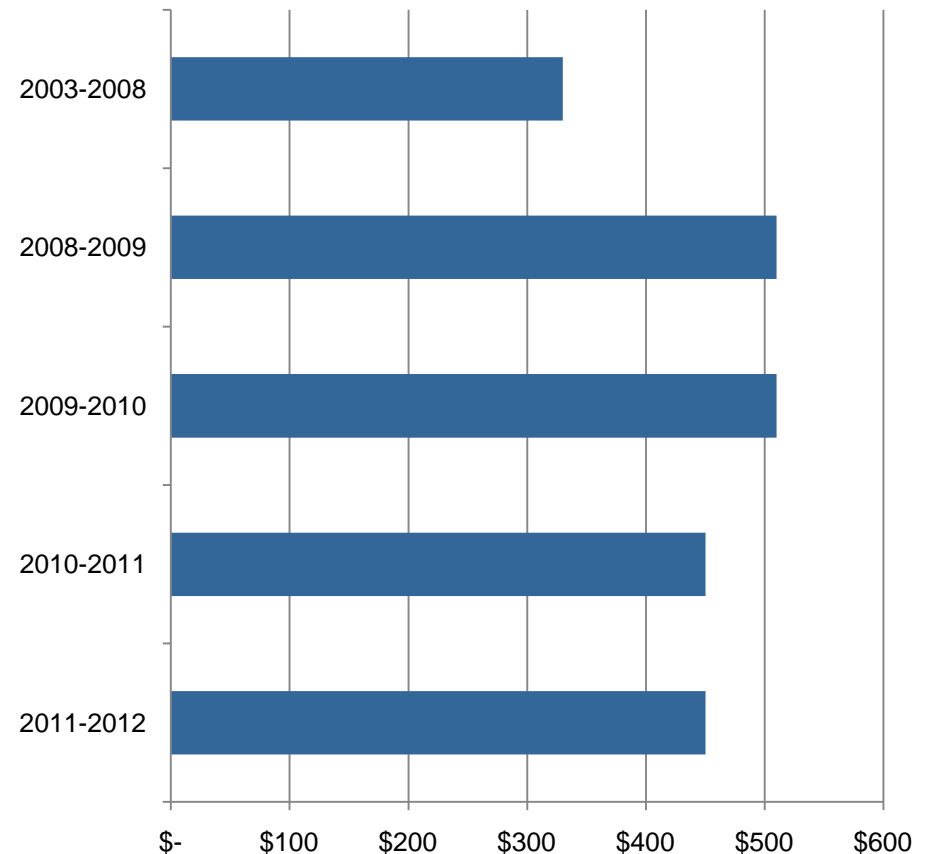
# The Super Ditch Company – Lower Arkansas River Valley, CO

- Proposed program involves shareholders in multiple ditch companies
- Participation is voluntary
- Long term leases rather than permanent sales
- Water derived from rotational fallowing
- Forgone farming activity is spread equally over member's farms and ranches and is temporary
- Long term lease of portions of irrigation rights could improve property values and the prospect for obtaining farm loans
- Two current long term lease agreements commit up to 8,020 AF per year, and up to 18,020 AF in three years out of every ten.
- Lease prices are currently set at \$500 per AF of consumptive use
- Consumptive use is approximately 2 AF/ Acre
- Lease price approximately \$1000/acre

# Imperial Irrigation District – Imperial Valley, CA

- Following will provide water committed to
  - San Diego
  - Salton Sea Mitigation
  - Comply with Colorado River consumptive use cap
- Landowners will contract with the District on a voluntary basis
- Price for fallowing is set each year by the District
- Efficiency improvements will provide all water under the agreement by 2018.

**\$/Acre paid by Imperial for Voluntary Fallowing**

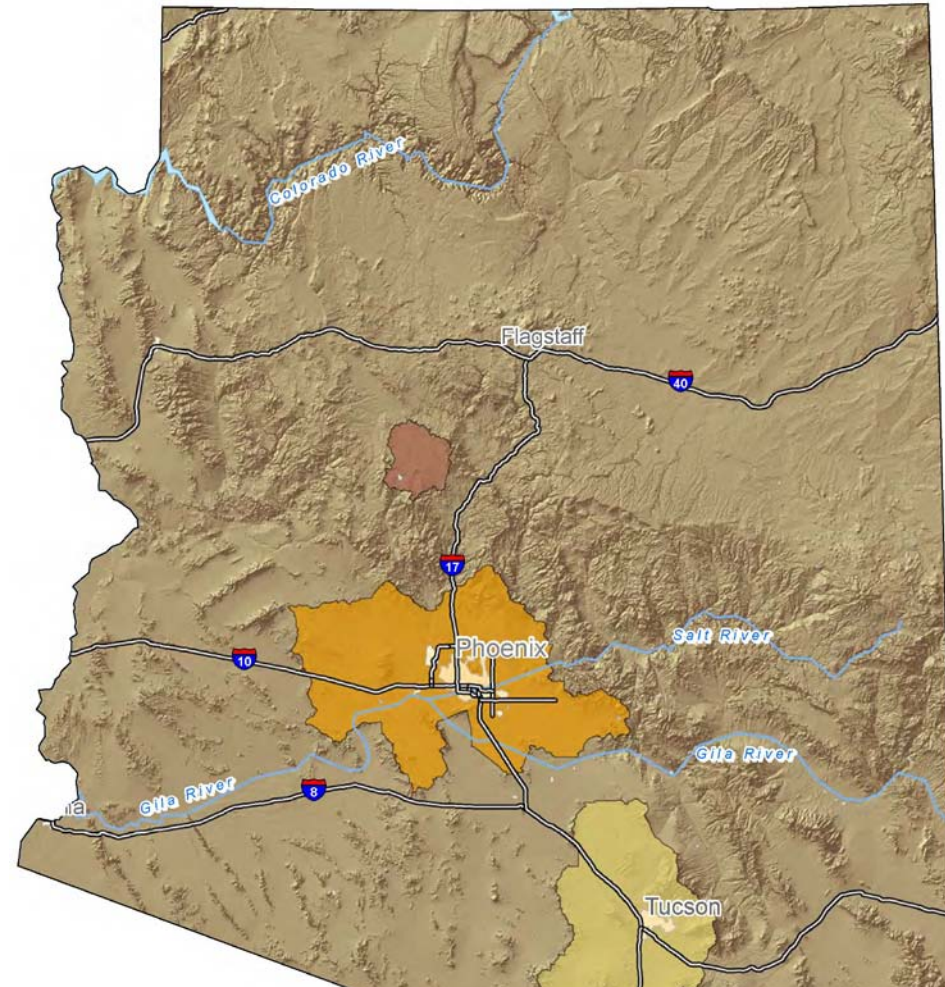


## Palo Verde Irrigation District – Palo Verde Valley, CA

- PVID agreed to 35 year contract with MWD in 2004
- MWD can call upon the participating PVID farmers to fallow enrolled acres depending on need
- MWD call can range from 6,000-26,500 acres (max of 111,000 AF)
- MWD paid a one time fee of \$3,170 per acre enrolled in the program
- MWD paid farmers \$602 for each fallowed acre in 2005
  - Price escalates by 2.5 % for first 10 years
  - Price escalated by CPI for remaining 25 years

# Arizona Active Management Areas

- Rapid groundwater level declines.
- Achieve “safe yield” by 2020.
- Promote aquifer recharge through market incentives.
- Transparent process for “extinguishing” irrigation water rights.



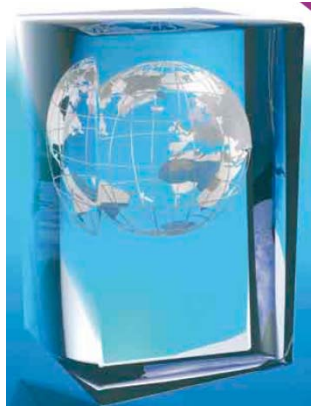
# Arizona Active Management Areas

- Common currency
- Mobile throughout AMA.
- No forfeiture.
- Market pricing.
- Promoting private market participation.





# Prescott Valley Effluent Auction



<b>Asset</b>	2,274 AF of effluent water credits in the Prescott AMA
<b>Description</b>	Water credits created through physical recharge of treated municipal wastewater into the Prescott AMA. The credits can be used to support permitting for real estate development projects within the Prescott AMA.
<b>Auction</b>	The credits were offered at auction through a 2-day double bid procedure. Prior to the auction, The winning bid was \$24,650/AF with terms favorable to the buyer.
<b>Secondary Market</b>	Asset purchased by Private Equity fund that is creating a secondary market and selling and financing credits to development projects.

# Opportunities for Henrys Fork

- There are alternatives to “buy and dry.”
- Current lease market could be expanded to encourage more diverse trading opportunities – e.g. recharge.
- Use surface storage in combination with aquifer recharge to operate a “credit” market?
- May be a cost-effective alternative for some uses – scalability.
- Markets can provide a mechanism to limit economic costs of water regulation.
- Markets work best where there are significant disparities in water values – gains from trade.

# Thank You

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