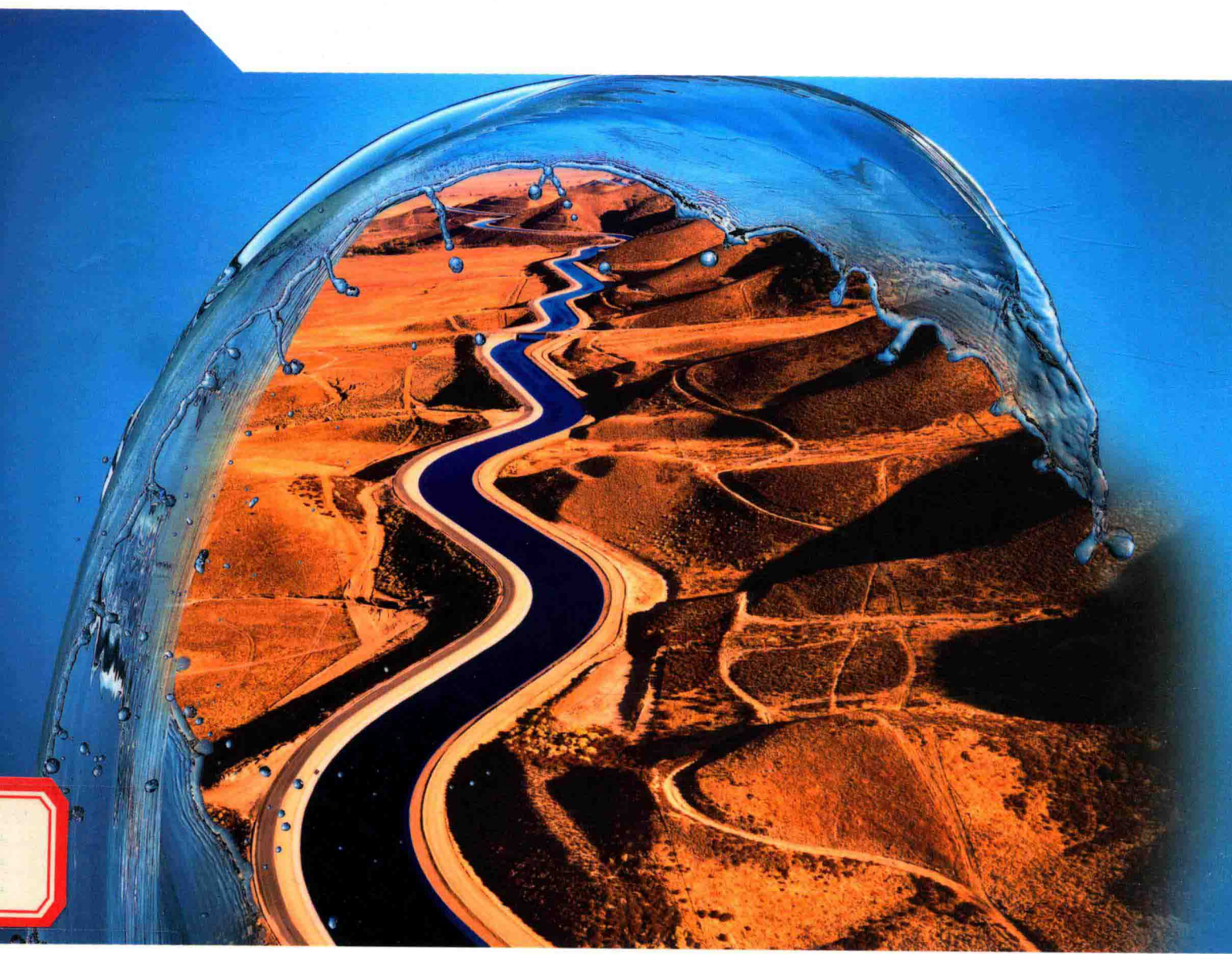




**OECD Studies on Water**

# **Water Resources Allocation**

**SHARING RISKS AND OPPORTUNITIES**



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## Foreword

**T**he intensifying competition for water resources is widely documented. The OECD Environmental Outlook to 2050 highlights that water resources are already over-used or over-allocated in many places, with global demand expected to increase by 55% between 2000 and mid-century. The situation is compounded by climate change, with impacts on water expected to become more pronounced in the coming decades. These pressures have already made water allocation an urgent issue in a number of countries and one that is rising on the agenda in many others. Within this context, the OECD undertook work on water resources allocation to strengthen the evidence base and develop policy guidance to improve the design of allocation regimes and manage the challenges of reform.

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## Table of contents

<b>Preface</b> .....	9
<b>Acronyms</b> .....	11
<b>Executive summary</b> .....	13
<b>Chapter 1. Re-allocating water in a water scarce world</b> .....	17
<b>Key messages</b> .....	18
Growing pressures on water allocation regimes .....	20
Changing patterns of demand .....	21
Climate change impacts on freshwater .....	23
Deteriorating water quality .....	25
Water use efficiency gains and changes in rates of water consumption .....	25
Shifting social preferences .....	28
Conclusion .....	30
Notes .....	30
References .....	30
<b>Chapter 2. A framework for water allocation</b> .....	33
<b>Key messages</b> .....	34
Policy objectives of allocation regimes .....	35
Water: A resource with public and private good characteristics .....	38
Legal status of water and claims to use water .....	41
Transboundary considerations .....	43
Policy instruments and mechanisms for water allocation .....	44
Conclusion .....	53
Notes .....	54
References .....	54
<b>Chapter 3. The current water allocation landscape</b> .....	57
<b>Key messages</b> .....	58
Examining the survey results in context .....	61
Reforming water allocation regimes .....	61
General contextual information for allocation .....	62
Understanding the physical features of the water resource and demand profile .....	65
Defining the available (“allocable”) water resource pool .....	69
How users access water and how this works in practice .....	72
Water abstraction charges .....	84



Monitoring and enforcement of water withdrawals and allocation rules . . . . .	86
Summary of key findings from the Survey of Water Resources Allocation . . . . .	87
Notes . . . . .	89
References . . . . .	89
<b>Chapter 4. Reforming water allocation regimes . . . . .</b>	<b>91</b>
<b>Key messages . . . . .</b>	<b>92</b>
Why reform? Building the case for water allocation reform . . . . .	93
Policy options appraisal for water allocation reform . . . . .	100
The water allocation reform process . . . . .	105
Assessment of water allocation reforms . . . . .	111
Conclusion . . . . .	113
Notes . . . . .	114
References . . . . .	115
<b>Chapter 5. A “Health Check” for Water Resources Allocation . . . . .</b>	<b>117</b>
<b>Key messages . . . . .</b>	<b>118</b>
System level elements of a water allocation regime . . . . .	121
User level elements of a water allocation regime . . . . .	125
Notes . . . . .	127
References . . . . .	127
<b>Glossary . . . . .</b>	<b>129</b>
<b>Annex A. Questionnaire for the OECD project on water resources allocation . . . . .</b>	<b>131</b>
<b>Tables</b>	
1.1. Trends affecting water allocation regimes . . . . .	21
2.1. General policy objectives of water allocation regimes . . . . .	38
2.2. Water as a public and private good . . . . .	40
2.3. Types of property ownership systems . . . . .	42
2.4. Description of key system level elements of a water allocation regime . . . . .	47
2.5. Description of key user level elements of a water allocation regime . . . . .	48
2.6. Framework for water allocation regimes . . . . .	52
3.1. Examples of water allocation regimes . . . . .	60
3.2. Countries with recent or ongoing water allocation reforms . . . . .	62
3.3. Examples of legal basis/doctrine applied to water resources . . . . .	64
3.4. Countries recently assessing water scarcity . . . . .	65
3.5. Examples of period of time water entitlements are granted for . . . . .	76
3.6. Summary of various conditions on trade, lease or transfer of water entitlements . . . . .	78
3.7. Summary of examples where water entitlements can be used as a financial instrument . . . . .	79
3.8. Examples of water abstraction charges in select OECD countries . . . . .	86
3.9. Summary of main findings of the Survey of Water Resources Allocation . . . . .	88
<b>Figures</b>	
1.1. Global water demand, baseline scenario from 2000-50 . . . . .	22
1.2. Freshwater abstractions in OECD countries . . . . .	22
1.3. Historical trends in rainfall for Jarrahdale . . . . .	24

1.4. Historical trends in streamflow into Stirling Dam .....	24
1.5. Effect of reduction of stream inflow on the amount of water available for consumptive use .....	25
1.6. Nitrogen effluents from wastewater: 2000 to 2050 .....	26
1.7. Projected shifts in water-intensity of energy production. ....	28
2.1. System level elements of a water allocation regime .....	51
2.2. User level elements of a water allocation regime .....	52
3.1. Drivers of recent and ongoing reforms of water allocation regimes .....	62
3.2. Ownership of groundwater resources. ....	63
3.3. Ownership of surface water resources .....	63
3.4. Percentage of responses indicating a role for the Ministry of Environment. . .	64
3.5. Percentage of responses indicating a role for a basin authority. ....	65
3.6. Proportion of water allocation examples by current status of water systems .	66
3.7. Degree of regulation of water system .....	67
3.8. Proportion of water allocation examples according to dominant type of water use, per category. ....	68
3.9. Proportion of water allocation examples indicating significant non-consumptive use, by type. ....	68
3.10. Proportion of examples according to type of limit on water abstraction (if any) .....	69
3.11. Proportion of examples that defined environmental flows. ....	70
3.12. Proportion taking freshwater biodiversity into account in the definition of e-flows. ....	71
3.13. Proportion taking terrestrial biodiversity into account .....	71
3.14. Proportion of water allocation examples taking into account various factors in the definition of the available resource pool. ....	71
3.15. Proportion of water allocation regimes with legally defined private entitlements .....	72
3.16. Number of water allocation examples by type of entitlement (individual, collective) .....	73
3.17. Nature of water users' entitlements .....	74
3.18. Period of time water entitlement granted for .....	75
3.19. Proportion of water allocation example specifying return flow obligations. . .	76
3.20. Consequences of non-use of water entitlements .....	77
3.21. Proportion of allocation examples that allow some form of trade, lease or transfer of water entitlements .....	77
3.22. Pre-requisites to grant new water entitlements or expand existing ones. ....	80
3.23. Sequence of priority uses in water allocation .....	82
3.24. Proportion of water allocation examples with an abstraction charge .....	85
3.25. Proportion of water allocation examples reflecting water scarcity in abstraction charge. ....	85
3.26. Proportion of allocation regimes monitoring water withdrawals. ....	87
5.1. Water scarcity spectrum .....	120

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## Foreword

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## Table of contents

<b>Preface</b> .....	9
<b>Acronyms</b> .....	11
<b>Executive summary</b> .....	13
<b>Chapter 1. Re-allocating water in a water scarce world</b> .....	17
<b>Key messages</b> .....	18
Growing pressures on water allocation regimes .....	20
Changing patterns of demand .....	21
Climate change impacts on freshwater .....	23
Deteriorating water quality .....	25
Water use efficiency gains and changes in rates of water consumption .....	25
Shifting social preferences .....	28
Conclusion .....	30
Notes .....	30
References .....	30
<b>Chapter 2. A framework for water allocation</b> .....	33
<b>Key messages</b> .....	34
Policy objectives of allocation regimes .....	35
Water: A resource with public and private good characteristics .....	38
Legal status of water and claims to use water .....	41
Transboundary considerations .....	43
Policy instruments and mechanisms for water allocation .....	44
Conclusion .....	53
Notes .....	54
References .....	54
<b>Chapter 3. The current water allocation landscape</b> .....	57
<b>Key messages</b> .....	58
Examining the survey results in context .....	61
Reforming water allocation regimes .....	61
General contextual information for allocation .....	62
Understanding the physical features of the water resource and demand profile .....	65
Defining the available (“allocable”) water resource pool .....	69
How users access water and how this works in practice .....	72
Water abstraction charges .....	84

Monitoring and enforcement of water withdrawals and allocation rules . . . . .	86
Summary of key findings from the Survey of Water Resources Allocation . . . . .	87
Notes . . . . .	89
References . . . . .	89
<b>Chapter 4. Reforming water allocation regimes . . . . .</b>	<b>91</b>
<b>Key messages . . . . .</b>	<b>92</b>
Why reform? Building the case for water allocation reform . . . . .	93
Policy options appraisal for water allocation reform . . . . .	100
The water allocation reform process . . . . .	105
Assessment of water allocation reforms . . . . .	111
Conclusion . . . . .	113
Notes . . . . .	114
References . . . . .	115
<b>Chapter 5. A “Health Check” for Water Resources Allocation . . . . .</b>	<b>117</b>
<b>Key messages . . . . .</b>	<b>118</b>
System level elements of a water allocation regime . . . . .	121
User level elements of a water allocation regime . . . . .	125
Notes . . . . .	127
References . . . . .	127
<b>Glossary . . . . .</b>	<b>129</b>
<b>Annex A. Questionnaire for the OECD project on water resources allocation . . . . .</b>	<b>131</b>
<b>Tables</b>	
1.1. Trends affecting water allocation regimes . . . . .	21
2.1. General policy objectives of water allocation regimes . . . . .	38
2.2. Water as a public and private good . . . . .	40
2.3. Types of property ownership systems . . . . .	42
2.4. Description of key system level elements of a water allocation regime . . . . .	47
2.5. Description of key user level elements of a water allocation regime . . . . .	48
2.6. Framework for water allocation regimes . . . . .	52
3.1. Examples of water allocation regimes . . . . .	60
3.2. Countries with recent or ongoing water allocation reforms . . . . .	62
3.3. Examples of legal basis/doctrine applied to water resources . . . . .	64
3.4. Countries recently assessing water scarcity . . . . .	65
3.5. Examples of period of time water entitlements are granted for . . . . .	76
3.6. Summary of various conditions on trade, lease or transfer of water entitlements . . . . .	78
3.7. Summary of examples where water entitlements can be used as a financial instrument . . . . .	79
3.8. Examples of water abstraction charges in select OECD countries . . . . .	86
3.9. Summary of main findings of the Survey of Water Resources Allocation . . . . .	88
<b>Figures</b>	
1.1. Global water demand, baseline scenario from 2000-50 . . . . .	22
1.2. Freshwater abstractions in OECD countries . . . . .	22
1.3. Historical trends in rainfall for Jarrahdale . . . . .	24

1.4. Historical trends in streamflow into Stirling Dam .....	24
1.5. Effect of reduction of stream inflow on the amount of water available for consumptive use .....	25
1.6. Nitrogen effluents from wastewater: 2000 to 2050 .....	26
1.7. Projected shifts in water-intensity of energy production. ....	28
2.1. System level elements of a water allocation regime .....	51
2.2. User level elements of a water allocation regime .....	52
3.1. Drivers of recent and ongoing reforms of water allocation regimes .....	62
3.2. Ownership of groundwater resources .....	63
3.3. Ownership of surface water resources .....	63
3.4. Percentage of responses indicating a role for the Ministry of Environment . .	64
3.5. Percentage of responses indicating a role for a basin authority .....	65
3.6. Proportion of water allocation examples by current status of water systems .	66
3.7. Degree of regulation of water system .....	67
3.8. Proportion of water allocation examples according to dominant type of water use, per category .....	68
3.9. Proportion of water allocation examples indicating significant non-consumptive use, by type .....	68
3.10. Proportion of examples according to type of limit on water abstraction (if any) .....	69
3.11. Proportion of examples that defined environmental flows .....	70
3.12. Proportion taking freshwater biodiversity into account in the definition of e-flows .....	71
3.13. Proportion taking terrestrial biodiversity into account .....	71
3.14. Proportion of water allocation examples taking into account various factors in the definition of the available resource pool .....	71
3.15. Proportion of water allocation regimes with legally defined private entitlements .....	72
3.16. Number of water allocation examples by type of entitlement (individual, collective) .....	73
3.17. Nature of water users' entitlements .....	74
3.18. Period of time water entitlement granted for .....	75
3.19. Proportion of water allocation example specifying return flow obligations. . .	76
3.20. Consequences of non-use of water entitlements .....	77
3.21. Proportion of allocation examples that allow some form of trade, lease or transfer of water entitlements .....	77
3.22. Pre-requisites to grant new water entitlements or expand existing ones. ....	80
3.23. Sequence of priority uses in water allocation .....	82
3.24. Proportion of water allocation examples with an abstraction charge .....	85
3.25. Proportion of water allocation examples reflecting water scarcity in abstraction charge .....	85
3.26. Proportion of allocation regimes monitoring water withdrawals. ....	87
5.1. Water scarcity spectrum .....	120



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## Preface

Competition to access water resources is increasing as a result of population growth, economic development and climate change. As such competition intensifies, the issue of how governments allocate water between uses and users is rising on the policy agenda. International best practice shows that well-designed water allocation regimes help allocate water to where it creates the most value (economic, ecological, or socio-cultural) for society. They can adjust to changing conditions and preferences at least cost for society and can provide incentives for investment in water use efficiency and innovation.

Yet, in most countries today, rules and priorities for water allocation often do not reflect best practice. In many cases, these rules have developed over decades, or even centuries, and tend to be outdated or not adjusted to take into account new needs and realities. Growing pressures are making existing inefficiencies in water allocation regimes increasingly costly: 19th century allocation arrangements are poorly equipped to serve a 21st century society and economy. Conflicts over water use have an impact on both economic growth and environmental sustainability. However, allocation regimes have proven hard to adjust, even as the economic and social values related to water use have shifted over time. This means that water is often locked-in to uses that are no longer as valuable today as they were decades ago and that the risk of shortage falls disproportionately on certain groups of users. Allocation regimes are often ill-prepared to face more rapid and pronounced change in the future, especially in relation to climate change.

This report, *Water Resources Allocation: Sharing Risks and Opportunities*, takes a major step forward in providing policy guidance for countries seeking opportunities to unlock the value of water resources and to navigate the challenges of water allocation reform. A survey across 27 OECD and key partner countries for the first time establishes a solid evidence base of the current water allocation landscape. It reveals that most allocation regimes have elements that can encourage a robust system, but operate with significant limitations. For example, many allocation regimes suffer from legal ambiguities and unsustainable abstraction levels. Moreover, many countries still apply very low or no charges at all for water abstraction, even though the value of the resource has grown as competition for the resource has intensified.

While the case for reforming water allocation in many countries is clear, how to navigate the transition is particularly challenging. This report draws lessons from the reform experiences of 10 countries to address questions such as: How can intelligent sequencing help the reform process? How to compensate losers? And how to balance competing interests and objectives? The report also provides a practical tool that can be used to undertake a periodic “health check” of current allocation arrangements and identify opportunities for improving performance.

Although reforming water allocation may appear daunting, an improved regime can greatly increase the value that individuals and society obtain from water resources today and in the future. I am confident that policy makers can find both inspiration and pragmatic support in this report.



Angel Gurría,  
OECD Secretary-General