



Who gets the water?

This week the Ashburton District Council withdrew its plan to sell water rights to a company intending to extract aquifer water to ship to Asia.

Locals had protested at the plan, pointing at the region's water shortage and complaining that the proposed sale would let the company extract large amounts of water at little cost.

The Ashburton incident could have happened in a number of places in New Zealand where water is being drawn for export and is a reminder that our system for allocating water is not working as well as it should.

Claims by the Ashburton protestors that "the company should pay for the water" highlight the problem with the current system – it doesn't adequately reflect water's value.

For the value of water to be recognised, a market is needed - as it is only by trade that value can be determined.

Trade in resource rights is an established practice - for example New Zealand's system for managing fisheries allows individuals to buy or sell rights to fish quotas.

But our current system for allocating water doesn't permit efficient trade in water rights. As a result it doesn't allow water to flow to its highest value use.

The current system is based on first-come-first-served claims - workable in earlier times when we had a smaller population, less resource-based development, fewer hydro generators, less industry and so on - but a more sustainable approach is needed now.

The Ashburton incident is not a new phenomenon. The problem is well known; the Land and Water Forum has been wrestling with it for some time, and the Government has recently appointed a technical advisory group to recommend on options for a new allocation system.

There are a number of options for consideration, including a variety of systems adopted in other countries that have faced similar issues.

Whatever system is decided on, it needs to do a number of things:

It needs to allow water rights to be more easily traded so they can reach their highest value use.

It needs some kind of central register of water rights, permit holders and transactions.

It needs rules to prevent over-allocation so water reserves are not depleted.

It needs rules requiring the holders of water rights to pay for any associated economic and environmental costs.

It needs a system for monitoring and enforcing the rules.

It needs to be based on sound information, requiring research to e.g. develop catchment plans and allocation limits in different areas.

It needs to cater for the fact that there are different amounts of water in different parts of country.

It needs to maintain the principle of non-derogation (not allowing later consents to reduce the value of existing consents).

It needs to be fair to existing rights holders.

It needs to have rules that are fair between rights holders if water availability changes (e.g. ensuring their proportion of the take remains the same).

There are also other technical requirements to achieve a robust water allocation system.

For business there is a key need is for certainty, as lack of certainty around water rights can deter much investment in productive development.

A robust water rights system is needed so all of the community can benefit from the sustainable development of New Zealand's resource-based economy.

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