Water Trade

Why in news?

India's per capita water availability has touched the water-stressed benchmark, and is likely to reach the water-scarce scenario by 2050.

What is the issue?

- India's water resources are under tremendous pressure.
- India receives more than 80% of the rainfall during 4 months of the year.
- **Unequal spatial distribution –** The *Barak and Brahmaputra basins* have a per capita water availability that is more than that of the *Ganga basin*.

What is the water credit system about?

- **Water credits –** It deals with the transaction between water deficit and water surplus entities within a basin and represents a fixed quantum of water that is conserved or generated.
- **Carbon credits –** It is almost a mirror image of the concept of carbon credits.
- However, unlike carbon credits, the water credit system is confined to *hydrological boundaries*, that is, river basin or watershed.
- **Multiplayer approach –** Industries can buy water credits from water-rich municipalities, who are fund crunched to finance large-scale floodwater harvesting, & wastewater treatment projects, aiding in conserving water.

What is importance of water credit system?

- **Australia –** India should learn from global water trading successes like that of Australia, to lay a roadmap for water trading and also ensure water regulation by setting up related authorities.

  The Murray-Darling basin in Australia is a great example of how water credit system works successfully.

- **Chicago Mercantile Exchange –** Participation in water credit system is seen from actual users such as farmers and municipalities and financial investors.
- **Improved water quality –** With the effective implementation and stringent regulatory standards, water trading also paves way for water quality standards.
- **Recycling –** It promotes growth in the recycle and reuse markets through the utilisation of heavy metals organics released in the water from both the industrial and agricultural sectors.

- **Strengthen economic ties –** The credit system can be used to highlight the water quality merits and strengthen economic relations both at a global as well as regional level.
- **Reduce government's burden –** The system can reduce the burden of the government that releases funds towards mitigation as well as post-disaster events such as floods and droughts.
- **Insurance –** The markets can even insure irrigated and rain dependent agriculture against droughts by locking in water prices.

What are the limitations of the system?

- **Rich institutions dominating –** An innate flaw of this water credit system is that the market is dominated by a small number of rich institutions or sellers.
- Hence, rich sellers can control the market by buying credits from the poor, and continue to misuse the shared water resources.
- **Lack of awareness –** The market competition among sellers is further reduced due to the lack of awareness about the water credit concept.

What is the way forward?

- There has been no strong dialogue on the implementation of a water credit system, so far.
- India needs to aggressively alter and adopt practices to expand finance opportunities within the water sector.
- It is anticipated that India could face opposition if water is made a tradable commodity.
- In such a case, a regulatory body must be in place to facilitate and successfully maintain free market conditions.

Reference

1. The Hindu Business Line | Let water credits flow