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SUGGESTIONS FOR ENHANCING WATER MARKETS IN NEW MEXICO

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ABSTRACT: It is commonly recognized that a market for any good or service must have a few fundamental elements: 1) clearly defined units of trade, 2) fungibility or interchangeability with another individual good or service of the same type, 3) transferability of the units being exchanged, 4) transparency of market prices for the units, and 5) an enforceable set of rules and regulations governing the market transactions. Water markets are no different. The efficiency of a market is directly related to the degree that these elements are established and properly functioning. It is also recognized that our current water management processes are under severe stress due to increasing water demands and scarce or volatile water supplies. An efficient water market could help alleviate these stresses. While New Mexico currently has in place some facets of each of the required market elements, several of these are poorly functioning. This fact may be limiting the large potential benefit of using water markets to successfully manage our water resources within the state. The presentation will provide insight from a private sector / business interest point of view into which market elements are currently functioning and which are not. Additionally, the presentation will identify how the elements with less than desirable functionality could be enhanced to make the New Mexico water market more efficient; as well as identifying some of the impediments to enhancing those elements.

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