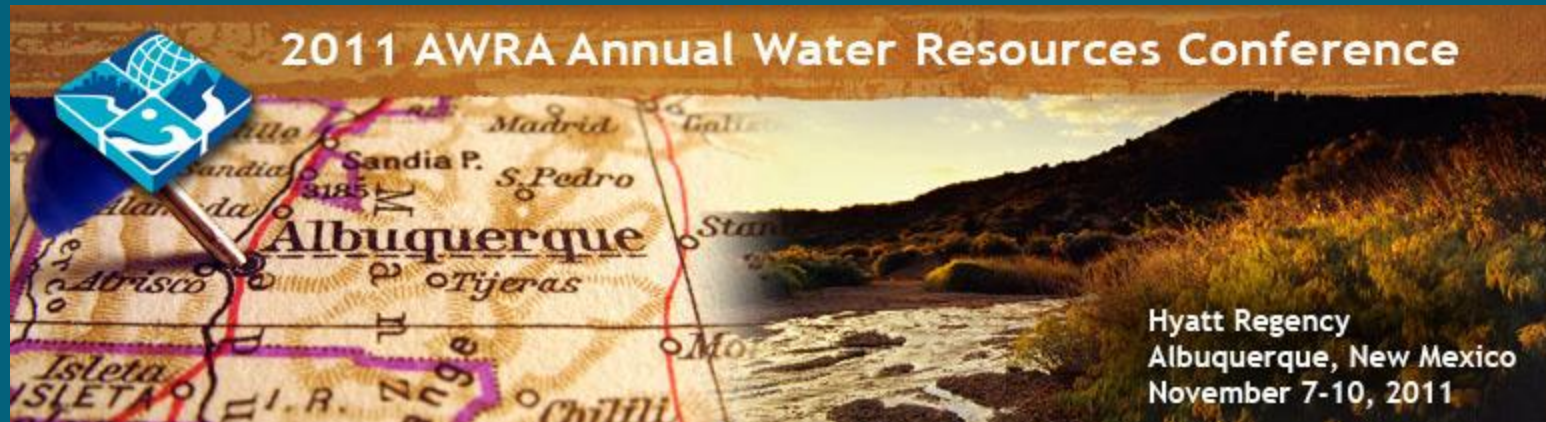


# Suggestions for Enhancing Water Markets in New Mexico

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## **Presentation Premise:**

**Current water management processes under stress**

**Efficient water market could help alleviate stress**

**Local insights to water markets important!**

## **Basic market elements:**

- 0) good or service available,**
- 1) clearly defined unit of trade,**
- 2) fungibility of unit of trade,**
- 3) transparency of market prices,**
- 4) transferability of the units,**
  - a) Physically / geographically**
  - b) Regulatory - enforceable set of rules for transfers**

## **Local insights help facilitate transactions**

**3) knowledge of market prices**

**4) knowledge of rules governing transactions.**

**Note: Lack of local insight does NOT preclude transfers.**

**Presentation topic - discuss opinions of:**

**Local business community leaders, and  
water experts**

**RE: enhancing NM water markets**

## **Interview Questions:**

**Which market elements are functioning?**

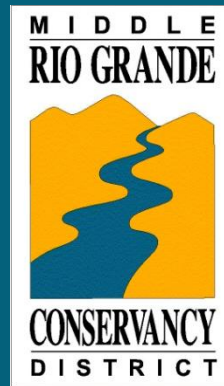
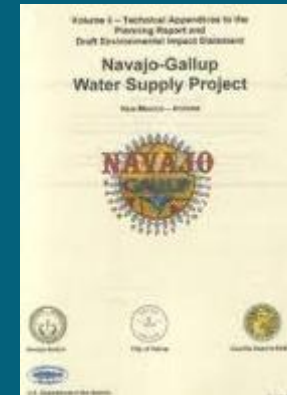
**Which are not?**

**How market elements could be enhanced.**

**Impediments to enhancing those elements.**

# Which market elements are currently functioning?

0) Sources available: No water shortage – just distribution problem



# Which market elements are currently functioning?

0) Buyers / Lessees available:



**Conclusion: Water is consistently moving from low to high value  
Slow process – but it is working**

# Which market elements are currently functioning?

## 4a) Physically Transferable – e.g. Infrastructure to move water



# Which market elements are not working?

3) Lack of pricing transparency – no open market

## 4b) Regulatory Transferability

### Slow process

- due to lack of adequate admin. process, staff
- due to legal protest periods
- due to lack of adjudication??\*

### Prohibitive costs

- due to legal protest processes

\* Adjudication may help, but not currently precluding transfers

\* Previous settlements and transfers (e.g. Pueblos and private) have been upheld by courts once adjudications finalized

# How market elements could be enhanced

## 3) Pricing transparency

**Force price disclosure on transfer applications**

**Publish aggregate records**

**Auctions / Reverse Auction – equalizing factor**

**Buyers can obtain as cheap as possible**

**Sellers can bring in as much \$\$ as possible**

**No buyers / sellers remorse**

## 4b) Regulatory Transferability – State of NM

**Additional OSE Staff**

**Licensing, in lieu of adjudication – e.g. AWRM**

**Limit protest periods, rationale**

# **How market elements could be enhanced**

## **4b) Regulatory Transferability – State of NM / Municipalities**

**Consistency in implementing regulations – rule promulgation**

**If rules are defined, reliable, static**

**Entrepreneurs biggest asset: they can figure things out**

**Municipalities (not developer) should hold water / rights**

**So developers aren't competing w/ municipalities**

# **How market elements could be enhanced**

## **4b) Regulatory Transferability – MRGCD Water Bank**

**Physical infrastructure in place**

**Water rights, bulk water generally available**

### **Rule 23 History**

**Why not open it up for additional uses?**

**Should drive prices up (more competition for lease)**

**Benefit for MRGCD constituents**

# How market elements could be enhanced

## 4b) Regulatory Transferability – MRGCD Water Bank (con't)

If open to M&I users – lessee concern, right not permanent

**Option 1 - Constant 20-yr lease, renewable yearly**  
Lessor could get water back with 20yr notice

**Option 2 - MRGCD water bank rights are junior to:**  
Prior and Paramount  
Pre-1907 Rights

**Solution – M&I buy / lease senior right at high \$/ac-ft**  
M&I gets long-term commitment  
Tribal or Ag interest can lease water from  
Water Bank at low \$/ac-ft

# Impediments to enhancing those elements

**State budget limits staff for transfer / declaration reviews**

**Tribes –**

**Typically not business minded; Not entrepreneurial  
Some only 2 generations of business experience  
Culture is changing – **financial incentives matter!****

**Pueblos strongly believe that long-term leases will  
cause loss of rights**

**Historical rights holders – Concern for future generations**

# **Impediments to enhancing those elements**

**No-growth contingent**

**How to address?**

**Politics – vote them out**

**Incentives – financial motives**

**Natural Crises –**

**extended period years w/ significant drought**

## **Acknowledgements:**

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