

# Milestone 2

## Markets: Finding Purpose

An important early step in setting up a water bank or evaluating a local water market is to understand both water demands and water supplies so that potential parties (lessors and lessees) can be matched. For a water market to work well, local water resources and water rights should be well understood. This inquiry gets to the heart of identifying the purpose and driver of market activity.



### Key Questions include:

- ① Is there a local demand for water?
- ② Are water supplies available?
- ③ What type of supply is available (surface; ground; storage; etc.)?
- ④ Can available water supplies be used to meet demands?



Typically, water markets arise when there is some kind of change in the local water conditions. Some of the most common changes seen in Utah include:

- Growing population and economic development activity requiring water supplies to support new municipal service commitments.
- Regulatory and policy changes to manage groundwater resources more sustainably.
- Environmental initiatives to preserve and enhance the health and natural stream and riparian ecosystems.
- Long-term and short-term drought conditions that reduce water supplies available from existing water rights.

Markets are a useful tool for water management, but are not ubiquitous because something (policy, supply shortage, growth) has to be driving people to lease water rights. Once market drivers are understood, then it is important to evaluate whether there are local water supplies that might meet the demand in terms of volume (scale), timing, and location.

