



**Groundwater Trading: Final White Paper (Action Item)**

**Introduction**

In support of Water Resilience Portfolio Action 3.6, the California Water Commission used its public forum to frame considerations around well-managed groundwater trading programs. At the May meeting, Commission staff will present a final draft of its groundwater trading white paper for Commission approval. The white paper includes a set of findings around how to shape groundwater trading programs with appropriate safeguards for natural resources, small-and medium-sized farms, and disadvantaged communities. The paper also addresses the role the State could play in supporting well-managed groundwater trading. The white paper will guide the continued work on Action 3.6 by the California Department of Water Resources, the State Water Resources Control Board, the California Department of Fish and Wildlife, and the California Department of Food and Agriculture.

In January of 2022, staff presented a draft white paper to the Commission and opened a public comment period. At the February 2022 Commission meeting, staff summarized public comments for Commissioners. In the intervening time, staff reviewed all public comments received and modified the white paper to produce a final draft.

**Commission Decision**

The Commission is being asked to approve the white paper presented by staff. The Commission may: approve the white paper as written; approve the white paper with modifications; or send the paper back to staff for revisions. If the Commission approves the white paper as written or with modifications, staff will share the white paper with state policymakers and the public. If the Commission sends the paper back to staff for revisions, staff will make the requested revisions and bring the paper back before the Commission at a future meeting.

Staff recommends the Commission approve the white paper. This white paper has been vetted by the Commission, other State agencies, and the public, and is now ready to be used as guidance for shaping the State's role in supporting well-managed groundwater trading. Groundwater trading could be an impactful means of managing scarce groundwater resources. This paper is well-positioned to be immediately impactful by informing local agencies as they design and implement groundwater trading programs and guiding State support of programs that safeguard vulnerable water users.

**Background**

On July 28, 2020, the California Natural Resources Agency, California Environmental Protection Agency, and the California Department of Food and Agriculture issued the final [Water Resilience Portfolio](#) (portfolio) in response to Governor Newsom's Executive Order N-10-19, which calls for a "set of actions to meet California water needs through the 21st century." The

portfolio outlines a broad suite of actions designed to move the state toward water resilience. The portfolio includes Action 3.6: Create flexibility for groundwater sustainability agencies to trade water within basins by enabling and incentivizing transactional approaches, including groundwater markets, with rules that safeguard natural resources, small- and medium-size farms, and water supply and quality for disadvantaged communities. Action 3.6 is assigned to the Department of Water Resources, the State Water Resources Control Board, the California Department of Fish and Wildlife, and the California Department of Food and Agriculture and is embedded in a section of the portfolio that is focused on maintaining and diversifying water supplies, which includes actions designed to help regions secure groundwater supplies by supporting the transition to sustainable use. In a letter dated March 15, 2021, the Secretaries for Natural Resources, Environmental Protection, and Food and Agriculture requested that the Commission initiate Action 3.6 by leading a thorough and inclusive public dialog, similar to the Commission's recent effort to assess a state role in financing climate-resilient conveyance.

By facilitating a robust and inclusive public discussion on groundwater trading, the Commission has supported Water Resilience Portfolio Action 3.6. To gather information about groundwater trading and better understand the issues at play, Commission staff conducted interviews with small groups of stakeholders, spoke with out-of-state representatives about their groundwater trading efforts, and invited expert panels to address the Commission at its standing meetings. To further explore the information gathered, Commission staff conducted localized outreach by attending meetings of local stakeholders, hosted public workshops, and collected information via an online survey. Throughout this process, Commission staff worked closely with a stakeholder advisory group to inform its approach and guide its discussions. Commission staff also met regularly with representatives from State agencies to keep them apprised of the status of the Commission's work and to share information gathered. The Commission used the information gathered and feedback received to craft its white paper. The Commission's white paper will inform Action 3.6 implementing agencies.

The Commission's work on water trading will implement Goal One of the Strategic Plan, which calls on the Commission to "serve as a primary public forum for the discussion of improving water management policy to assist regions in achieving climate resiliency ... including those actions of the Water Resilience Portfolio assigned to the Commission."

### **Meeting Overview**

At this meeting, the Commission's Assistant Executive Officer, Laura Jensen, will present the white paper to the Commission and seek approval to finalize the document.

This is an action item.

### **Contact**

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