



Groundwater Trading: Panel Discussion on the Future of Groundwater Trading

Introduction

The California Water Commission is leading a process to frame state considerations around how Groundwater Sustainability Agencies might shape well-managed groundwater trading programs. The Commission's work will focus on holding public conversations via public workshops and at regularly scheduled Commission meetings to solicit input about developing well-managed groundwater trading programs that ensure protections for vulnerable users and stakeholders. By facilitating a robust and inclusive public discussion on groundwater trading, the Commission will support Water Resilience Portfolio Action 3.6. The Commission will develop a white paper that draws on public discussions and will include a set of conclusions and suggested next steps for how to shape well-managed groundwater trading programs with appropriate safeguards for communities, farms, and the environment. This paper will inform Action 3.6 implementing agencies.

At this meeting, the Commission will hear from a panel of experts about the future of groundwater trading. This forward-looking panel will consider, from an academic perspective, how groundwater trading can reduce the costs of reaching sustainability, the enabling conditions needed for markets to function well, and recommendations for establishing allocations and designing programs that address third-party impacts; as well as the need for clear objectives when designing groundwater trading programs, the high-information and high-maintenance needs for running well-managed markets, and state responsibilities for ensuring trading programs are fair and effective. Stakeholder experts will share the following perspectives:

- Groundwater Sustainability Agency – Lessons learned from a United States Bureau of Reclamation WaterSMART Water Marketing grantee, including local stakeholder perspectives that groundwater trading can provide flexibility in times of scarcity but may not be able to meet all of the expectations that people have for it.
- Community-based organization – Disadvantaged communities (DACs) in the San Joaquin Valley are the most vulnerable to falling groundwater levels since they depend on shallow domestic wells and small community water systems. Residents of these communities are experts on how to protect their critical drinking water supplies, and therefore are actively engaged in local conversations about groundwater management. DACs do not have the financial or technical capacity to compete in a market to protect their drinking water needs and may not trust the governance structures of groundwater markets.
- Small farm advisor – Groundwater trading may put small-scale family farms and socially disadvantaged farmers at a disadvantage if adequate protections are not incorporated

from the beginning. Building in transparency, technical assistance, incentives, and region-specific restrictions on trading could assist in making groundwater markets more accessible to these farms

- Environmental organization - Careful design of groundwater markets is essential to protect sensitive environmental resources, such as groundwater dependent ecosystems (GDEs), and ensure that they do not need to rely on markets for their water. Elements of well-designed groundwater markets include a sound GSP that budgets water for the environment, trading rules tailored to specific resources (e.g., special management areas, directional trading), accurate measurement of groundwater pumping, and protections against market power.

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, and the California Department of Fish and Wildlife and 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 the action 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.

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 will hear from a panel of experts about the future of groundwater trading, including likely participants, beneficiaries and impacts, how to protect vulnerable stakeholders, and how to structure stakeholder inclusion, governance, and oversight. The following is a list of presenters:

- Dr. Andrew Ayers, Research Fellow at the Water Policy Center at the Public Policy Institute of California
- Dr. Nell Green Nylen, Senior Research Fellow with the Wheeler Water Institute at the Center for Law, Energy & the Environment at the UC Berkeley School of Law

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- Stephanie Anagnoson, Director of Water and Natural Resources for Madera County
- Amanda Monaco, Water Policy Coordinator for the Leadership Counsel for Justice and Accountability
- Dr. Ruth Dahlquist-Willard, Small Farms and Specialty Crops Advisor for Fresno and Tulare Counties, University of California Agriculture and Natural Resources
- Sarah Heard, MarketLab Director with The Nature Conservancy

This is an informational item.

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