

## Water Pricing FAQ

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### Q. 1) What is water pricing?

Water pricing is a term that covers various processes to assign a price to water. These processes differ greatly under different circumstances.

### Q.2) What are the pricing systems exist for irrigation?

The following pricing systems exist for irrigation:

- Area-based tariffs, sometimes differentiated by type of crop grown
- Volumetric pricing, which requires measurement

### Q. 3) What are the challenges involved while moving towards an elaborate water pricing regime in India?

- With 18% of the world population, India has only 4% of the world's renewable water resources. Moreover, the distribution is geographically skewed and the majority of rainfall occurs over just a few months, leading to reckless consumption in well-endowed geographies and during those months. Inefficient agricultural usage of water and exports of water-intensive crops make India a large virtual exporter of water -not a proud performance for a water-stressed country. ,
- The second challenge to introducing water pricing is the entrenched political economy in different parts of India. The severe water crisis in Latur was in stark contrast to flourishing fields of sugarcane, a water-guzzling crop, sustained with the patronage of politicians in the state of Maharashtra. Then the public procurement policies also promote cultivation of water-intensive crops, sometimes in those very states where the usage is most inefficient.
- The third challenge is the inherent design problems associated with water pricing. This is because the government does not exercise control over the sources of water as it does over other natural resources . It is important to target irrigation water for pricing purposes because it alone comprises according to ministry of water resources data more than 78% of the total water usage in India. Also, irrigation consumption is an area where the scope for increase in efficiency is very high.
- Sixty-one per cent of the irrigation uses surface water which will require metering and appropriate pricing. Groundwater has to be priced through proxies electricity or diesel used by farmers to pump the water. The strategy for pricing should be such that the cost of migration from one method of irrigation to another or from electricity to diesel offsets the difference in cost between the two. A relevant research paper by Yacov Tsur, Ariel Dinar, Rachid M. Doukkali and Terry L. Roe concludes that "water prices have rather negligible effects on income distribution within the farming sector and hence "water pricing should be designed in order to promote efficiency, leaving equity consideration to other policy tools".

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