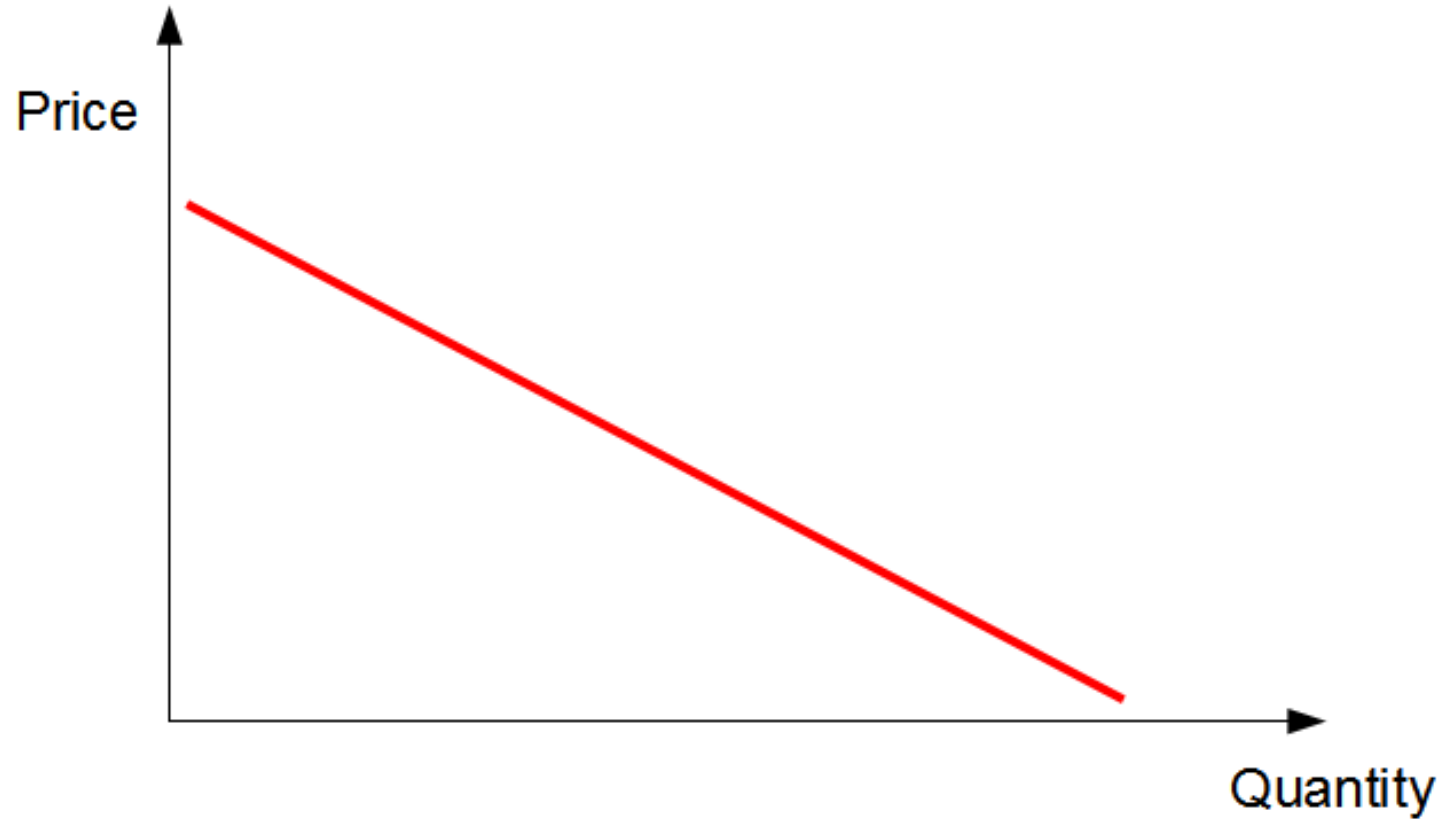


# Untangling the price, cost and value of water

David Zetland

# The law of demand

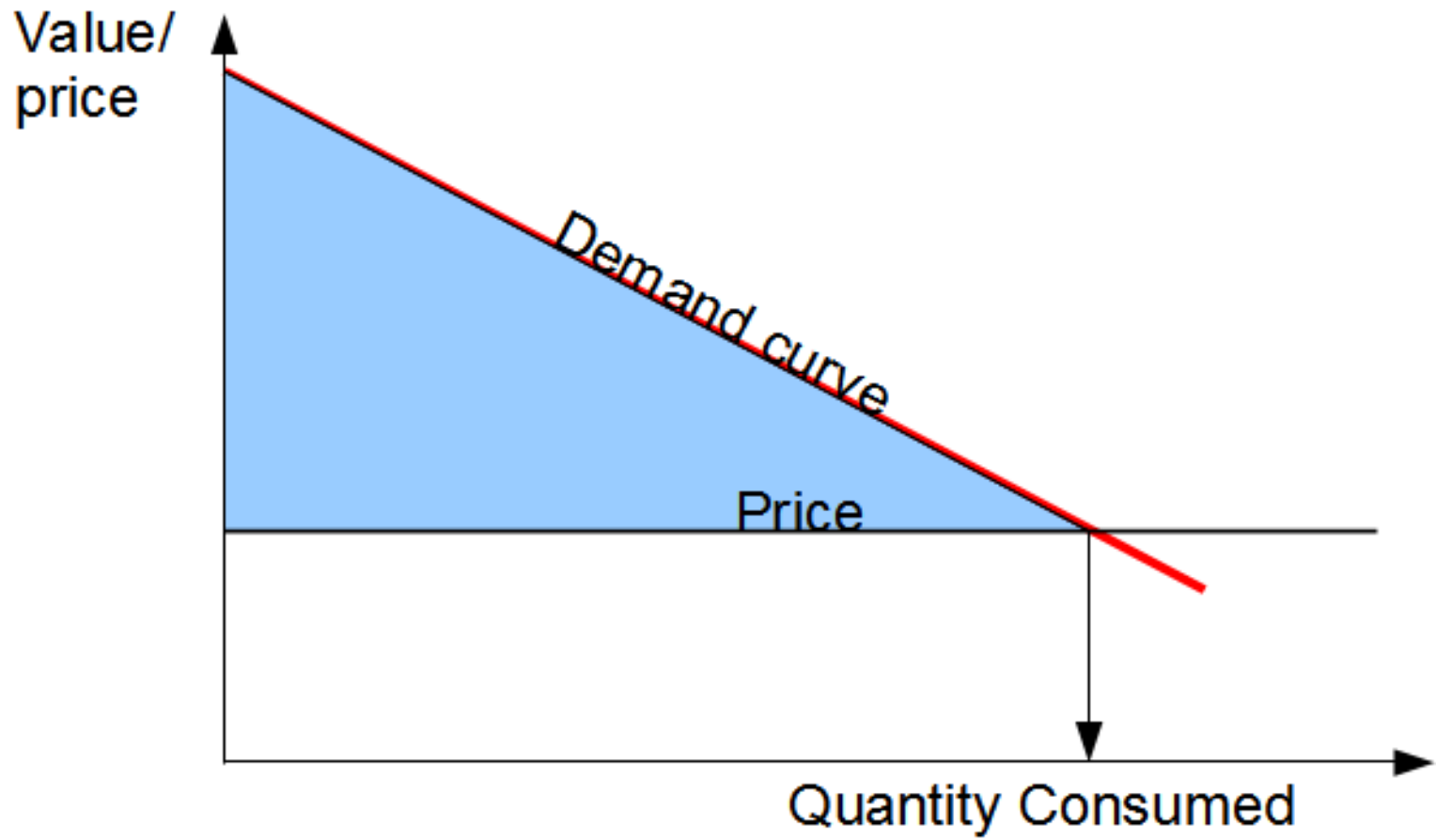
(shifts and slides!)



# There's no diamond-water paradox



# I know price. Do you know value?



# Market vs. non-market values

- Fixed prices affect quantity demanded, **and**
- Markets use prices to reconcile demands, **but**
- Non-market values cannot be priced, **so**
- Environmental water should be set aside, **and**
- Economic water should be priced!

# Prices, costs and value

- **Prices** can be above or below cost (by fiat)
- **Costs** include OpEx, CapEx and resource rents
- **Values** cannot be known but can be reconciled
- Low prices take resources from tomorrow or deplete the environment today
- **Advice:** Uniform tariffs for all customers and income supports for special cases