Untangling the price, cost and value of water

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The law of demand
(shifts and slides!)
There’s no diamond-water paradox

Value

Diamonds

Water
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