

# Pricing B.C.'s Water

British Columbians consistently rank water as one of the province's most valuable natural assets. This has been a consistent message since 2009 when government began engaging with the public on new water legislation. B.C.'s new *Water Sustainability Act* will bring in a more comprehensive approach to managing water now and into the future.

To implement the new Act and fully realize its benefits, the B.C. Government is contemplating changes to water pricing. This will likely mean increased costs for surface water users and new fees and rentals for large groundwater users. While pricing changes will help improve services, support sustainable water management, improve program cost recovery and enable new programs and initiatives, any new pricing model must be easy to understand and implement. It must also take into account the implications for water users and the overall benefits to British Columbians.

The government is taking a transparent approach to making changes to water pricing. Before these changes are made, we are seeking public feedback on the principles that will shape how government develops options for water pricing to support sustainable water management in B.C. Water rentals associated with major hydroelectric power generation are linked to B.C.'s energy policy and are not part of this water pricing review.

## Current approach to pricing water in B.C.

The current pricing structure and rates for water are laid out in B.C.'s Water Regulation. There are two components to water pricing: a one-time *application fee* and an *annual rental* payment. Water users currently pay fees for a new surface water licence application, an amendment to an existing licence, a short-term use approval, and an approval to make changes in and about a stream. Fees and rentals are not currently assessed for using groundwater.

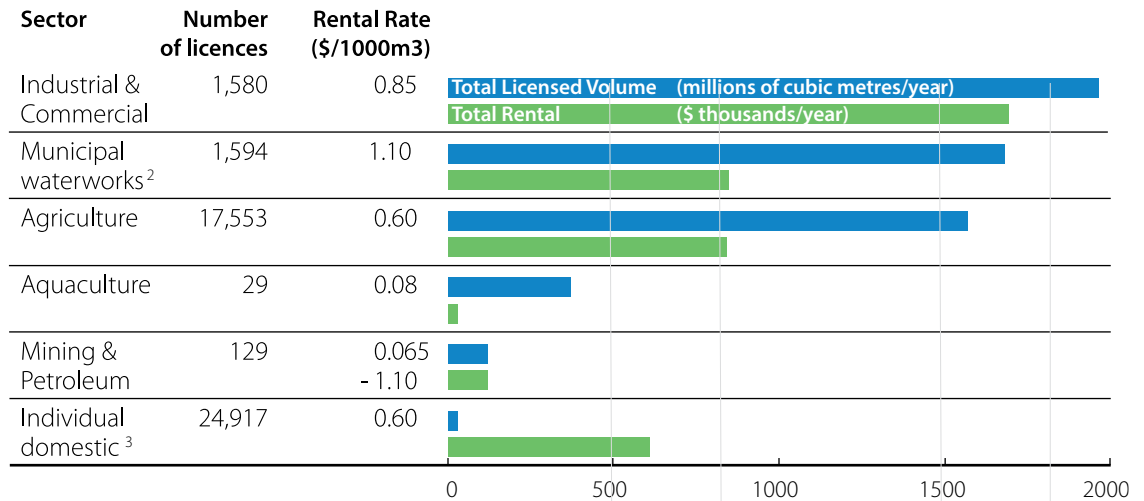
## Water Sustainability Act

On March 11, 2014 the British Columbia Government introduced the *Water Sustainability Act* into the Legislature.

The proposed new Act will update and replace the existing *Water Act*, and respond to current and future pressures on water including a growing population, a changing climate and expanding resource development.

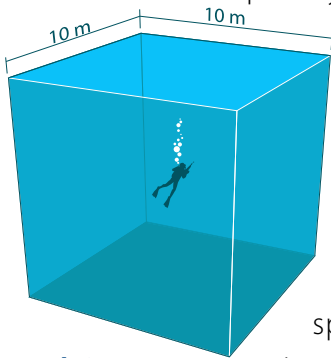
### Annual revenue and licensed volume by sector<sup>1</sup>

"In principle water is "priceless" but in reality we all consume water, we waste water and we take it for granted." *Citizen*



1 Figures are for surface water and exclude water power, storage and conservation purposes.  
 2 Revenue based on actual water use (about 43% of licensed annual volume).  
 3 Most domestic licensees pay a minimum annual rental of \$25.

Application fees are typically based on the quantity of water in the licence application and the specific purpose of its use. Fees are not generally applied to provincial or federal ministries, or First Nations on Reserve land. Short-term water use approvals administered by the B.C. Oil and Gas Commission are also currently exempt. Application fees are specified in the Water Regulation.



#### How much is 1000 cubic metres?

- 1,000,000 litres
- 50,000 five-gallon jugs
- Enough for 15,000 showers
- Fills a 25m swimming pool

Annual rentals are payments for the use of the resource. Licensees typically pay based on their allocated volume rather than how much they use. Like application fees, annual rentals are set in the Water Regulation.

Currently in B.C., annual rentals vary by water use purpose and typically range from \$0.01 to \$1.10 per thousand cubic metres. The highest fees and rentals are charged for industrial purposes (e.g., water power, mining, pulp mills) and waterworks. Lower fees and

rentals are charged for uses such as domestic, agriculture and conservation, e.g., wetland creation. B.C.'s highest annual rental rates are lower than most other Canadian jurisdictions. Most British Columbians are connected to a municipal water system and pay a utility bill to their municipality, which holds the water licence. The portion of the utility bill that reflects the municipality's rental payment works out to about \$1 per year per household.

#### Typical use and costs for selected surface water users

Purpose Fee	Volume (1000m <sup>3</sup> )	Annual Costs (\$)
Individual domestic <sup>4</sup>	0.7/year	25
Small irrigator <sup>5</sup>	24/year	25
Large municipality	23,000/year	25,000
Natural gas	800/pad	900
Mining	1,200/year	1,300
Water bottling	200/year	200

4 Refers to individual licensed users not those connected to a municipal system.  
 5 Based on population of 87,000.

## What you've said about water pricing

Last fall when we asked you to comment on the Legislative Proposal, we heard strong sentiments about water pricing. British Columbians clearly value their water as a social, cultural, and economic good, and support sustainable management of this public resource.

Many respondents suggested that water is undervalued and current prices are too low, particularly for commercial and industrial uses. Other sectors, such as agriculture, expressed concerns about their ability to absorb increases in fees and the implications of increasing fees on competitiveness. Some respondents expressed

that there should be a flat rate for all water use while others thought that water pricing should reflect the degree of impact on the resource or the profitability of the water usage.

We heard strong support for increasing water fees to fully realize the objectives of the new *Water Sustainability Act*. There was concern that increased water revenue might not be invested in improving water stewardship. Comments also supported using fees to incent efficient water use. Many believe that fees and rentals should ensure a comprehensive approach to fresh water management in B.C. including information gathering, compliance and enforcement.

"Recover the full cost of administering the *Water Sustainability Act* by increasing fees and water rentals for consumptive use of surface and ground water licences."


*Water industry representative*


"Water is essential for life and a resource to be valued and protected first and foremost."

*First Nations organization*


## Principles to inform water pricing


Pricing water is complex and involves many considerations. Government is taking a principle-based approach to developing fees and rentals. The principles laid out in government's *Water Sustainability Act* Legislative Proposal (October 2013) have been refined below based on public feedback.

 **Simplicity:** The approach and rationale for water pricing should be easy to understand and predictable. Individuals and businesses should also know how and when pricing could change so they can plan and budget their costs accordingly.

 **Fairness and equity:** Fairness is reflected in surface and groundwater being treated as one resource and subject to the same pricing structure. In addition, similar uses of water should be subject to similar pricing. Equitable pricing should re-

flect differences in the value of water based on the type of right granted, intended use, location or scarcity of the resource.

 **Implications for water users:** All British Columbians benefit directly and indirectly from B.C.'s water resources. Pricing of water should distribute the costs of water management across users so that the effect on licensees and citizens is reasonable and manageable and enables business competitiveness.

 **Impact on the water resource:** Water pricing should reflect the impact of the intended purpose or activity on the resource. For example, water that is consumed and removed from the watershed or aquifer should be assessed differently than non-consumptive uses.

"We are concerned that significant increases in costs could affect our farm companies' competitiveness in the market and threaten long-term viability."


*Agricultural producer*


"Government has a vital role in establishing appropriate price signals to influence citizen and corporate behaviour."


*Citizen*

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### Principles continued

 **Cost recovery:** Water pricing should support sustainable water management and generate sufficient revenue to recover the costs of managing the water resource. This includes science, monitoring, planning and facilitating community involvement, regulation and enforcement. Costs to users should also reflect a fair return to the Crown for use of a public resource.

 **Efficiency:** Water pricing should motivate users to demand only the amount of water that is required for the intended purpose. Pricing should incent the use of non-potable water, encourage freshwater conservation, promote innovation and facilitate government's efficient administration and management of the resource.

 **Food security and public health:** Water pricing should recognize the essential contribution of water to food security. Food security is a prerequisite for healthy nutrition and foundational to human and community health.

## What do you think?

Which of these principles is most important to you? Are there some that matter more than others? Tell us about how you would like to see these principles shape how British Columbians use and protect our water in the future.

Your comments will help shape how we develop options for water fees and rentals that will be presented to Government for decision. Telling us what's most important to you will help us develop balanced, practical options that have the potential to do the most good for British Columbia and our precious water supply.

Over the next four weeks, we invite you to share your ideas by visiting the [Water Sustainability Act Blog](#).

Comments will be accepted until **April 8, 2014**.

### Process for Water Pricing Review

