



Water Protectionism Hurts the Economies of Fast-Growing Regions

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The Supreme Court will hear arguments today in a water rights dispute between Oklahoma and a Fort Worth water district. The outcome will determine the degree to which markets may be used to allocate water and address the impacts of droughts like the one now plaguing much of the country.

In 1978, Texas and Oklahoma entered into a compact specifying how the states would share water in the Red River, which forms their border before winding into Arkansas and then Louisiana. Across the West, such compacts are common, governing the apportionment of major rivers like the Klamath and the Colorado.

The Red River Compact entitles signatory states to divert specific quantities of water from the river. It also includes language that Oklahoma believes authorizes it to prohibit other states from diverting Red River water from within Oklahoma.

Oklahoma's protectionism poses a problem because water providers in the booming Dallas-Fort Worth area badly need to obtain more supplies to satisfy long-term demand. Official projections call for demand to increase from 1.75 million acre feet annually today to 2.4 million in 2030 and 3.3 million in 2060. (The accuracy of these projections is open to debate. North Texas has been a poster child for water waste. It could do much to improve its conservation and, if it reduced its per capita usage to El Paso or San Antonio levels, its long-term shortfall would be a lot less dire.)

To secure supplies, Dallas Fort-Worth area providers have sought to access water Texas owns under the Red River Compact. Oklahoma has blocked this effort, as it has similar moves to purchase Red River water from Oklahoma rights holders who want to sell their surplus to Texas buyers for a profit.

In response, the Tarrant Regional Water District filed a lawsuit that has now found its way to the high court. The district accuses Oklahoma of violating the compact and the Commerce Clause. In its defense, Oklahoma cites to the compact's boilerplate terms that, for instance, provide that "each state may freely administer water rights and uses in accordance with the laws of that state."

Most interstate water apportionment compacts feature substantially similar language. If the court rules in favor of Oklahoma, as the Tenth Circuit did, other states will have free reign to enact laws that undermine compacts and allocate water on the basis of political boundaries rather than economic, environmental or social needs.

Oklahoma is not unusual in wanting to secure sufficient water supplies for its residents. But its protectionist policies promote a Balkanized approach to managing essential natural resources and discourage the collaborative vision needed to overcome scarcity issues that are becoming increasingly severe.

The country is in midst the most extensive drought in more than 50 years. The National Oceanic and Atmospheric Administration reported in February that two-thirds of the continental United States was experiencing drought or abnormally dry conditions and that the 2012-2013 drought could cost \$35 billion in economic losses. Climatologists have observed unsettling parallels to the Dust Bowl.

The drought has demonstrated the pain that water shortages can inflict. In the years ahead, even after the current drought lifts, population increases and climate change will strain water supplies that much further, particularly in rapidly growing states in the South and Southwest.

While drought impacts can never be fully mitigated, water markets could help by allocating water to its highest-value uses, rewarding conservation and reducing economic losses. But protectionist statutes like those in Oklahoma could stunt the development of interstate markets and even slow the growth intrastate markets.

Water transfers do raise legal, environmental and cultural issues. Embargoes do not address these issues, however. They respect political boundaries above all else and give short shrift to ecological systems and economic linkages.

The Oklahoma statutes, for instance, discriminate against Dallas-Fort Worth – a region that extends nearly to the Oklahoma border and, with a gross metropolitan product of more than \$370 billion, channels significant benefits toward southern Oklahoma.

The Supreme Court has repeatedly held that parochial politics should not be allowed to sabotage national and regional interests. Unfortunately, that is exactly what the Oklahoma statutes and others that could follow its example do.

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