PAYING FOR WATER IN CANADA IN A TIME OF AUSTERITY AND PRIVATIZATION: A DISCUSSION PAPER

By Maude Barlow
About the Author

Maude Barlow is the National Chairperson of the Council of Canadians and chairs the board of Washington-based Food and Water Watch. She is a founding member of the San Francisco–based International Forum on Globalization and a Councillor with the Hamburg-based World Future Council.

Maude is the recipient of eleven honorary doctorates as well as many awards, including the 2005 Right Livelihood Award (known as the “Alternative Nobel”), the Citation of Lifetime Achievement at the 2008 Canadian Environment Awards, the 2009 Earth Day Canada Outstanding Environmental Achievement Award, the 2009 Planet in Focus Eco Hero Award, and the 2011 EarthCare Award, the highest international honour of the Sierra Club (US).

In 2008/2009, she served as Senior Advisor on Water to the 63rd President of the United Nations General Assembly and was a leader in the campaign to have water recognized as a human right by the UN. She is also the author of dozens of reports, as well as 16 books, including the international best seller *Blue Covenant: The Global Water Crisis and The Coming Battle for the Right to Water*. 
INTRODUCTION

WHAT IS THE ISSUE?

What is the difference between market-oriented pricing and water service charges? 5
What are the issues and concerns with market-oriented pricing? 5
What are the issues and concerns with water service charges? 7
What about the big water users and abusers? 8

WHAT ARE THE GUIDELINES FOR OUR MOVEMENT IN FINDING A POSITION ON THIS ISSUE?

Guideline one: Water is a human right and a public service and all policy about water funding should promote these principles. 10
Guideline two: Funding of water services and water access should not be the only – or even primary – method of water conservation and watershed protection. 11
Guideline three: It is time to consider pricing raw and municipal water takings for water-reliant natural resource industries. 12
Guideline four: Canada’s water heritage must be taken into account in all policy relating to trade agreements, resource extraction, energy and agriculture industries. 14

NOTES 16
INTRODUCTION

The Council of Canadians, joined by many other grassroots, community, labour, human rights, indigenous and justice groups in Canada, has worked hard to establish a principled framework that Canada’s freshwater heritage is a commons, a public trust, a public service and a human right, and that it should not be allowed to become a market-based commodity. We are proud of this work and stand by these principles. We will continue to work for their adoption in law and practice in Canada.

Recently, however, some politicians, economists and business leaders have accused us (unjustly) of advocating free water for all, and of naivety in our belief that we can protect Canada’s water based on these values. They claim that the human right to water is a smokescreen for extravagant and extensive use of water and invoke the “tragedy of the commons” argument that market-based principles work best to protect resources. Their answer? Set the price of water based on a market model and then price water services to urban and residential users in order to shift the burden of cost to the “consumer.”

This call comes at a time when our current federal government, under Prime Minister Stephen Harper, is gutting public services and setting funding conditions for new water services that promote privatization. Funding for essential water services, source protection and infrastructure investment is drying up. At the same time, deep tax cuts for industry and the rich are on the rise. Since a progressive tax base is our preferred way to pay for public services, this presents a real problem. Where will the money come from to deliver clean, safe water to Canadians and to protect our water heritage for the future?

Our movement has shied away from this debate as it has proven to be a hornet’s nest in the Global South where a lethal combination of too little public funding combined with water pricing has led to water cut-offs for millions of people. As well, there are some real differences between environmentalists who want to price water in order to conserve it, human rights advocates who fear that pricing water will punish the poor, and public sector workers who know that pricing is often the first step to privatization.

These sectors should not be on different sides of this debate. There are ways to combine our concerns for the environment and justice into a principled whole. Canadians need to find a way to pay for public services such as water and wastewater if we are to keep them in public hands, and we need to talk about how this will happen in the current political environment. Our water justice movement here in Canada needs a framework for this debate and this paper is offered as one step toward it.
WHAT IS THE ISSUE?

The issue of how to pay for water access and water services in Canada is an increasingly urgent one to address as the Harper government and many provincial governments slash funding to essential services. Cash-strapped municipalities are struggling to keep up with growing demand and rising costs. Some are raising water rates, or installing water meters for direct billing.

Others are turning to the private sector to deliver these services, in desperate need of the federal funding that now comes on the condition that the municipality will go with a public-private partnership. These private companies, in turn, charge high water rates in order to pay their investors a profit. In some American cities, water is now denied to those who cannot afford to pay their water bills. This could happen in Canada.

Many economists and politicians are now calling for water pricing as a way to deal with the growing water crisis here in North America and around the world. While there are other important ways to deal with increased water demands, including education, conservation, and water restrictions, the call for pricing water as the panacea to the water crisis is on the rise.

Important global institutions such as the World Bank, the World Water Council and some agencies of the United Nations promote water pricing. The World Bank has promoted private water services in the Global South for decades. A new study by Corporate Accountability International reports that the World Bank now spends $1 billion a year on private water corporations in spite of the fact that one-third of these projects have failed.⁴ Water pricing is key to corporate profitability in communities that have privatized water.

From a different perspective, many mainstream environmentalists promote pricing water in order to protect it. (This is part of a larger move to put a price tag on nature. The UN has even estimated that the ecosystem delivers essential services worth as much as $72 trillion every year.)² Environmentalists believe that access to inexpensive water has led to a cavalier attitude about water use that could be constrained by pricing. They point out (correctly) that our governments in Canada are charging water users a lot less than the water services actually cost. Environment Canada reports that Canadians pay just $0.31 per cubic metre for water, while people in France pay $1.35 per cubic metre, and people in Germany pay $2.16.

If the cost of source water protection and infrastructure upgrading were to be added, environmentalists point out, the real cost of water services would be much higher than what most people pay on their water bills. They also correctly point out that Canadians are water wasters – among the worst per capita in the world.

For those of us who care about the environment and are committed to conservation, but who also support public water services and public control of water, this is an important issue to address. Those of us fighting for the right to water and sanitation are often accused of seeing water as a free-for-all, encouraging everyone to go out and use all the water they want for free. Nothing could be further from the truth. We understand that water supplies are rapidly declining around the world and that there is an urgent need to preserve and conserve it much better than we are doing now.
We also understand that if we collectively do not find adequate sources to pay for public water services, source protection and new infrastructure, we could actually be setting the stage for privatization of water services as municipalities turn to the only funding source available to them – private investors.

This discussion paper is meant to help further a dialogue among progressive groups in Canada on the issue of how to pay for water services, infrastructure upgrading and source water protection. It is offered in the hope that it can lead to progressive policy recommendations, which could help shape government policy in the future to protect our freshwater heritage, keep it public and share it more justly.

What is the difference between market-oriented pricing and water service charges?

Right away, it is important to distinguish between pricing for water services within a private sector model and finding funding sources to ensure adequate water services within the public sector. Establishing clear terminology to describe the difference is crucial to this discussion.

The words “pricing” and “commodification” are often used interchangeably. However, charging for water services is not limited to the private sphere and does not, in and of itself, lead to commodification. Charging for water services can be – and already is – applied within the public system as an additional source of funding alongside taxation. In the public sector, the money collected goes to pay for improved services and source protection, not profit.

In the private sector, water rates are set in order to cover the profits required to pay private investors. So it is important to call this market-oriented pricing to clarify that it is aimed at having the consumer pay the full cost of water services. A water service charge to ensure sufficient additional funding to maintain public delivery of water and wastewater services is not the same thing and it is good to make the distinction in language.

When politicians and economists call for water pricing within the public sector, it is important to determine whether they are talking about water service charges to enhance a public system, or a market-oriented pricing system that will serve as the stepping stone to a private model.

What are the issues and concerns with market-oriented pricing?

There are three major concerns with market-oriented pricing.

The first is that many of its major proponents – market-oriented economists, business leaders and politicians – really see pricing as a cornerstone of a private model of water development and as a way to eventually let governments off the hook for the provision of water services. For them, citizens are first and foremost consumers and water is a commodity, like oil and gas, to be put on the open market. Market-oriented proponents believe it is time for government subsidization of water services to end.

Market fundamentalists believe that water is just a good like any other, and that the market can – and will – set the “right” price for water. Since water is an economic good, it is right that users pay for it at full market value, and that, of course, includes the profit margin associated with a market commodity. This is called “full cost recovery” and it differs from a service charge in that a service charge is kept affordable with additional government funds.
Full cost recovery, however, assumes the “consumer” will pay for the full cost of water services, including source protection and infrastructure. If the service has been privatized, full cost recovery includes profit for the company and its shareholders. Pricing based on full cost recovery is part of market-friendly reforms for water distribution advocated by the World Bank and other proponents of water commodification, and is a key step in “personalizing” responsibility for water in our world.

The second major concern with market-oriented pricing is that a sharp increase in full cost recovery water rates will hit the poor disproportionately as their water use is more likely to be for the essentials – including cooking, sanitation and drinking water – than the more affluent with their lawns, gardens and swimming pools. Untold millions have had their water cut off in the Global South because of an inability to pay for highly priced water. Pre-paid water meters are a common feature of the water-pricing scene in poor countries and mock the notion of access for all. Tens of thousands of families in inner city Detroit have had their water cut off because they could not afford rising rates.

The argument shaping up around “water-as-commodity” is that consumers, even the poor, choose where they spend their money. Much like the health care debate in the U.S., where people without health insurance are denied health care because they “chose” to spend their money on other priorities, we can expect to hear that people without water services just made bad choices. But in a recent report, Quebec-based water advocacy group Eau Secours found that 70 per cent of household water use is for basic needs. Pricing water at rising market values will make even these basic needs unaffordable for many.

And, as U.S. advocacy watchdog Food and Water Watch explains in its report Priceless, The Market Myth of Pricing Reform, applying these market rules of competition simply doesn’t make sense when it comes to water. Cheaper, competitive types of water don’t exist. “If the price of water is too dear, people could not choose to drink another liquid like ammonia or gasoline.”

The third concern with market-oriented pricing is that the major target group is municipal and residential. Most studies, reports and position papers on water pricing limit themselves to residential water users. And most metering only targets municipalities.

Yet the amount of water used by urban residential and business users is small in comparison to the real water guzzlers in our world. Environment Canada reports that municipal water use, including residential, commercial and public uses such as firefighting, and the water lost from reservoirs and pipes, accounts for just 9.5 per cent of all withdrawals in Canada. And most municipal water use is not consumptive (that is, it is returned to the watershed).

The lion’s share of water use is in thermal power generation, industrial agriculture (mainly for the global food market), large commercial industry, and extractive industries. (Note: Electricity generation is by far the biggest user of water in Canada, but restores most of the water to the watershed, unlike other industries that remove water permanently from the watershed, or pollute it. Agriculture is by far the greatest consumer of water in Canada – 70 per cent – as the water used to grow commodities leaves the watershed forever, mostly in the form of virtual water exports.)

Some say the water footprint of food production is even higher. A powerful new report from the University of Twente in the Netherlands says that, while major institutions such as the World Water Council and the United Nations have been reporting that agriculture accounts for roughly 70 per cent of the global water footprint, growing food for the global trade market is now responsible for 92 per cent of worldwide water consumption and degradation.
According to Environment Canada, the average domestic use of freshwater in Canada per capita is 335 litres. However, if we include all water withdrawals in Canada, every Canadian uses 4,400 litres a day. Clearly, targeting residential users to pay for our heavy water footprint in this country is a misplaced strategy in fighting water abuse. Any strategy that ignores 90 per cent of the problem is inherently flawed.

What are the issues and concerns with water service charges?

While there are great differences between market-oriented pricing and water service charges, the last point about residential and urban use being a distraction from the real use and abuse of water applies as well to service charges in a public system. Even high rates for residential users will not cover the cost of water damage done by industrial agriculture, energy and mining, and manufacturing. Joining the call for higher service charges for urban and residential water use alone is really avoiding the real issue and will not protect endangered water systems in Canada.

At the same time, there is an urgent need for investment in repairing and upgrading Canada’s aging municipal water and wastewater infrastructure. And municipal governments are looking for ways to cover these costs. The Federation of Canadian Municipalities says that at least $31 billion is needed over the next decade (others put the cost estimate much higher), and municipal governments are looking for ways to raise funds for this investment. With the Harper government and many provincial governments not only cutting funding for essential services, but now funding new water infrastructure projects to only those communities willing to move to a private model, many municipalities are increasing their water service charges and most are also opting for metering.

Essentially, with minor variations, there are three ways to levy a water service charge: a flat rate per household and business; charging by volume use; and a tiered system of charging by volume use, with lower rates for lower consumption, and higher rates for higher consumption, or vice versa. Three-quarters of Canadians whose water is metered are now charged by volume, not a flat rate.

Victoria-based Polis Project has published Worth Every Penny, A Primer on Conservation-Oriented Water Pricing, in which the authors argue for volumetric rates based on a conservation-oriented service charge whereby those who use more water are charged more than those who use less. They argue that Canadians pay remarkably little for our water, our consumption is remarkably high, and that conservation-oriented charging would curb excess water use.

With flat volumetric charging, you pay for the water you use – the more you use the more you pay. But conservation-oriented block charging actually sets the bar very low for basic water needs and then charges more per unit of water used for the second tier of use, and more again for the third. In other words, the basic water you use is cheap; when you start to use more, you pay more per unit.

Advocates say that not only does this promote conservation, since people will see how much water they are using and conserve to save money, but it will keep prices low for the essential uses of water and make people who fill swimming pools etc., pay much higher rates for waste. They argue that it is a question of fairness: why should prolific water users pay the same amount as those who do their best to conserve?

Almost 40 per cent of U.S. water systems now use block rates, and the practice is growing. Conservation or volumetric charging does cut water use more than a flat rate service charge, according to the Polis study. The typical Canadian household on a flat rate system uses an average of 467 litres per person per day. The average for a household on a volumetric charging system is only 266 litres per day – 43 per cent lower.
The downside of volumetric charging, whether block or set rate, is that it is a user fee. One could see a flat rate per household as a form of taxation, but pricing based on how much one uses is, in the end, a user fee. And the problem with user fees for cash-strapped governments, or governments ideologically oriented to downsizing, is the temptation to keep raising them, placing more and more of the responsibility to pay for water services on the user, not the government. In essence, a user fee changes the nature of the relationship between a government and its citizens to an economic one. It is easier to then take the next step to privatization.

As well, volumetric charging doesn’t take into account higher uses of water for large families, or for growing one’s own food, as many people do in semi-urban areas. So the water saved by not buying grocery store food is not accounted for, but the family has to pay more for the water it needs to grow its own food. Volumetric charging could serve as a deterrent to growing food in home gardens, a key part of many campaigns that promote local sustainability.

Further, volumetric charging requires water meters. Installation is costly to the municipality and metering requires a system of billing and chasing those who don’t pay. Eau Secours also points out that the major cost related to water is the fixed cost of infrastructure needed to treat, distribute and collect water, and that this cost remains constant regardless of volume used.

What about the big water users and abusers?

What most reports, academic papers, environmental studies, and other recommendations fail to deal with on this question is the elephant in the room: the 90 per cent of water used by what are referred to as water-reliant natural resource industries, including agriculture, manufacturing, mining, oil and gas, pulp and paper, and electricity generation. The reason that most avoid the natural resource sector in this debate is that there are large corporate interests invested in access to cheap water, and few governments appear ready to take them on. As well, Canadian authorities have bought into the “myth of abundance” and assume that our water resources are endless.

Most provinces charge nothing, or very little, for “raw water” extraction. Quebec and Alberta do not charge at all for commercial water takings, although Quebec is now considering royalties for raw water takings. Most suffice with a one-time licence to the user. Provincial policy has been oriented to using water supplies to promote industry and growth, not to promote conservation.

Industry, therefore, finds that water is cheap and easy to obtain. Corporate profits are aided by government subsidies. For example, Ontario charges large commercial users – including bottled water companies – only $3.71 per million litres of water. British Columbia doesn’t charge the oil and gas industry anything at all for its massive water takings.

Many commercial water users and industrial firms get their water from the same municipal utilities as household users. Some communities attract industrial activities by offering cheap water rates, often lower than those paid by homeowners and local businesses. In fact, many have a kind of reverse block funding, whereby the more water industry uses, the less it pays. Hotels, golf courses and the tourist industry are subsidized since they pay residential rates or lower, even though they consume vast amounts of water.

The municipalities of Toronto, Winnipeg and Ottawa have all adopted declining block water rates to increase water consumption, raising rates for small consumers and rewarding large consumers with cheaper prices, essentially killing initiatives for conservation.
Water for industrial agriculture is another area of growing concern. Canada uses a great amount of water to produce commodities and it comes cheap. Current agriculture water use costs range from $0.05 per cubic metre for animal and crop production, to $0.60 per cubic metre for food manufacturing.

Much of this food production is for export. The “virtual” or embedded water used to produce this food is also exported out of the watershed – and often out of the country – along with the exported commodity. Canada is a net virtual water exporter, second only to the United States. That means we export more virtual water than we import. Our net annual virtual exports could fill the Rogers Centre in Toronto more than 37 times. Every year, Canada exports an amount of virtual water in wheat, barley, rye and oats equivalent to twice the annual discharge of the Athabasca River.

While some farms are still medium-sized family farms, Canada is increasingly moving to an agribusiness model of food production, with corporations controlling all levels of production. For example, two (American) companies control 95 per cent of Canada’s cattle industry. These private sector interests, often foreign controlled, make huge profits on Canada’s water supplies and pay little or no money for this water. In fact, governments often subsidize this sector by funding water diversions for irrigation. Some operations, such as big factory farms, get priority rights from friendly governments and, even in times of groundwater shortages, have priority access to water needed elsewhere.

Canada’s water is also subsidizing huge corporate profits in the tar sands of Northern Alberta. Every year, the energy sector – all of it corporate and much of it foreign controlled – uses (and destroys) 1.1 billion cubic metres of freshwater in the production of oil from the tar sands. Most of this oil is subsequently exported to the U.S. Alberta does not charge any money at all for access to this water.

Canadian water-reliant natural resource industries use more than four litres of water for every litre used by all other sectors combined, including drinking water. And water use in these sectors is going to grow, in large part because Canada is actively pursuing aggressive trade agreements to expand exports in these sectors.

By 2030, according to a November 2011 report from the National Roundtable on the Environment and the Economy, water intake by the agriculture industry in Canada is forecast to increase by 54 per cent, and intake for oil and gas industries (mostly because of the tar sands) will rise by almost 100 per cent. The Roundtable report notes that in many parts of the country, there are not sufficient water resources to sustain such growth, so curbing this water use is imperative. Yet most of these industries pay little, if anything, for these water resources.
WHAT ARE THE GUIDELINES FOR OUR MOVEMENT IN FINDING A POSITION ON THIS ISSUE?

There are many questions still at play over how to fund water access and water services in Canada. I would suggest four major guidelines as a backdrop for further discussion and deliberation.

**Guideline one:** *Water is a human right and a public service and all policy about water funding should promote these principles.*

In July 2010, the United Nations General Assembly adopted a resolution recognizing the human right to drinking water and sanitation. That resolution, and another adopted by the Human Rights Council shortly after, clearly establish that governments are responsible for delivering safe, accessible and affordable water and sanitation services to their citizens.

Although the Harper government abstained in the right to water vote, and in fact, led the opposition to it, under much pressure and criticism, it has recently signalled its intention to finally adopt the UN resolution. Canada, like every other member of the United Nations, is bound to uphold this right and come up with a domestic plan of action. However, we have yet to see concrete commitments from the Harper government on the right to water. On the contrary, the government’s policies will severely undermine this right, particularly for indigenous communities in Canada, who will see massive expansion of extractive industries on their land, and for communities in the Global South, whose water supplies are quickly being contaminated and drained by Canadian mining companies.

The human right to water and sanitation cannot be safeguarded within a private water service system. The profit motive drives all business and the water business is no different. Water is a common heritage and a public trust. There can be no human right to water if some are allowed to appropriate water for profit while others do without. Water is a public service that must be delivered on a not-for-profit basis by a publicly owned and democratically accountable agency.

Therefore, we should reject market-oriented pricing and the privatization of water services outright. Any water-funding program that includes full cost pricing, thereby shifting the onus from government to the user, is unacceptable and should be rejected.

The best and fairest way to pay for public water services is through a progressive taxation system. In a recent poll, 78 per cent of Canadians said the federal government should carry the cost of upgrading our municipal water systems. The 2012 Alternative Federal Budget calls for the federal government to allocate $4 billion to water and wastewater services over the next year, and then an additional $3 billion for the next nine years to pay for the $31 billion needed to upgrade Canada’s water infrastructure. (This amounts to just $18 dollars a month for every working Canadian, as pooled contributions are less expensive to administer than individual contributions.) As well, we need taxation to pay for water in public places such as schools, hospitals, municipal buildings, and parks.
However, it is also clear that in this era of cuts to services and taxes, many municipalities are moving ahead with water service charges to pay for the upgrading needed. In 2006, which is the most recent year for which we have statistics, two-thirds of single-family dwellings in Canada had water meters. This figure is undoubtedly higher now.\textsuperscript{16} (Metering is not just prevalent in Canada; two-thirds of OECD member countries meter more than 90 per cent of single-family homes.)

So even for those of us who prefer a funding model for water services based on progressive taxation, the political reality is that water service charges are increasingly being used across Canada and so it is important to examine and help shape the different ways in which these charges are levied.

If water services charges are to be levied, the following guidelines should be used: that no one is denied water because of an inability to pay for it; the service remains in public hands; it is supplemented by government funds and is not a full cost recovery model; the charges are for the cost of the service, not the water itself; the money collected goes toward source water protection, infrastructure upgrading, and the protection of the human right to water and sanitation for all; and public participation helps set fair and equitable rates.

It is also important to clarify that paying a service charge for water, whether at a flat or volumetric rate, does not excuse or permit unlimited water consumption. Governments must still exercise the right and ability to restrict access for non-essential water use, when needed.

As well, these guidelines do not necessarily apply to First Nations communities, which have the right to demand full services from the federal government under federal law. Further work needs to be done in defining rights relating to indigenous peoples.

\textbf{Guideline two: Funding of water services and water access should not be the only – or even primary – method of water conservation and watershed protection.}

The call for market-oriented water pricing comes most vociferously from some of the sectors that use huge volumes of water, or are in the private water business. Most of them favour self-governance to government regulation, and they also want the lowest possible corporate tax system. Bottled water companies, the big private water utilities, the energy and mining industry, agribusiness – these and others have landed on water pricing as the solution – and the alternative to – environmental laws, conservation regulations and progressive taxation, which they oppose. It is important the public and governments not be swayed by their arguments that the market alone will drive conservation.

A larger, more sustainable plan for water governance in Canada must be based on the rule of law and needs to include strict pollution controls, conservation, long-term watershed protection and restoration, stringent regulations about water takings to curb the free-for-all now happening in Canada, restrictions on access where necessary, strict adherence to an improved Fisheries Act, bottled water bans, education, and investment in water and wastewater infrastructure to prevent the loss of massive volumes of water in old or non-existent systems (which would also save more water than all the pricing in the world).

As for municipal water use, Eau Secours makes the case that far more water can be saved through a combination of education, improved infrastructure (including replacing leaking pipes) and legislation to promote water-saving technology than pricing for conservation alone. In fact, a
community with good conservation measures and a progressive tax system would not need to charge much for water services at all. But this would take an attitude of respect for nature that we must cultivate.

Canadians, more than most, have bought into the myth of water abundance and have used, abused and moved water as if it is unlimited. The time has come to reverse this pattern and learn to live within the cycles and systems of the waters that give us life. All water in the hydrologic cycle must be protected and watersheds and aquifers restored. Canadian and provincial governments must undertake intensive research into our groundwater supplies and regulate groundwater takings to ensure their sustainability.

Yet in Canada, it is just the opposite. The Harper government has already allowed an exemption to the Fisheries Act (known as Schedule 2) that allows healthy lakes and rivers to be reclassified as “Tailings Impoundment Areas” and used as dumpsites for mining waste. Plans for massive growth in the tar sands of Northern Alberta are in place and are being actively promoted by the Alberta and federal governments. The federal government has also turned its back on those calling for regulation of the fracking industry, which poses an ominous threat to Canada’s water.

Recently, the Harper government has announced new changes that undo decades of water protection measures across the country: laying off hundreds of water scientists at Environment Canada; slashing funding for enforcement of the Fisheries Act and weakening of the act itself by removing habitat protection; dramatically reducing environmental review processes for extractive industry projects; deeply cutting the Parks Canada budget; scrapping the National Roundtable on the Environment and the Economy, and more. The Harper government has “opened Canada for business” with fewer safeguards for our water resources than any government in the past. Canada’s water is at risk as never before.

Most clearly, the Harper government is leading the trend to private sector self-regulation and, in doing so, setting the stage to promote the industry argument for a market-based pricing solution to water protection and conservation. This approach is a disastrous one and must be strongly opposed.

Guideline three: It is time to consider pricing raw and municipal water takings for water-reliant natural resource industries.

Water in Canada belongs to the people through the Crown. It is time to start considering provincial reforms to the fee schedule for industrial and commercial water takings. At present, there are few criteria used for allowing private sector access to the country’s water resources. This, argues Steven Renzetti in Eau Canada, The Future of Canada’s Water, contributes to the redistribution of wealth from the public to the private sphere.17

Renzetti says it is surely reasonable to argue that, as the owner of a scarce and productive natural resource, the Crown is entitled to share in the economic value created by the application of water in industrial processes, and points to forests as an example of another natural resource owned by the Crown where the wealth created in harvesting is shared through stumpage fees.

Charging proper fees or royalties for commercial and industrial water takings could serve several purposes. These sectors account for 90 per cent of water takings in this country; having them pay for this water would take enormous pressure off families, public institutions and municipalities in paying for water services and water protection.
Money collected could be used in many ways – from watershed restoration to infrastructure costs, to implementing the right to water and sanitation in First Nations’ communities. It would also introduce some justice and equity into a system that is currently badly flawed in favour of large industry.

Charging large commercial users could also serve as an incentive to conserve water. The National Roundtable on the Environment and the Economy says that raising the price of water for natural resource industries in Canada by just $0.05 per cubic metre would reduce their water intake by 20 per cent. As well, volumetric fees for commercial users might prove to be an incentive to better water savings practices. A lower block rate might be offered for industries that convert to solar power, or that use closed loop water systems that re-use water.

In its report, Food and Water Watch points to a number of studies that demonstrate significant water savings when pricing is levied at industry. This is because large industries and commercial users have more flexibility to squeeze wasteful water use and practices out of their operations than a household does. Food and Water Watch says that high volume industrial and commercial water users need water pricing reform more than households, both to increase fairness to smaller residential water users, and to more effectively promote conservation in sectors that can wring water waste out of their operations.

A fair fee system could also lead to public oversight as the process would have to be expanded to a more open and democratic process for water takings approvals.

Limits to guideline three

There are several issues, however, that must be taken into consideration when talking about charging licence fees or royalties to water-reliant natural resource industries.

The first has to do with water used for food production. Farmers need water to produce food, and many family farmers are barely surviving now. An added burden of water rates would be problematic, to say the least. However, some farms are definitely no longer the mom and pop operations we think of as family farms. Increasingly, corporate agribusiness in Canada is growing food for export, and with the death of the Wheat Board, we are going to see the big U.S. grain giants moving into Western Canada. These corporate giants use local water sources to produce food to export from which they make huge profits.

Perhaps we can start looking at a differential fee system for food production based on the size of the operation, how much production is for local consumption, and how much is for export. After all, we promote local, sustainable food production and a supply-managed system to counter the
globalization of the food trade and to save local water sources. There could also be lower block rates for good agriculture and water-efficient practices, such as hydroponic market gardens, drip irrigation and organic crops.

Terry Boehm, president of the National Farmers Union, says that paying more for water as consumption increases (volumetric pricing for food producers) would discourage straight line increases in water consumption and make it harder for large operators to access huge amounts of cheap water. He suggests a sliding scale with larger consumers paying more than smaller operators.

He also calls for a regulatory system that operates on criteria other than the market and that asks about end goals. Is more water needed for domestic or foreign consumption? Is the water resource going to raise farm incomes or corporate profits? Who will benefit the most? What will be the quality of the water after use? Is the water resource better left undisturbed?18

Another concern to raise is the thought that charging fees for water access would allow big companies to buy their way around environmental rules. Paying for water must not give natural resource, commercial and industrial users the right to take as much water as they want, or to pollute it. Paying for water does not get around the need to protect it. We still need to work toward a moratorium on bottled water takings, to dramatically cut access to water in the tar sands, and to deny fracking companies access to local water sources.

Nor are we saying that charging industrial and commercial users takes the place of source protection, conservation and pollution control. In fact, charging a serious licence fee to industrial and commercial users could help separate less desirable companies and practices as licences could and should be denied to any company that pollutes or overuses local water sources.

Finally, because NAFTA (and potentially other trade agreements such as the Canada-European Union Comprehensive Economic and Trade Agreement) gives foreign corporations the right to claim water they use for their production in Canada, we must be very careful that we don’t set up a regime where they could claim that by paying for Canadian water, they now own it.

Legal trade expert Steven Shrybman says that this danger adds strength to the argument that governments must not relinquish public ownership or grant proprietary rights to these companies in charging them for water. In fact, he says, it would be best that any water charging scheme be very explicit about preserving the public trust, and clear that the ownership of water is staying in public hands.

Guideline four: Canada’s water heritage must be taken into account in all policy relating to trade agreements, resource extraction, energy and agriculture industries.

Economic globalization, the growth model, increased trade, and the increase in extractive industry operations are all being promoted by the Canadian government and all have an enormous impact on water. Yet neither the damage done to Canada’s water sources, nor the economic cost to Canadians of giving away this water for next to nothing are considered when governments create economic, trade and resource policies.

For example, the report Leaky Exports: A Portrait of the Virtual Water Trade in Canada, clearly demonstrates that the increase in virtual water exports to the U.S. was a direct result of post-NAFTA increases in water-intensive exports. Yet there were no cost or environmental analyses done of
Canada’s water supplies for NAFTA, and there are none done for any new trade agreements Canada is now negotiating. There is also an almost total absence of policy intervention by any level of government in Canada to set conditions on access to Canada’s water for export-driven production.

Moreover, Canadian federal and provincial governments are increasingly using Canada’s abundant water as a lure for increased trade and foreign investment in water-intensive industries, intensified energy and mining development, and growth in the industrial agriculture sector. Canada’s water resources hold great promise for what some are calling a “Blue Economy.”

British Columbia Premier Christy Clark made her province’s abundant resources and water supplies a cornerstone of her 2011 Jobs Plan, which announced more mines, more pipelines and more liquefied gas terminals – all to create jobs and economic prosperity. In 2010, Ontario Premier Dalton McGuinty adopted the Open For Business Act, which cut many regulatory barriers to obtaining commercial water licences and killed the Environmental Bill of Rights Act, whereby all pollution permits would be opened to public scrutiny. Prime MInster Stephen Harper is aggressively pursuing trade and investment agreements with countries and corporations around the world with no oversight whatsoever of the environmental or economic ramifications for Canada’s freshwater heritage.

These “open for business” policies pose a far greater threat to Canada’s freshwater heritage than our domestic use of water, and pricing is no substitute for sustainable economic and trade policies. Counting how many bathrooms people have in their homes while allowing the bleeding of our water supplies through virtual water trade, and poisoning by bad energy and mining practices, is poor policy. It doesn’t work environmentally, it doesn’t work economically, and it ignores the real issues.

Canada’s water will truly be safeguarded only when we bring the rule of law to protect it and when our governments apply the public trust doctrine to ensure the prioritization of local ecological needs and the public interest in all decisions made about it.
NOTES


10. ibid *Leaky Exports*

11. ibid, *Charting a Course*

12. ibid, *Charting a Course*


16. ibid, *Worth Every Penny*


18. Terry Boehm, National Farmers Union, personal correspondence, March 2012