



by Wojciech Jarosiński

This checklist is an element of the INPRIS Water Negotiation Project. It is inspired by a series of meetings with Polish expert of the CO₂ trade: Mr. Paweł Mzyk, Deputy Director of KASHUE-KOBIZE.

Checklist to the contract for a distribution of water:

1. Scope of contract. Description of the good sold on the market:

- clean/fresh water drawing rights
- dump water emission rights
- other rights

2. Rules for allocation of the initial value of water between Israel and Palestine:

2.1. Benchmarking: what the benchmark should be related to:

- a person
- an activity that consumes the highest amount of water
- GDP or other economic factor

2.2. Grandfathering: which year should be the base year for the allocation?

- the year when the water usage was the most comparable
- the year when UK left the region
- present year
- the year when the territories of Israel and Palestine were at the same stage of development

2.3. Should there be a distinction between fresh and grey water allocation?

3. Purpose of the contract: what is the goal that parties pursue?

- reduction of the waste water emission
- rise of the level of fresh water available
- withholding status quo

4. Market access rules: who, and under what circumstances can access the water distribution market?

- only countries
- private entities and/or individuals
- users who were granted the drawing or emission rights
- pooled groups of users



Pooling criteria: geographical, administrative division of the state/autonomy

- differentiated pooling: small users are pooled and the big users left to act on their own

What threshold should apply to divide users?

- should the people be excluded from the pool?

5. Distribution of rights:

- The price of rights on the market: the price should stimulate the reduction of waste water emission or create incentives for production of the fresh water
- Should an auction become a way for initial allocation of rights? An auction removes drawbacks of benchmarking and grandfathering. However, is Palestine able to obtain the money allowing competitive participation in the auction?
- Should the water obtained from desalination and other, alternative sources, be included in the market?

6. Management of the agreement

- determination of the real level of fresh water use or waste water production
- balance sheet of the water distribution system

7. Global book keeping of rights:

- allocation of unused rights
- awarding and executing fines for abusing limits. Execution secured by means of bonds, escrow accounts, or build in the water market (options, swaps)?
- allocation of resources received from the sale of rights on the market

8. Flexible Mechanisms:

- vehicles permitting introduction of new fresh water to the market (CDM)
- redistribution of available resources (JI)
- rules of management over investments made
- should all participants of the market have an access to Flexible Mechanisms?
- should newly produced water be left outside the market (like biomass in the CO₂ trade)? Or should the new water be accounted for the market as a Joint Implementation or Clean Development Mechanism? If JI and CDM are used, should it be compulsory to put all new water to the market?