

SECTION B

WATER TRADING

B1. Water Trading

1. INTRODUCTION

The information presented for the Trading of Existing Allocations is taken from the City of Cape Town's (CCT's) Bulk Water Supply Study *The Potential for Purchasing Water Rights from Agricultural Users who have Allocations from Voëlvlei and Theewaterskloof Dams* (Ninham Shand Report No 3282/9531, July 2002). The Berg and Breede Internal Strategic Perspectives were also referenced with respect to the potential for trading of water out of Koekedouw Dam in Ceres and Eikenhof Dam near Grabouw.

Not all water allocated to agricultural users is being utilised. Therefore, there is potential for purchasing water rights from those agricultural users who are not fully utilising their allocations.

2. OPPORTUNITIES FOR WATER TRADING

2.1 Theewaterskloof and Upper Berg

In July 2002, an analysis into the potential for purchasing water allocations from agricultural users was undertaken by the CCT. That study indicated that for the periods Nov 1998 - Oct 2000 and Nov 2000 - Oct 2001, the Zonderend and Upper Berg River Irrigation Boards used less than 60% of their allocations from the WCWSS. In volume terms this translated to approximately 57 million m³/a not being utilised by the agricultural users during the stated periods. There is therefore potential for trading of unexercised allocations from within the WCWSS.

The Agreement for the Berg Water Project between DWAF and the Trans Caledon Tunnel Authority (TCTA) states that farmers supplied from the Western Cape Water Supply System will:

- continue to receive water at a 98% assurance of supply until they take up their full allocations.
- receive water at a 91% assurance once their full allocations are taken up.

A licence application is required for any water trading.

2.2 Eikenhof Dam

The Breede ISP Report indicates that 5% of summer allocations and 20% of winter allocations out of Eikenhof Dam are unused within the Groenland Irrigation Board. Approximately 4,5 million m³/a of allocated water is currently unutilised, although it is paid for. This water could be released from the dam and transferred into the Western Cape System via the Palmiet Pumped Storage Scheme.

2.3 Koekedouw Dam

The Breede ISP also indicated that there is up to 3 million m³/a of unexercised allocations out of Koekedouw Dam, which serves irrigators in the Koekedouw Water User Association (WUA), and the town of Ceres. The dam is owned by the WUA. This water could potentially be purchased and transferred into Voëlvlei Dam via the proposed Mitchell's Pass Diversion Scheme.

3. FINANCIAL COSTS

Acquiring water via trading would need to be assessed on a case-by-case basis. The associated costs for acquiring water via trading will vary from one potential source to another. Factors influencing this include current irrigation development potential, crop types and potential revenue. Koekedouw and Eikenhof Dams are privately owned and negotiation with the dam owners will need to be undertaken.

4. ECOLOGICAL

The identified water trading options are unlikely to have any significant environmental impacts. In the case of Eikenhof Dam, the existing transfer scheme from the Palmiet River to the Upper Steenbras Dam would be used. Water quality considerations have therefore already been accounted for. There would be some increase in flow in the Palmiet River between Eikenhof and Kogelberg Dams. From Theewaterskloof Dam, the water would be fed into the existing system with no environmental impact. From Koekedouw Dam, water could be released into the Upper Breede River and be abstracted at the potential Michell's Pass Diversion scheme for transfer to Voëlvlei Dam. Impacts on the Breede River would depend on the seasonality of the releases, in addition to those of the Michell's Pass Diversion.

5. SOCIO-ECONOMIC

The transfer of water from one water use sector to another can impact on the socio-economics of the areas in question (changes in land-use, job losses, etc.). However, where unused allocations are traded this risk is not relevant. The seller is required to provide an indemnity that no land claim has been lodged against his property in terms of the Restitution of Land Rights Act. The purchaser is required to apply for a water use licence.

6. OTHER ISSUES

Specific strengths and weaknesses include :

- **Strengths**
 - does not necessarily require infrastructure development;
 - unused allocations from the system are by default integrated into the system;
 - environmental and social impacts can be managed;
 - the selling price can be negotiated.
- **Weaknesses**
 - relies on a voluntary offer to sell;
 - cannot be forced without Compulsory Licensing.