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Rio Grande Valley Water Markets And Legislative Influences

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The Texas population is expected to double by 2050, accompanied by a substantial increase in the demand for potable water. These dynamics raise concerns regarding both the quantity and quality of future water supplies. The Texas Lower Rio Grande Valley is one area in which alternative water sources and potable treatment methods are being sought to support a rapid population growth. An emerging and promising approach to expanding potable water supplies is brackish groundwater desalination. Recent technology developments and increasing prices of water rights have resulted in the economics of desalination becoming more competitive with traditional treatment methods. Attempting to facilitate meeting the increasing needs for municipal water, the 2007 Texas legislative session passed Senate Bill 3. This act established the price at which irrigation water in the Lower Rio Grande Valley can convert to municipal water at 68 percent of the market price. Preliminary economic and financial investigations suggest this legislation could create a market distortion between desalination and traditional treatment methods by lowering the costs of traditional treatment methods relative to desalination methods. The implementation of economic and financial analysis is useful in evaluating the magnitude of possible economic distortions created by legislation in this region's water market. Such distortions can negatively impact the adoption of emerging alternative technologies for producing potable water. In addition, unexpected impacts of legislative actions can be identified. The overall objective is to identify the most efficient method and source of providing water to regions where water is scarce and population is rising rapidly.