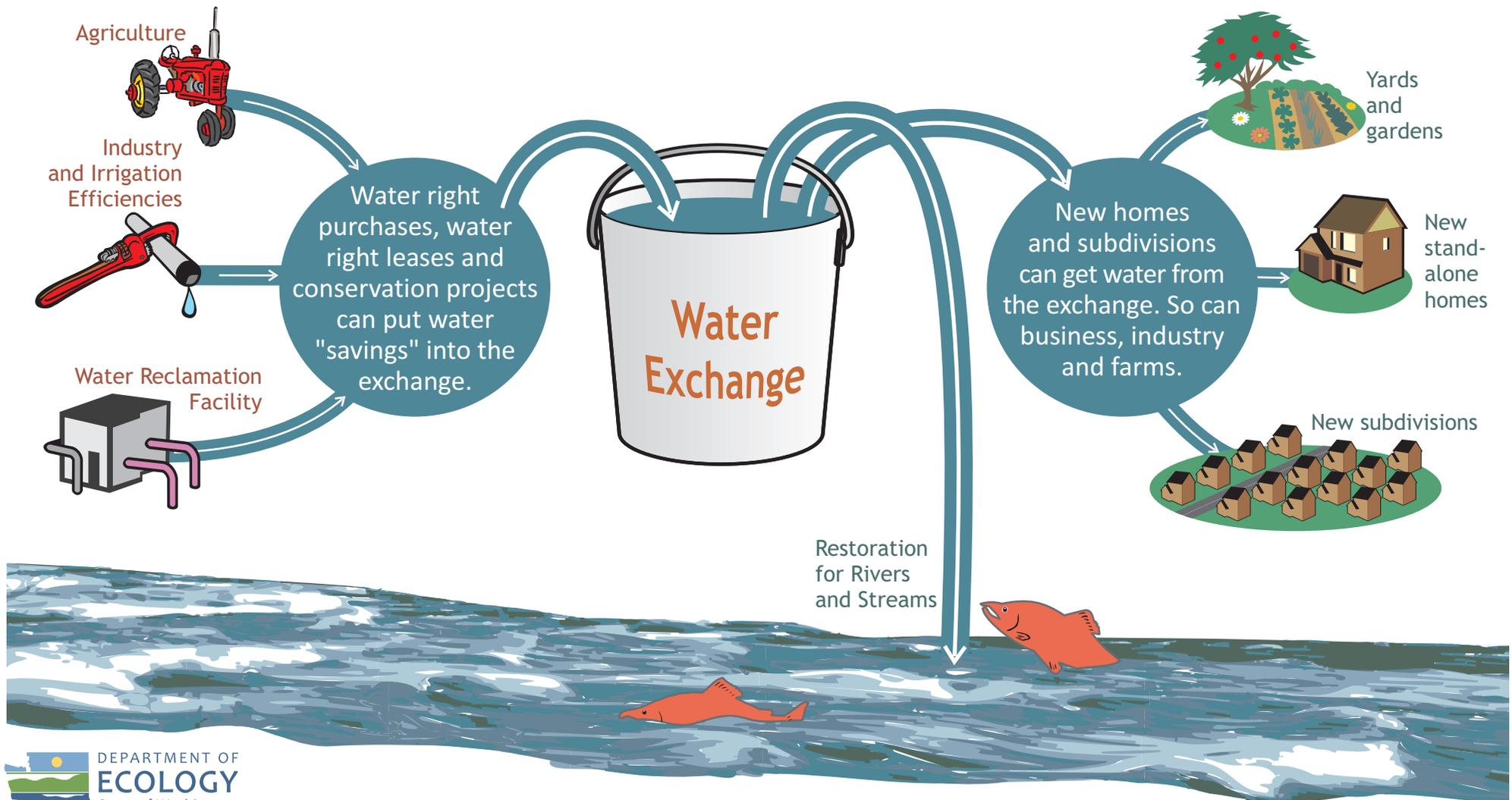


# What Does a Water Exchange Do?

A water exchange, or bank, is created to ensure water will be available for the future. The common goal is to move water to where it is needed most and to replenish the water supply when new water users draw from it. Water typically is "banked" before it is designated for use. The idea is to hydrate the "bank" so demand won't outstrip supply.

In Washington state, water banking is fairly new. The exchange, or bank, facilitates water right transactions between buyers and sellers. It also accounts for the amount of water that is available to buy and sell. The exchange, or bank, is operated by an institution that serves as a broker, or clearinghouse. Water banks pool water supplies from willing sellers and offer "credits" for sale to willing buyers.



# Water Exchange (aka Water Bank) FAQ

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**Q: What does an exchange do? A:** The exchange makes it cheaper and easier for you to buy water for mitigation. It can pool funds from multiple buyers, buy water in large amounts to lessen the cost, then sell it in small increments at a lower price. This intermediary between buyers and sellers of water rights can also be a one-stop shop for transactions, from initiating a purchase to ensuring water right mitigation certificates are recorded against the deed that goes with the property.

An exchange also ensures that a mitigation program used to offset the impact of new water withdrawals is working properly by tracking and reporting its transactions. Mitigation credits are the amount of mitigation water made available by a specific water rights transaction or water resource management action overseen by the exchange. For a buyer, it's a one-time cost, similar to purchasing a permit.

**Q: Why do we need a water exchange? A:** The exchange is a more efficient way to run a mitigation program, which is set up to make water available to new users. Water is a finite resource, so managing it efficiently with an eye to the future is important.

**Q: Who benefits from the Exchange? A:** Both buyers and sellers can benefit from a water exchange. An exchange would be the obvious first place to look when interested in selling and buying water rights and mitigation credits. The alternative would be for each potential seller to identify a buyer or each potential buyer to identify a seller, then begin the process of negotiating a purchase and sale agreement, which would then need to be approved by Ecology. A water right market without an exchange likely would be much less efficient, more difficult to navigate, much smaller and likely more expensive.

**Q: Do I have to use the exchange? A:** No. You may choose to create your own mitigation plan by acquiring a water right and transferring it to Washington's Trust Water Program.

**Q: Why is mitigation needed for future water use? A:** Under the proposed rule, you cannot use new water without mitigating to offset this use. The Dungeness River Basin is over-appropriated, meaning more water has been legally allocated through water rights than is normally available during certain months. Though the basin is wet and rainy much of the year, during the summer and fall rainfall is minimal, stream flow is usually low and demand for water for farms and residential uses (gardens and lawn watering) is at its highest. This leaves little water in streams for fish. Also, rainfall and stream flows vary from year to year and season to season, so the water supply can be unreliable even for agricultural water users who hold the most senior water rights in the watershed.

**Q: Who would oversee a Dungeness Water Exchange? A:** The Washington Water Trust, a nonprofit organization specializing in water rights and water exchanges. A local advisory board that includes the Dungeness Water Users Association, Clallam County, Jamestown S'Kallam Tribe, Ecology and other basin stakeholders is proposed to guide policy and priorities for the Dungeness exchange.

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