Guest Editor's Note

Canadians are the second largest per-capita users of water in the world. At the same time, although the 1987 federal water policy calls for the federal government to promote the use of economic instruments for water management, the OECD has criticized Canada for not making enough use of economic instruments for environmental goals.

This special issue of the *Canadian Water Resources Journal* contains a selection of papers presented at an experts' symposium on the use of economic instruments for water demand management. Held June 14-15, 2004 in Ottawa, the symposium was organized by the Policy Research Initiative (a unit in the federal government's Privy Council Office) to examine global and Canadian experiences and theory in the use of pricing and water markets for managing water demand in the municipal, industrial, and agricultural sectors.

A number of key messages emerge from these papers, and from the symposium; Cantin, Shrubsole and Aït-Ouyahia summarize them in the lead article to this issue. The over-arching message, however, is that before you seek to apply an economic instrument, be it a price increase, a tax, or the development of a market, you must be clear about why you are doing it and you must try to use the most appropriate and cost effective instrument to reach your objective.

Canadians are the second largest per-capita users of water in the world. But why do we want to change that? Is it because this use of water places a strain on the environment and places habitats and species at risk? Is it because the municipal water supply infrastructure is stretched to its limit, and only reducing per-capita usage will defer large capital costs? Is it because water used is often returned to the environment in a polluted state, and by reducing water use, we hope to reduce pollution? These are all valid reasons for seeking to reduce water use, but may all be best approached through very different policy instrument packages — and any given economic instrument may not always be an essential element of that package. Further, reducing water use may not be the only approach to these issues.

Diane Dupont argues that municipal water providers will have an easier time solving their problems if they have a better understanding of how their clients view the water services they provide. Steven Renzetti looks at the largely self-supplied industry sector, and examines some of the complexities of using economic instruments for managing self-supplied industrial demand. Yacov Tsur looks at another sector, agriculture, which, although not the largest *user* of water, is the largest *consumer* of water in Canada.

David Zilberman and Karina Schoengold, and Theodore Horbulyk look at different aspects of how water markets function, and their role in allocating water to different users. Mike Young and Jim McColl review Australia's experience with implementing their water market, and draw some general implementation lessons from that experience. Richard Howitt and Ellen Hanak look at a North American example, the California water market.

Finally, exploring the potential of water soft paths, David Brooks brings us back to the fundamental question of what do we want water for?

Canadians are the second largest per-capita users of water in the world. This special issue of the *Canadian Water Resources Journal*, and the symposium from which it derives, provide glimpses of some possible ways of using economic instruments and their limits to reduce Canadian water use, and thereby reduce our impact on our environment, or reduce the immediacy of the need for new expanded infrastructure.

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