

Water scarcity and affordability in urban water pricing : a case study of Chile

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Abstract

Water demand management is one of the main issues in the water policy agenda. The objective of this work is to design a water rate model that internalizes the scarcity value of water and at the same time improves social concerns such as equity and affordability. The proposed water rate focuses on the variable component of the tariff and follows an increasing block strategy. An empirical application is developed for two Chilean regions. This application illustrates that the implementation of the proposed water rate creates incentives to improve water use sustainability and equity among users..

Keywords

Affordability, Equity, Increasing water tariff, Urban water sustainability, Water scarcity.