

The world underestimates the magnitude of water supply and infrastructure challenges

“We face a water scarcity crisis of equal or greater impact in some countries than climate change”

With a staggering number of people in the world still without basic water and sanitation services, the urgent need for new infrastructure and improvements to existing infrastructure was brought sharply into focus during “Blue Oil – Water and Finance?”, part of the UNEP FI Open Debate Series.

Introducing the open debate, Gary Miller, Senior Vice President and Co-Chair of IPWA – OMI Inc, said the magnitude of the challenges of water had been underestimated.

It could be difficult to motivate funds into this sector, and while significant achievements had been

made with some projects, political hurdles and red tape often frustrated project progress.

“We need better alignment with organisations to get water projects through, so we can get better quality water services and sanitation services to people around the world,” Mr Miller said.

Andrew Pidden, Chief Investment Officer of Clean Resources Asia, said his company’s investment funds in water and waste management had grown rapidly, due to

investor pressure for dedicated water funds in the Asia Pacific region. Clean Resources Asia had added waste management to its funds, because it couldn’t separate water supply and water clean-up from the business of ensuring that pollution wasn’t corrupting the water supply in the first place.

Water pricing

The pricing of water as a resource had to take into account the cost of delivery and the condition of the water, for example, whether it was polluted or sourced from ever-decreasing ground aquifers. But the price of supply hardly ever seemed to be the direct result of the cost of supply, because of government-imposed tariffs.

“There is a massive disconnect between the price that people expect or want to pay for water in the Asia Pacific, relative to the difficulty of supplying it. We feel that situation is deteriorating, and as long as it deteriorates you risk over-exploiting the pure water sources that are available, and leaving yourself a bigger problem to clean up,” said Mr Pidden. While water tariffs in cities were increasing, they still did not reflect the cost of the infrastructure, he said.

Global investors eager to invest in water/waste

Asked how to get more finance from the private sector to improve water infrastructure around the world, Mr Pidden said there was lots of appetite from global investors to invest in the water/waste space globally. There was recognition that this was a constrained, critical resource, but the real problems were that water historically in any country had been a utility-style investment with low volatility yield and lower risk.

There were few water utilities companies available for public investment, and primarily the story was built around water technology and water project companies. In China, the water project companies were very volatile in the way they were executing. “There’s not great clarity at times about the actual returns you’re receiving from the project you’re investing in, and there have been some quite alarming announcements and results that have created the perception of high volatility in that space.”

Many of these companies were reasonably young, and management had little experience of the way investors liked to be informed about problems and issues that could affect the profitability of the company.

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Half full or half empty?

A set of indicative guidelines for water-related risks and an overview of emerging opportunities for financial institutions



A study of the Water & Finance Work Stream of the United Nations Environment Programme Finance Initiative



UNEP Finance Initiative
Innovative financing for sustainability

Water scarcity: an environmental crisis

James Pittock, the outgoing Director of WWF's Global Freshwater Programme, said the water scarcity crisis was also a crisis for the environment. Freshwater systems were amongst the most bio-diverse on earth, but had been severely damaged by human impact.

"We face a water scarcity crisis of equal or greater impact in some countries than climate change," Mr Pittock said. "Much has been made of the impact of climate change on freshwater in terms of water supply and sanitation, but unless our societies can get better governance of our river systems, we are not going to achieve goals of better water supply and sanitation or have a healthy freshwater environment, and we won't have energy and food."

Mr Pittock said that when WWF and its NGO partners studied the question of government prioritisation of the supply of water and sanitation services, they looked at the 30 least developed countries that had the lowest rates of water service delivery to their people.

"Half Full Or Half Empty" Guidelines

Of the developing country governments, only two had prioritised water and sanitation for financing from the international community. Large scale engineering infrastructure projects took priority. One of the key reasons was that responsibility for water was often scattered between different ministries, which had not "got their acts together" to influence their finance ministries and governments.

Following the open debate, a new set of guidelines for water-related risks and an overview of emerging opportunities for financial institutions were launched. *Half Full Or Half Empty*, a study by the Water and Finance Work Stream of UNEP FI, examines the drivers of water-related risks and opportunities and looks at exposure to risk by sectors. It also gives a framework for water-related risk management, and risk management guidelines for project finance, corporate finance and asset management. Growing areas of opportunity in innovative water technologies and water services are also identified.

Download the water guidelines at www.unepfi.org.

