

Is water the new carbon?

Iain McGhee

In terms of corporate sustainability, water is a very tricky issue which is probably why there has been equal measure of concern and demand to see this issue rise up the corporate agenda. In many ways water is analogous to carbon, it's an environmental issue of significant social consequence, your impacts will tend to be inextricably linked to your productivity and on the largest scale these impacts will be dislocated from their geographical source.

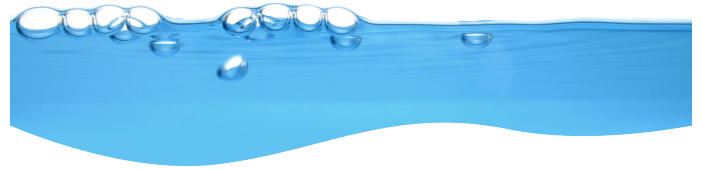
We probably all studied the hydrological cycle so we know the challenge with water is its distribution. Broadly speaking we have the same amount of it (in one state or another) through time, it's a question of access: who can't get hold of it and who is inundated by it.

Through various unfortunate natural feedback systems, water also interconnects with carbon & climate change. Changing climate patterns have profound effects on water distribution, exacerbating water scarcity in already stressed areas and driving extreme climatic events (floods, tornadoes) in others. To complete the cycle we then commit or lose significant resource and energy in relocating this water back to where it is either required or can be safely retained – in the process, contributing to further climate change. The biggest environmental injustice is that the poorest parts of the world are the most significantly impacted, the least equipped to manage the risk and the smallest contributors to the underlying consumption.

Getting back to corporate reporting and management, the interesting aspects of water management are found when we look behind the bigger global picture. Unlike carbon, over extraction of water on the most localised scale can have immediate, basin-level impacts. This kind of local scarcity will impact on the health and security of the local population, and the ability of a business to operate in the short term. The great thing about climate change is that its 'trans-boundary' nature allows it to be viewed as everyone's problem hence no one person's problem. Basin level water availability operates within and across geo-political boundaries and has impacts which will be felt within years, not decades.

What could this mean for companies?

- Increased legislative pressure on the reporting and management of water consumption
- Focus on collaboration between companies operating in a shared basin, possibly even basin level reporting?
- Greater investor interest in short-term, basin level impacts of over extraction in your business – and by extension, more investor surveys, see below!



A couple of weeks ago we attended the inaugural Carbon Disclosure Project Water Report launch. Despite its somewhat confusing name the purpose of the initiative is pretty clear – to achieve with water what the CDP has with carbon, that is getting the world's largest companies talking about their performance, the risk and the opportunities around this increasingly stressed resource.

The first water survey was sent to 302 companies and received a 50% response rate, with an additional 25 companies volunteering a response. Not an immediately encouraging response but there are many surveys around at the moment, and in some cases it probably makes sense to see how things play out before committing resource to submitting a response.

Some highlights of the CDP Water Report:

- The report findings show that water security is already high on the corporate agenda with 67% reporting responsibility for water-related issues at the board or executive committee level.
- The majority of companies (89%) have already developed specific water policies, strategies and plans, and 60% have set water-related performance targets.

So it's already happening, companies need to understand, manage and report on water. Currently the CDP are pushing for disclosure on water, the next phase will be 'quality' disclosure. In the medium term expect emerging standards on water reporting (as the GHG Protocol has become for carbon).

The CDP Water Survey 2010 is currently available in the CREDIT360 Indexer Module. We are already helping 75+ companies with annual revenues in excess of US\$75bn collect and report water data. CDP Water Survey respondents from our client base include, Linde Group, E.ON and RWE.

Iain McGhee
Director of Business Development
iain.mcghee@credit360.com