

Hundreds of billions of reasons to price water right

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Insight from Christopher Gasson, GWI publisher

This year's Singapore International Water Week was the best one yet. The strength of the agenda, the quality and quantity of the attendees, the excitement and the buzz, was better than I ever remember it. At the same time, I still came away feeling dark about the outlook for the industry.

Matt Diserio of Water Asset Management, who is one of this industry's most insightful thinkers, summed up the position neatly in an email to me this morning: "Those presenting to SIWW's thousands of attendees fall into two camps," he wrote. "There are operators facing the challenges of managing the water supply and water quality for their service territories – almost always with inadequate operating and capital budgets – while scores of product and service providers describe increasingly innovative solutions and services, that sadly most operators can ill afford."

He is absolutely and tragically right. These last five years money has been pouring into innovation in the water sector as never before. At the same time municipal market growth has been non-existent or negative.

"The missing link to break that tension is a clarion call by attendees for the broader implementation of full-cost pricing for water and sanitation services," Diserio continues, citing an informal survey of systems operators at SIWW that revealed an exceptionally high correlation between tariffs that cover operating and capital costs, and the "24/7 potable water supply –which is everyone's right".

He continues: "That basic right is increasingly threatened from Las Vegas to São Paulo by the direct hit on water supply from the effects of climate change which is increasing capital intensity and operating sophistication necessary to provide reliable and sustainably water and sanitation services.

"Full-cost pricing is the key to unleash the massive flow of available capital necessary to finance the hundreds of billions of dollars required to ensure safe drinking water and adequate treatment of effluent. If the water industry does not take the lead in educating the world's leaders, consumers, and most importantly itself on this fact of life, who will?"

This is a theme which we have been pursuing in this magazine, and at the Global Water Summit and American Water Summit series for some time. I think that the difference is that the situation is now so bad that money is starting to care.



Until recently those hundreds of billions of dollars which might flow into water didn't really mind whether or not they were missing an opportunity, as there were plenty of other things to invest in. Those alternatives are running out. Other infrastructure categories such as toll roads, energy generation and distribution have been quite well played out. Water stands out more clearly than ever as an under exploited investment class which could offer the kind of steady yields with low risks that pension fund investors need so badly at the moment.

But it is not just investors who need the water utility sector to change. Money in the corporate sector is also beginning to care. The failure to provide potable water 24x7 to the world's 7.2 billion inhabitants has become a growing liability for businesses. It becomes very difficult for them to use water with impunity when so many people face such difficulties securing their basic human right.

With public finances under pressure as never before, I think municipal leaders will be increasingly inclined to listen to what the money is saying. The current system of paying for water through inadequate public subsidy is not sustainable.

There will be many people who came away from SIWW feeling energised by the event but gloomy about their sales prospects. We need to turn this ambivalence into a redoubled effort to make this industry work better.