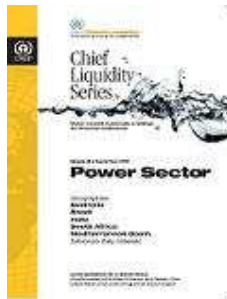




Impact of Water Scarcity on Power Generation

The UNEP Finance Initiative launches Issue 2 of the Chief Liquidity Series at World Water Week in Stockholm



Stockholm, September 6, 2010 – The United Nations Environment Programme Finance Initiative (UNEP FI) launched Issue 2 of The Chief Liquidity Series focused on the Power Sector at an event entitled ‘Seeking Liquidity: Integrating Corporate Water Performance into the Core of Financial Services and Capital Markets’, during World Water Week.

In an effort to encourage new thinking and foster creative solutions to the world’s most pressing water challenges, the World Water Week in Stockholm convened leading experts, practitioners and decision makers in the field. UNEP FI led the discussion on how water stresses impacted business performance in water-intensive sectors.

The discussion was chaired by Sasja Beslik, Head of Responsible Investments and Governance at Nordea, Sweden and Co-Chair of UNEP FI Water and Finance Working Group who invited Ivo Mulder, programme manager of UNEP FI’s Water and Finance Working Group to present a briefing of the report. The speakers panel also included UNEP FI Member representatives, such as Dean Draye from CitiGroup Investment Research.

The Chief Liquidity Series inform risk analysts, portfolio managers and sustainability experts about financial risks and emerging opportunities associated with water challenges across a range of particularly exposed sectors and hydrologically diverse geographies. Following the first issue on agribusiness, UNEP FI is releasing the second issue on the power generation sector, which focuses specifically on thermal and hydropower and, to a lesser extent, solar energy.

The report finds that increasing water scarcity due to climate change and higher demand, are posing material challenges for financial institutions in exposed sectors, such as power generation in water-scarce areas. By asking the right questions, financial institutions can play a role in carefully identifying and therefore minimizing risk exposure due to water availability. UNEP FI has developed a number of performance indicators for thermal power, and a number of key issues to consider for hydropower projects. Performance indicators can be used as part of an engagement process with clients in the power sector, or as part of due diligence.

The report underlines the need for the finance sector to understand where water-related problems are clashing most significantly with economic growth and financial performance. As commented by Sasja Beslik “the report is one of the steps needed to be taken by financial community in order to value water as one of the most important resources for our existence,

as well as for our investments. The report provides many useful answers and angles crucial for any investor."

"Power generation does not only pose challenges and opportunities in the reduction of all producers and corporate users' carbon footprint" said Mr. Vicky Beukes, Social and Environmental Risk Manager at Nedbank Group Ltd and Co-Chair of UNEP FI Water and Finance Working Group.

"It poses a direct risk associated water availability and water quality. Most power generating technologies require a consistent flow of non-polluted water to provide a steady supply of electricity. The threat of degradation of water quality, changing rainfall patterns, growing population and climate change will require financial institutions to consider the water and electricity requirements of all the projects they finance and associated physical and regulatory risks."

On top of highlighting the potential risks to financial institutions relating to debt-servicing abilities, creditworthiness of clients and reputational risks, the report also highlights the opportunities available to financial institutions in encouraging the adoption of best practices, which may include the introduction of eco-friendly technologies, such as closed-cycle, re-circulating cooling water systems or membrane technology to recycle waste water. In particular, the report emphasized the role that financial institutions can play in carefully identifying and minimizing risk exposure due to water availability. This may include asking clients to ensure that they are using climate and hydrological information to assess not only present day risk, but also take into account future risk from climate change on sensitive water resources.

NOTES TO EDITORS

The Report will be available on 6 Sept at www.unepfi.org.

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ABOUT UNEP

Created in 1972, UNEP represents the United Nations' environmental conscience. Based in Nairobi, Kenya, its mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations. UNEP's Division of Technology, Industry and Economics - based in Paris - helps governments, local authorities and decision-makers in business and industry to develop and implement policies and practices focusing on sustainable development. The Division leads UNEP's work in the areas of climate change, resource efficiency, harmful substances and hazardous waste.

ABOUT UNEP Finance Initiative

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global public private partnership between the United Nations Environment Programme (UNEP) and the financial sector. Close to 200 institutions, including banks, insurers, fund managers and investors, work with UNEP to understand the impacts of environmental and social considerations on financial performance.

