

When Sustainable Water Use Becomes Everybody's Business – Linking Investors, Business Sectors and Water Sector Stakeholders
Founders Business Seminar

Wednesday, 15 August 14:15-17:00, Norra Latin, Pillar Hall

Convenors: Stockholm Water Foundation (SWF), Stockholm International Water Institute (SIWI), ITT Corporation, UNEP Finance Initiative, World Business Council for Sustainable Development (WBCSD) and Siemens

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Summary

The water situation today challenges business and their financial backers to manage water effectively and sustainably. What impact does efficiency, innovation, competitiveness, reputation and market standing have on business and financial institutions?

The 2007 Founders Business Seminar focused on how to make sustainable water use everybody's business, linking the financial sector, business and other stakeholders in the water sector. It was an interactive, moderated discussion with the aim to explore issues of how to improve and increase investments, operations and collaboration for sustainable use of water.

Pay more?

Society cannot success without good infrastructure. There is consensus that more money will have to flow into the development of further, better and more sustainable infrastructure and that it will partially have to come from the private sector and capital markets.

At the heart of the discussion lies, hence, the question whether or not water should be given the price that reflects its true economic value. If done so, the argument went, water would less be wasted and the sector would attract more of the needed investment.

Many companies would be willing to pay a higher price for water if it meant it would be used more sustainably because it was considered more valuable. Simultaneously it is stressed that while being able to independently cover costs, water-supply and sanitation schemes should not become exclusive, especially with respect to poor consumer households in developing countries.

It therefore becomes clear that what the sector needs in many cases is a **compromise of mindsets**: water must be regarded as **both** a human right **and** an economic product.

Follow by example!

There are some examples where water schemes have successfully been designed to be both profitable and socially inclusive, often by means of private-public collaborations. Forty years ago in Singapore, there were major water and sanitation issues. Today, Singapore was awarded the Stockholm Industry Water Award (SIWA). We can learn from their experience: what mechanisms were put in place? Who was involved in the process? How was it financed?

Many companies are not only getting their own house in order by recycling, re-using and discharging their water responsibly. They are now looking at their complete value chain, from their suppliers to their consumers, including collaboration with stakeholders.

Investors and other financial backers are also starting to understand the financial relevance of water-related risks. The awareness of financial losses and reputational damage in water issues has rooted itself among bankers and investors following negative headlines around, for instance, Coca Cola in India or Fray Bentos in Uruguay. Now they are bringing water-issues onto their check-lists in order to avoid such risks.

Progressive investment and credit professionals are going further and see the ultimate business opportunity in being part of the overall solution rather than the problem: “Simply put – Financial institutions have a moral responsibility to provide financial services for sustainable development”, says Sasja Beslik from ABN Amro Asset Management Sweden.

Water from the investor’s perspective: interesting but not ripe

Banks and Investors are progressively willing to get involved in the water sector, not because it is in their interest to help achieve the Millennium Development Goal on Water and Sanitation, but because they are realizing the business opportunity in - after gas and oil – the biggest sector worldwide.

It is a strategic opportunity with investments that, against the background of pronounced economic cycles and volatility, usually boast considerable stability. However, according to Ulrik Weuder from Danish Pension Fund ATP, “investment in water is closely linked to the political environment: in the UK, politicians change every five years means that long-term commitments are challenging. In Denmark, a new legislation states that companies cannot make a profit on water services.”

Therefore, and as a prerequisite for the above “compromise of mindsets”, Johannes Schmidt, Managing Director, Siemens Financial Services GmbH, deduces the need to get rid of “the re-election syndrome” among many politicians responsible for water supply and sanitation around the world.

Kajetan Hetzer from SNS Reaal adds that “there is not only a lack of investment, but also a lack of good projects”, meaning such that are both bankable as well as socially and environmentally sound.

Work together

It is not only companies and financial institutions that need to better understand each other. Governments must be brought into these discussions to provide the long-term vision and enabling market environment.

Further Participants and Quotes

- “If investment does not come from the private sector, then where is it going to come from?”
Robert Lamb, Director, One Planet Pictures
- “We need to find new mechanisms to improve collaboration between different groups involved in the use of water.”
Anders Berntell, Executive Director, Stockholm International Water Institute (SIWI)

- “We need critical stakeholders, who are able to listen, contribute and help implement and achieve a better situation. Singapore is one good example of that.”
Jürg Gerber, Chief Operating Officer, World Business Council for Sustainable Development (WBCSD)
- “Our activities respect local water resources and we engage with agricultural suppliers to promote water conservation among farmers.”
Claus Conzelmann, Vice President, Safety, Health & Environment, Nestlé
- “Companies do not spend enough money on maintenance. Instead, they are trying to heal the problem after break-downs and leakages have already occurred.”
Per-Inge Birgersson, President, ITT Water and Wastewater Sweden
- “We treat wastewater and put it back into the system as clean water. Even if our business is plastics, it still makes business sense to do this.”
Mr. Mark Garrett, CEO-designate, Borealis
- “Our objectives support and implement the EU guidelines”
Mr. Daniel Solberg, Chairman of SCAs Water Management Network, Svenska Cellulosa Aktiebolaget (SCA)
- “How can financial services move from awareness to action? One element is to better understand the links between business and water.”
Mr. Paul Clements-Hunt, Head of Unit, UNEP Finance Initiative