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6 Ways Companies Can Address Their Water Scarcity Risks

By **Will Sarni**

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As the world starts to wake up to the reality of looming water shortages, companies, investors and other stakeholders care about the risks posed to business from water scarcity. As a result, companies are measuring their water footprint -- direct water use and increasingly indirect water use in their value chain. They are also beginning to develop an understanding of the geographic distribution of water scarcity risk.

In understanding water accounting we must first explore: what comprises water risk; why does water accounting include both footprinting and risk mapping and why the interest in water

accounting?

First, water scarcity risk is characterized as:

- Physical (the availability of water);
- Reputational (potential impact to brand value); and
- Regulatory (current and potential water quantity and quality regulations).

These risk factors typically translate into real business issues such as business continuity, social license to operate and brand value.

Next, why water footprinting and risk mapping? Water footprinting provides information on water use -- direct and indirect across a value chain. However, the location (timing and quality) of water use is essential in understanding water scarcity risk and impacts to businesses.

It is important to understand that carbon accounting methods do not translate well to water use and water risk mapping -- carbon is fungible and water is not. As a result when companies develop a global water strategy it must be translated to the local level (the watershed) for effective implementation.

Finally, why the relatively recent focus on water scarcity risk to businesses? One of the key drivers is investor interest (other stakeholders are also increasingly focused on water scarcity and how businesses address this issue).

Three recent water reports illustrate investor interest in the impact of water scarcity to brand value and business operations.

- ["Murky Waters? Corporate Reporting on Water Risk"](#) from [Ceres](#).
- ["A drought in your portfolio: are global companies responding to water scarcity?"](#) A Water Risk Report from June 2011 by [EIRIS](#).

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- [Carbon Disclosure Project Water Disclosure](#) from the [Carbon Disclosure Project](#).

Also, watch the Carbon Disclosure Project Water Disclosure initiative for insight as to how companies are addressing water risk and opportunities. This program is in its second year and the results from the 2011 survey are expected in November.

How to Dive in to Water Footprinting

So how does a company measure its water footprint and water risk? It is important to keep in mind that water accounting is in the early stages of development and there is no shortage of approaches. A good place to start in understanding the tools available is with "[Corporate Water Accounting: An Analysis of Methods and Tools for Measuring Water Use and Its Impacts](#)" by the United Nations Environment Program and The CEO Water Mandate. The report examined publicly available methodologies and did not focus on proprietary tools.

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Will Sarni is a director with [Deloitte Consulting LLP](#) and leads Enterprise Water Strategy for Deloitte's Sustainability Services.

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Mary Osterman · Greenlawn, New York

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Fhjn

Anonymous (not verified), July 20, 2011 - 04:52

Fhjn

Thanks for the blog Will,

Daniel Yeo ([WaterAid](#)) (not verified), July 20, 2011 - 04:19

Thanks for the blog Will, which I think covers the often overlooked issues of direct water risk eloquently and concisely.

However, there's an aspect of water that has been omitted in your blog and in wider discussions. Access to water and sanitation.

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Water presents many direct risks (operational, reputational, regulatory) as you have identified. However, a dimension of water, of particular relevance to companies operating in developing countries, is that of indirect or societal risk.

By this, I mean the risk to wider stability and economic growth of a country that is created by a debilitating proportion of the population lacking access to safe water and sanitation. Water and sanitation are fundamental building blocks to economic growth and in their absence, development as a whole is held back. Around \$4 billion worth of working days are lost each year due to poor sanitation (WSUP). Furthermore, persistent failure to deliver basic services can lead to political instability (as was the case in South Africa) - both of which affect the very context within which business operates, so are strategically relevant for the long term.

Yet the solutions exist and government spending on sanitation and water is one of the most value-for-money interventions - every \$1 invested in sanitation and water creates \$8 in benefits to the wider economy (UNDP).

It is governments' responsibility to deliver these services, which is why we at WaterAid work to raise the political priority given to water and sanitation as well as working with governments and donors to build the capacity to deliver sustainable services.

However, to fill the void, some leading companies are already providing access to basic services to their staff and local communities. This is laudable and practical, but not sustainable and can expose business to more risk - so, is there a shared agenda here where businesses and NGOs can work together with governments to address WASH poverty and unlock growth?

I spoke about this at a recent EIRIS investor conference (slides available here: <http://www.eiris.org/news/documents/DanielYeoPresentation7June.pdf>), but am interested in continuing to explore this dimension with business, investors and consultants.

Dan

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