
NAWC Water Summit

Capital Markets Panel

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October 8th, 2012

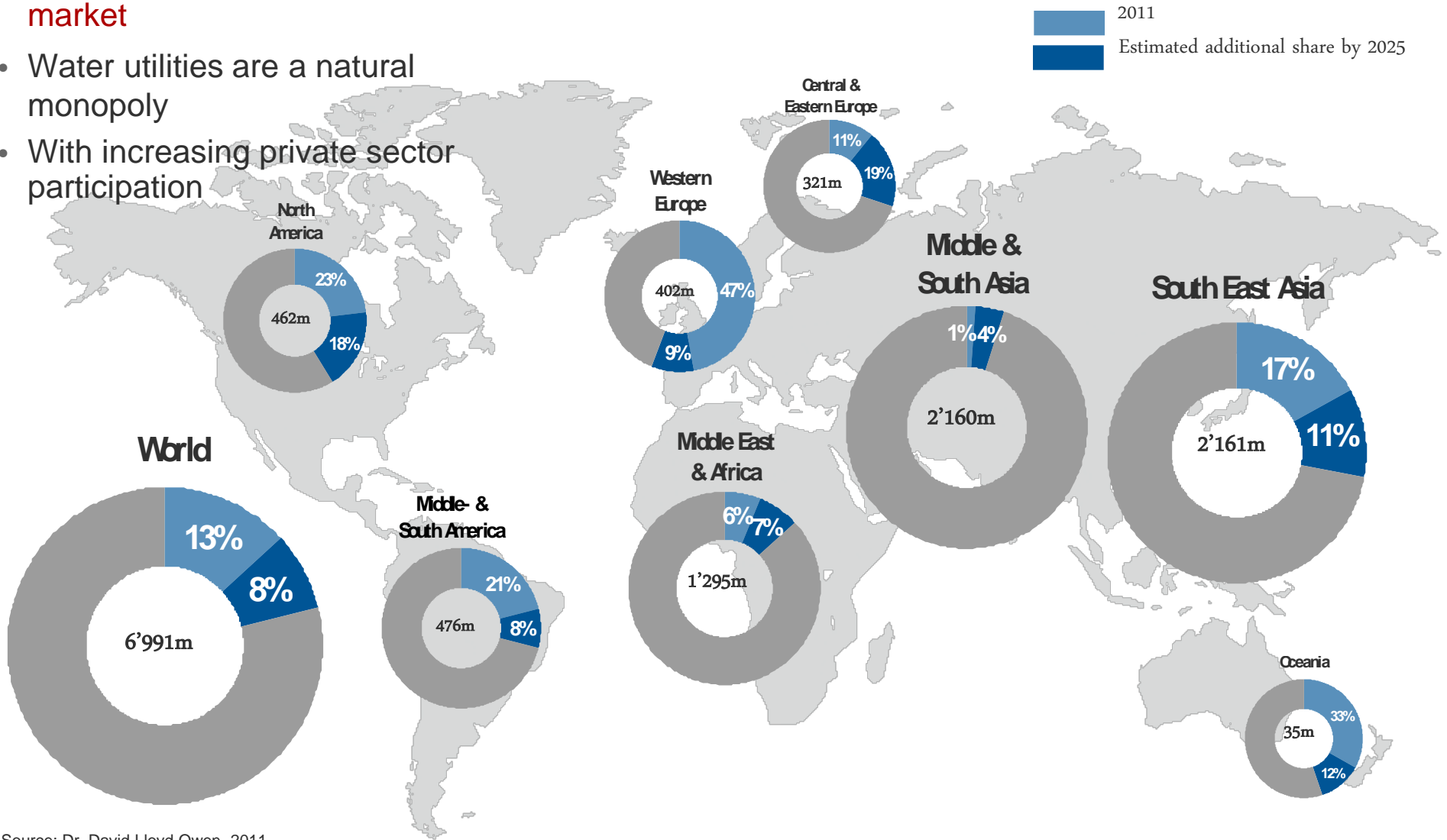


Water Utilities: Mostly owned and operated as public entities



Growth in water services market

- Water utilities are a natural monopoly
- With increasing private sector participation



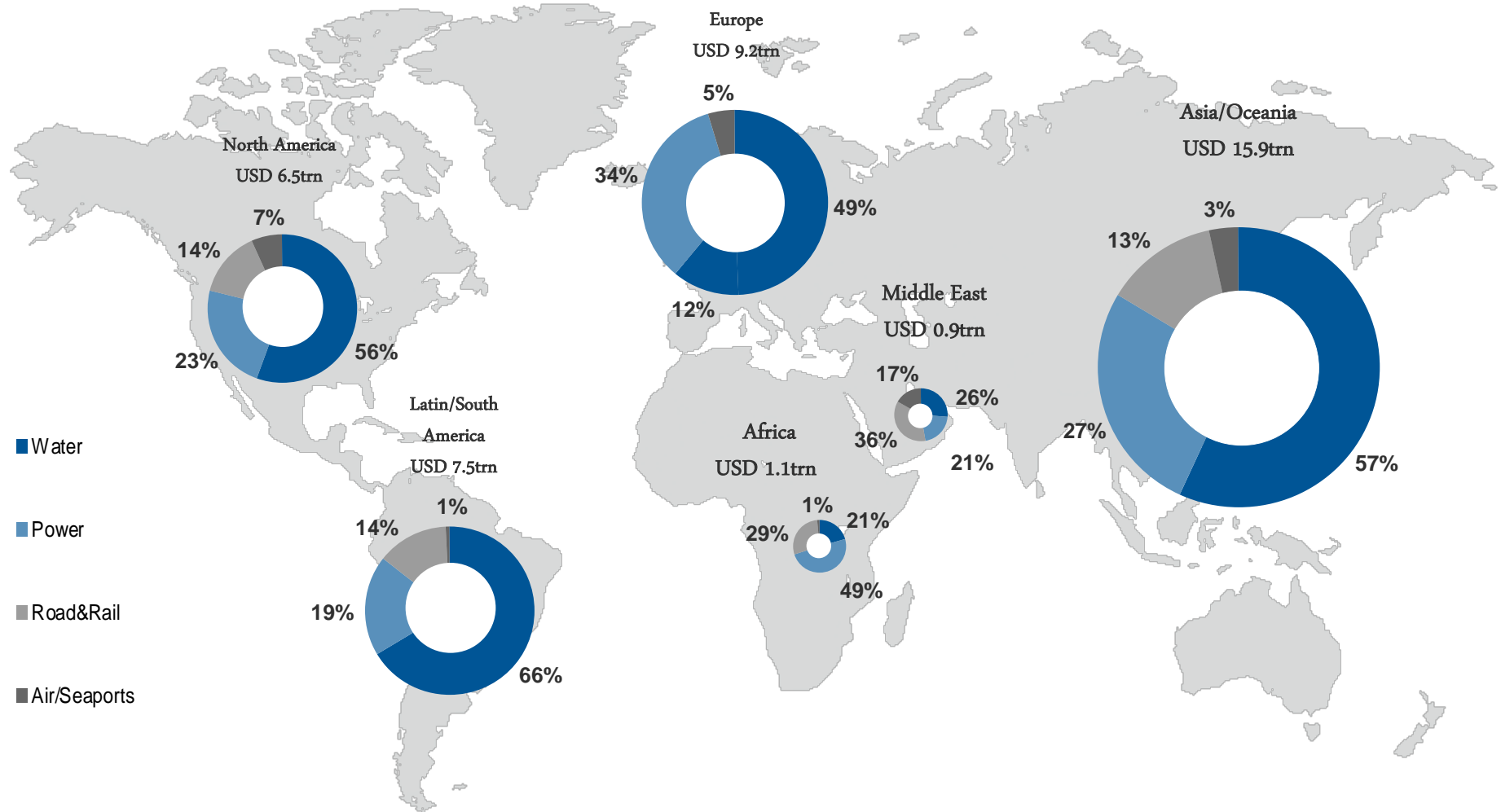
Source: Dr. David Lloyd Owen, 2011

Water Infrastructure: \$1 trillion per year in Financing required



required

USD 41 trillion needed in infrastructure over 2005-2030



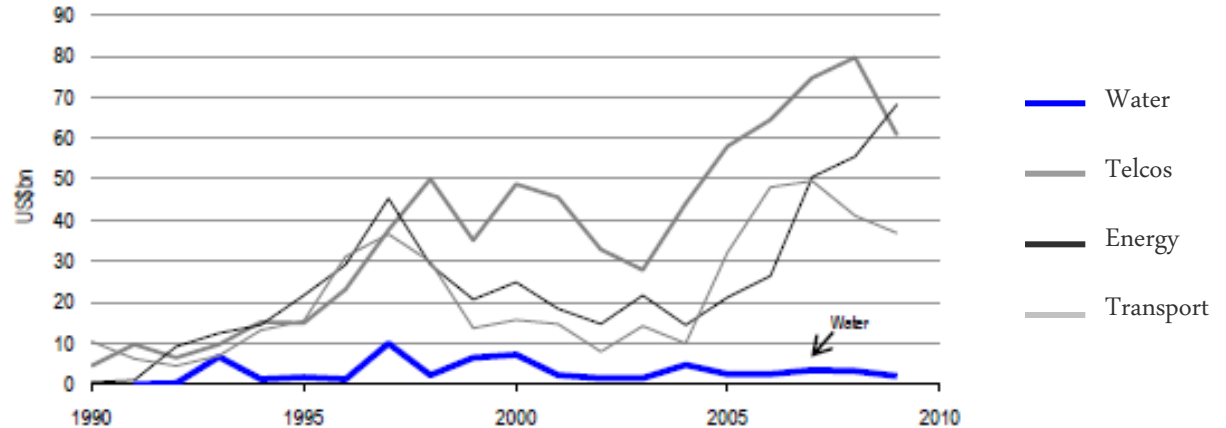
Source: OECD / Morgan Stanley / Pictet Asset Management

Private Sector Participation: What is missing?

The risk adjusted returns for water infrastructure investment have not always been attractive for private sector

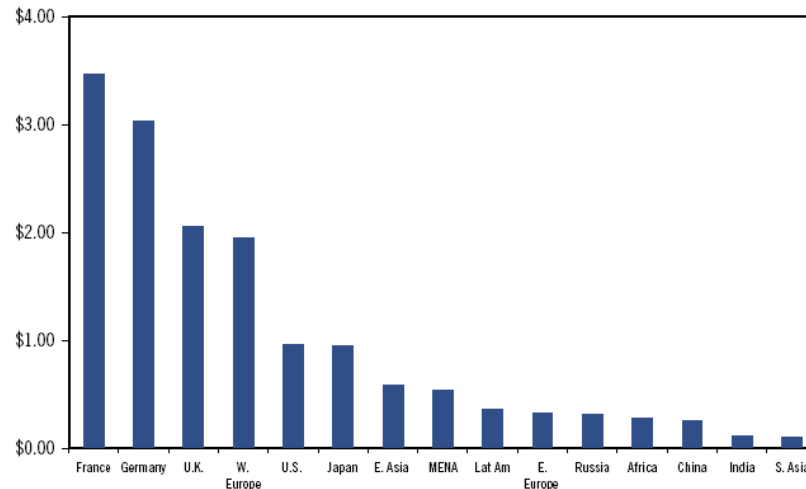
The need for a economic sustainable tariff structure put in place by regulatory schemes devoid from party politics.

Private sector investment in emerging markets in water, telcos, energy and transport (USD bn)



Source: World Bank PPI data, Credit Suisse research

Global water tariffs (per cubic meter)



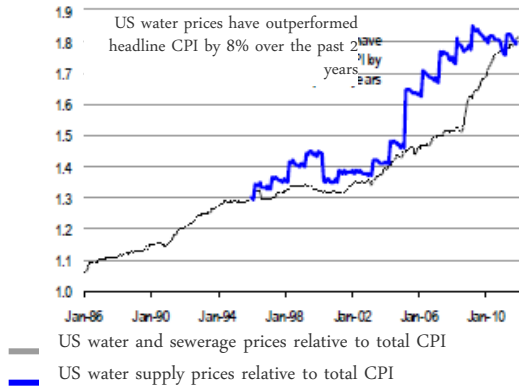
Source: Global Water Intelligence / OECD Global Water Tariff Survey 2007

Water Tariffs: An agent for structural change?

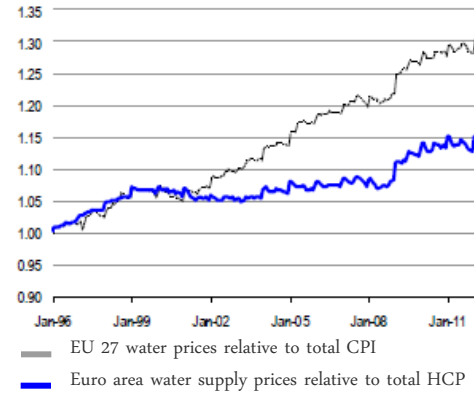


Water tariffs: beating inflation

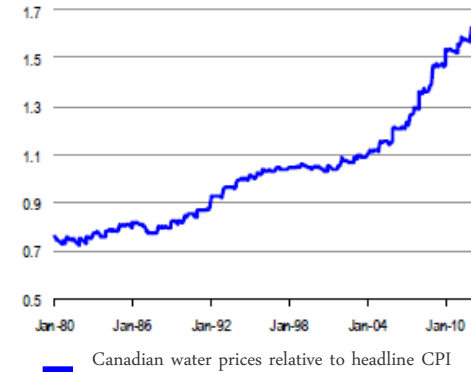
US and UK water prices relative to headline inflation



European water prices relative to inflation

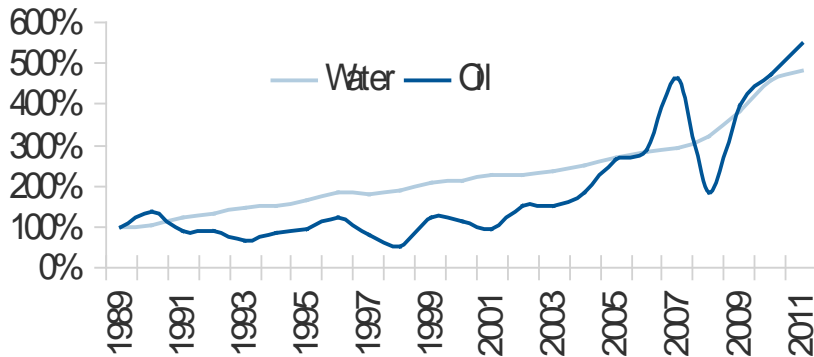


Canadian water prices relative to headline inflation



Source: Credit Suisse research

Growth and low volatility



Source: American States Water Annual reports - Pictet

Revenues decoupled from volumes?

Appendices



Philippe Rohner

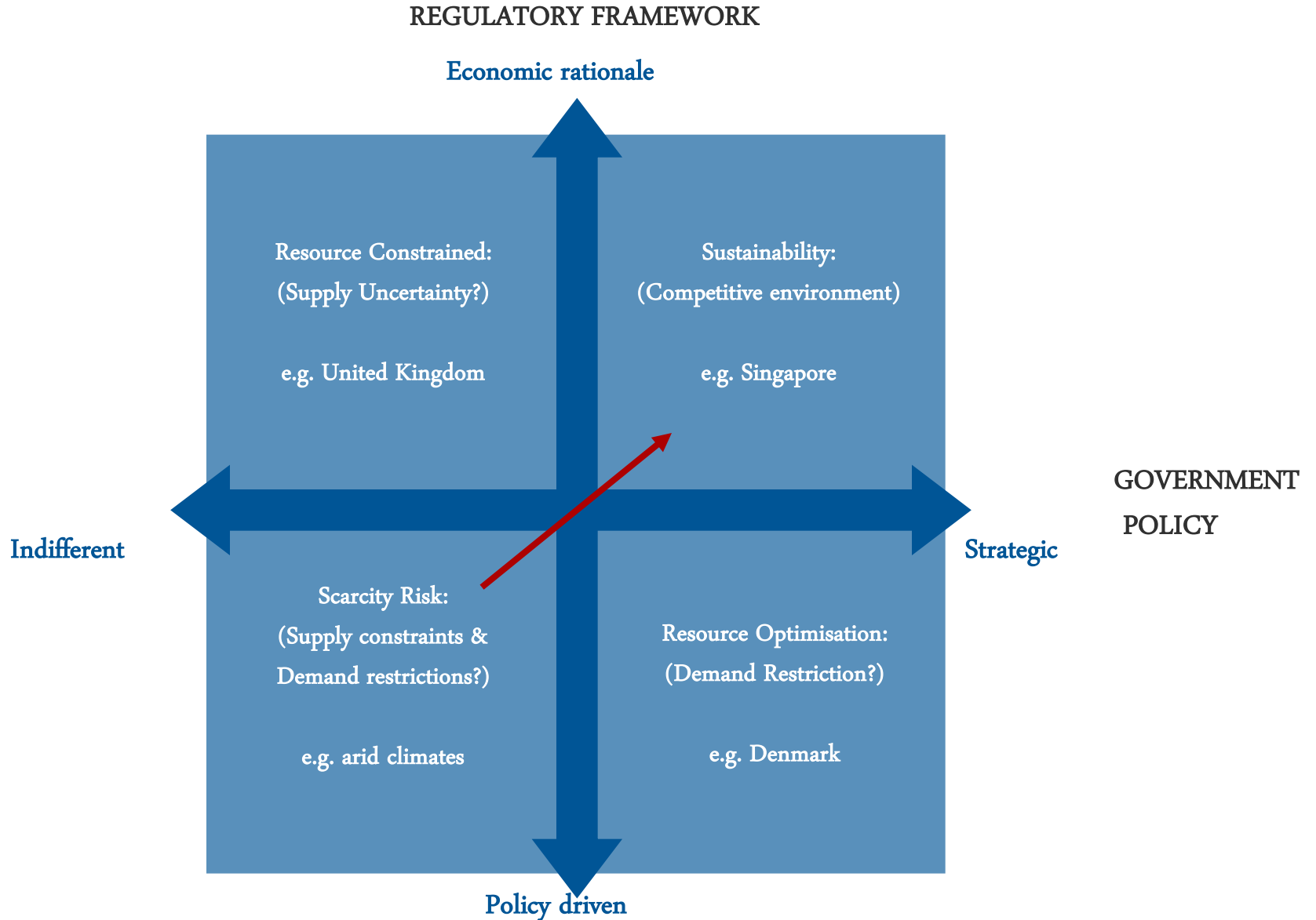
Senior Investment Manager
Sector & Theme Funds team

Philippe Rohner joined Pictet Asset Management having originally joined Pictet & Cie in 1998 as an equity analyst with responsibility for the Swiss Chemicals sector. He is a Senior Investment Manager in the Sector & Theme Funds team.

Before joining Pictet, he worked in the Oil & Gas and later in the Chemicals industries with Texaco and Ciba-Geigy respectively, having held various operational and corporate level positions in Switzerland, the US and UK.

Philippe holds a PhD in Industrial and Applied Chemistry from the Swiss Federal Institute of Technology and an MBA specialising in Finance from the University of Strathclyde. He also completed a programme in Environmental Engineering at the University of Texas.

Scenario analysis: What is at stake?



Water yesterday, today and tomorrow



2000

- Just starting to appreciate linkage between climate change and water resources (lower availability and higher demand)

2010

- Security of supplies and storm water management become real issues

2020

- Reconciling the EU Water Framework Directive with climate change
- Storm and foul sewers separated
- Water efficiency and reuse necessary for security of supplies
- Demand management a driver

2000

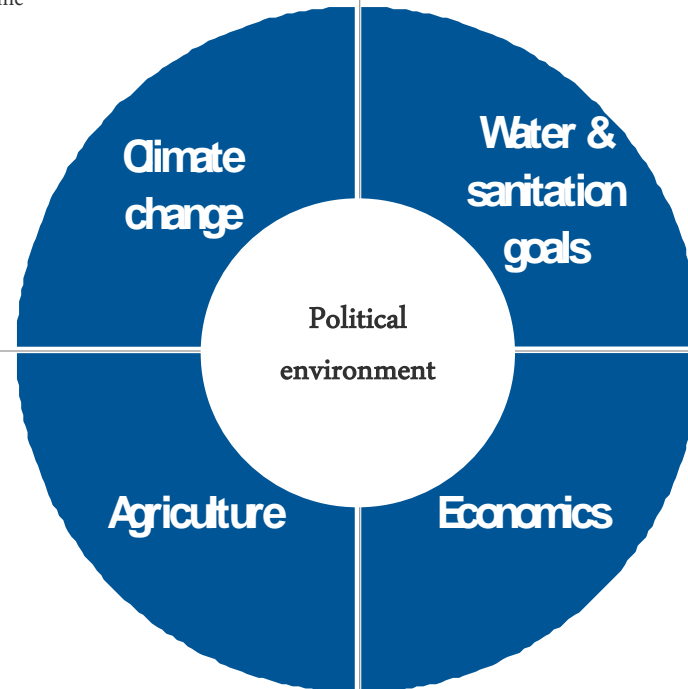
- Subsidies encourage over-use of water
- Drip irrigation

2010

- Water rights in Australia commoditize water
- Micro monitoring

2020

- The Water Framework Directive – everybody pays
- Water harvesting



2000

- World Water Vision – universal access to water and sanitation ('watsan') by 2025 and even consider wastewater treatment

- UN Millennium Development Goals – Halve the numbers without access to safe watsan by 2015

2010

- World Water Vision – Not mentioned anymore
 - UN MDGs – Partial progress (problems in Sub-Saharan Africa and South Asia)

2020

- World Water Vision – Ripe for revival, from sanitation to sewage treatment
- UN MDGs – Done, but need a new initiative

2000

- 'Water is free' is the dominant mantra
 - Minimal data on water economics outside some OECD countries

2010

- Improved data availability (OECD, GWI, IB-Net, etc)

- Water financing problems become more pressing

2020

- Full cost recovery gains improved acceptance
- Proper comparative economic data is available

Water yesterday, today and tomorrow



2000

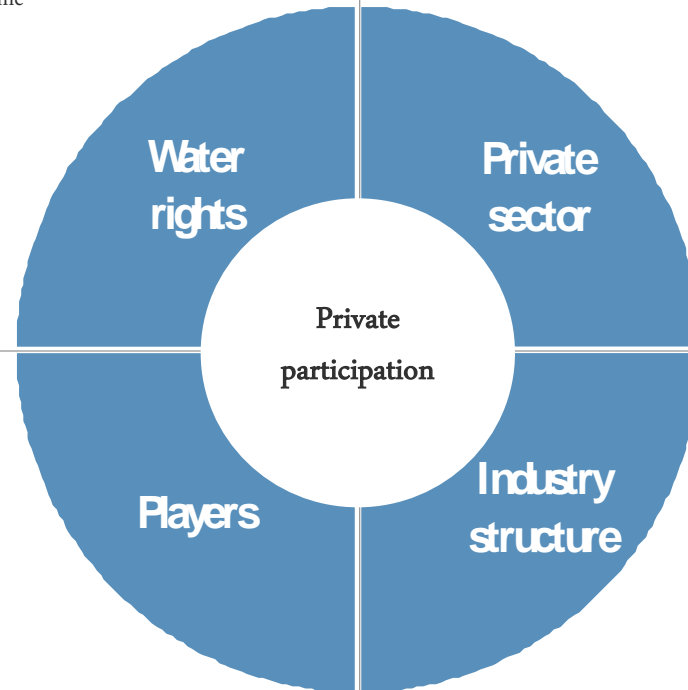
- Some trading in the US
- Start of the Murray Darling markets

2010

- Security of supplies and storm water management become real issues

2020

- Water regarded as a commodity in appropriate circumstances
- Need to segregate investments from applications?



2000

- 6% served by the private sector (15% in China)
- Protests at the 2000 and 2003 World Water Forum

2010

- 12% served by the private sector (38% in China)
 - Dialogue at the 2009 World Water Forum

2020

- 18% served by the private sector (50% in China?)
- Can NGOs and the private sector pull together?

2000

- 70 companies
- Almost all in OECD countries

2010

- 157 companies
- Even balance between OECD and rest of the world
- China the major driver

2020

- 157 companies
- Even balance between OECD and rest of the world
- China the major driver

2000

- '70% of PSP customers served by the 'big five'
 - Suez / Veolia / RWE / SAUR / Agbar

2010

- 37% of PSP customers served by the 'big five'
 - RWE a local player again and SAUR split up
 - Agbar absorbed into Suez
- New regional players (SABESP, Manila Water and JUSCO)

2020

- 30% of PSP customers served by the 'big five'
 - Aqualia's growth strategy
 - Emergence of major Chinese players

Water yesterday, today and tomorrow



2000

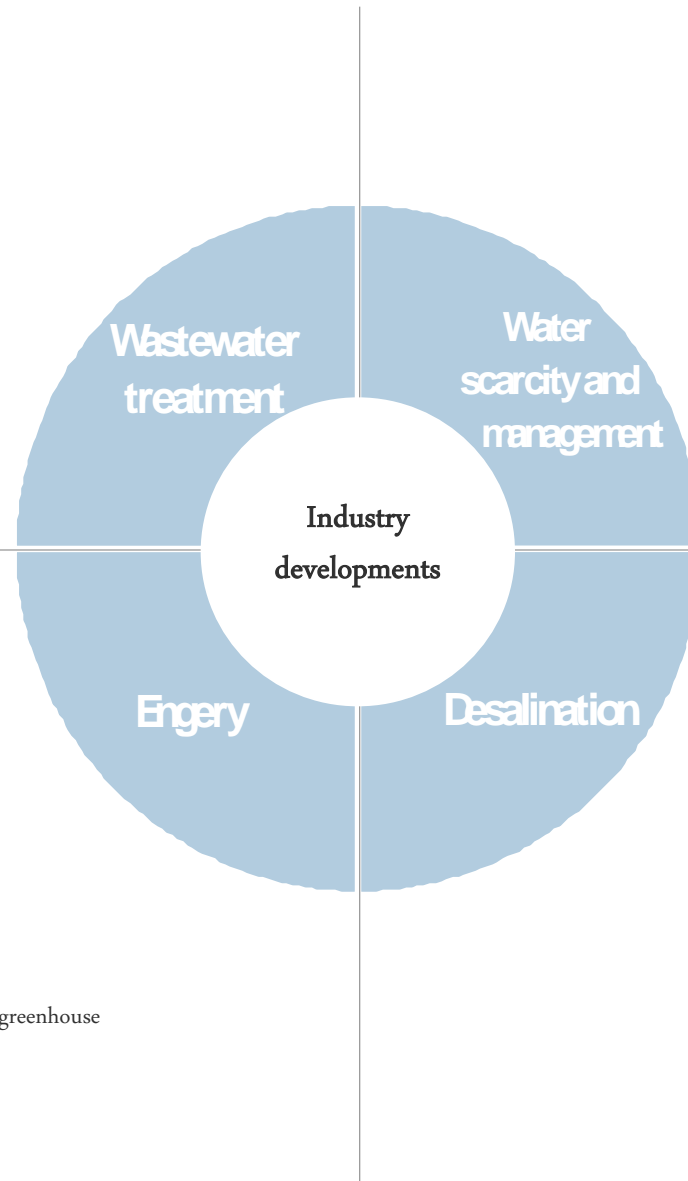
- Membrane bioreactors emerging
- Secondary – tertiary treatment is the norm (UWWTD)

2010

- MBRs commoditized – need more energy efficiency
- Tertiary – advanced treatment becoming the norm

2020

- Waste heat condensation – optimize energy efficiency
- Specialist applications – removal of drugs, hormones etc



2000

- Leakage management (targets in the UK)
- Supply management (reservoirs and desalination)

2010

- Smart / automated metering emerging

2020

- Demand management (tariffs and white goods)
 - Water recovery and recycling
 - Grey and rain water harvesting

2000

- Low energy costs and low need - a relatively low priority

2010

- Energy costs have tripled – and more treatment and pumping
- Energy use monitoring & more efficient pumps

2020

- Water management and climate change – 6% of UK's greenhouse gasses via methane, treatment and pumping
- Sludge to energy & distributed sewage treatment

2000

- Multiple Stage Flash distillation is the norm
 - Cost \$1.00-1.50 per m3 (low cost energy)

2010

- Reverse Osmosis and membrane bioreactors find favor
- Cost \$0.45-0.80 per m3 (energy efficiency & recovery)

2020

- Waste heat condensers – energy intensity is the issue
 - Cost \$0.40-0.80 per m3

Source: Dr David Lloyd Owen, Envisager – 03/2010

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