

Could water become the next exchange traded commodity?

It is widely accepted that around 25% of the world's population already lack adequate water for drinking and sanitation.

In terms of the metrics, around 66,245 cubic metres of water is consumed every second. This compares to a mere 155 cubic metres of oil consumed per second. Moreover, if we consider the UK alone, the amount of water consumed per capita per day has been growing at 1% per annum every year since 1930 and this trend is not only showing no sign of abating but is echoed across the majority of first world nations.

By 2000, the available fresh water available per capita was around 7,800 cubic metres. This compares to 9,000 cubic metres in 1989. We have spent vast resources trying to find alternatives to oil, yet there appear no known substitutes for water.

As the global population is expected to reach 8bn by 2025, the available fresh water per capita is expected to fall to 5,100 cubic metres. While there has been technology to try and desalinate water, no technological innovation can replace this precious commodity.

Given these statistics, is it such a leap to assume that with a finite supply, increased demand for water could send prices for the commodity soaring. We have witnessed oil shocks- could we be headed for a water shock?



Desalination has been offered as a potential solution and it is true that in the last fifteen years, costs have declined by around 60%. It is however a highly energy intensive process,

which going forward will play into a higher future marginal cost of water.

Currently there are 11,000 desalination facilities in 120 countries around the globe, but collectively these only meet around 0.26% of world demand.

Certain economies including Kuwait, Malta, Netherlands, Bahrain and Belgium fulfil more than 80% of their water requirements with imports. Currently these deals are concluded between governments, behind closed doors.

Moreover, in developed countries, a 20% leak loss is accepted as the norm. In the UK, the four largest desalination facilities lose a combined 200 litres of water per customer per day. As such, as with most commodities, we have what we coin a structural deficit, namely an abundance of water in some parts of the globe that could therefore be content with losing water and a dearth of water in other parts. There is no doubt that water will need to be traded on a large scale. However, without known the water price and expected future value, we cannot begin to develop, plan and finance infrastructure and pipelines on a true commercial scale.



Clive Murray, owner of the World Water Exchange (WWX) believes that a water exchange facilitating a water spot index for Raw, Processed and Grey water grades is needed in every appropriate country to ensure transparency around water prices and enable trade between countries. Clive believes that only when prices are transparent can companies begin to commercially invest in water infrastructure and spread the commodity more equitably.

While an ad-hoc, bi-lateral trade in physical water exists already, the volume traded is only a fraction of the overall market and what is needed to spread the resource fairly.

As such, Murray believes that a World Water Exchange is the

catalyst in the democratization of water and the creation of a modern water trade.