

JOINT STATEMENT

A MANDATORY WATER EFFICIENCY ASSESSMENT IN
THE INDUSTRIAL EMISSIONS DIRECTIVE TO TACKLE
FINANCIAL WATER RISKS FOR INDUSTRY

A MANDATORY WATER EFFICIENCY ASSESSMENT IN THE INDUSTRIAL EMISSIONS DIRECTIVE TO TACKLE FINANCIAL WATER RISKS FOR INDUSTRY

CDP Europe and Water Europe (WE) call on the European Parliament and the Member States to strengthen mandatory water efficiency assessments in the Industrial Emissions Directive. Increasing the efficiency of our water systems will help to decrease global greenhouse gas (GHG) emissions by up to 10%. This objective will contribute to the Green Deal implementation by fully considering the water-energy nexus. The European Industry is water dependent and is already facing water risks, impacting not only jobs but the resilience and competitiveness of the European economy. The cost of inaction is 5 times higher than the needed investment to tackle water risks on industrial activities¹.

Why do we need a mandatory water efficiency assessment?

Water risks impact through industries the financial stability of the economy, people in terms of job and health, the environment via pollution and water scarcity and, the strategic autonomy of the countries. In some European countries, such as Germany and Belgium, industry represents up to 80% of total water abstraction² while the World Resource Institute predicts a 56% gap between water supply and demand by 2030³.

Moreover, global freshwater species population has declined by 83% since the 1970s particularly due to our production models and inefficient resource management⁴. Measuring and disclosing risks, opportunities and impacts of economic activities is critical to support the green transition⁵ and will increase the environmental and financial performance of industries. More information means more certainty, also for investors.

Therefore, a mandatory water efficiency assessment will help to provide consistent water information that we urgently need to identify, prevent, and tackle increasing water-related challenges driven by climate change.

Why include mandatory water efficiency assessments in the Industrial Emissions Directive?

The IED has proven its added value since industrial emissions have been decreasing over the past decade. However, the impact for water-smart management by industrial activities must be strengthened to tackle water risks⁶. A firm's growth prospects are intrinsically tied to its ability to secure reliable access to a stable supply of water; to its efforts to eliminate pollution and avoid infrastructure failings⁷. Therefore, we need clear information to increase our *water productivity*⁸.

What are the expected impacts and benefits?

A mandatory water efficiency assessment will allow adequate actions for climate adaptation and prevention of extreme events with direct benefits in terms of carbon reduction, competitiveness, and financial sustainability. We can expect:

- **Increasing the efficiency of our water systems will help decreasing global greenhouse gas (GHG) emissions up to 10%**⁹. This objective will contribute to the Green Deal implementation by fully considering the water-energy nexus.
- **Reclaimed water supplies up to 40% of Singapore's current water needs**¹⁰, while in Europe the unofficial target is 4% by 2025¹¹ and a reduction of water stress by 10% in regions where irrigation is a key component of water demand¹². For instance, Chinese regional authorities are already working on water efficiency metric in the Yangtze economic basin, calculating the quantity of water needed per unit of GDP (water-nomic)¹³. The water productivity¹⁴ shall be a parameter to assess water efficiency and thus the water risk on their competitiveness.
- **The cost of inaction on water security is five times higher** than the cost of the needed investment to tackle water risks for industry. It will have direct impact on the financial robustness and sustainability of the company¹⁵.

The mismanagement of water resources, floods, and droughts have a direct link to the GDP¹⁶. In the case of India or China, the Global Center for Adaptation estimates that the GDP will be 7 to 12% lower with business-as-usual activities. Europe must be the frontrunner, driving towards a resilient and thus Water-Smart Society by making mandatory water efficiency assessment for industry.

CDP Europe is part of the global CDP non-profit network, that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Over 2.100 European companies representing approximately 76% of the European market capitalization disclosed environmental data through CDP in 2019. This is in addition to over 215 European cities and regions who disclosed – making CDP’s platform one of the richest sources of information globally on how companies and governments are driving environmental change.

Water Europe (WE) is the voice and promoter of water-related innovation and RTD in Europe. WE is a multi-stakeholder association representing over 250 members from academia, industry, technology providers, water users, water service providers, civil society, and public authorities. WE activities and positions are guided by its Water Vision “The Value of Water: Towards a Future-Proof European Water-Smart Society”.

Sources

1. CDP, *A Wave of Change*, 2021.
2. *UN FAO, 2018*
3. World Resource Institute, *Achieving abundance: understanding the cost of a sustainable water future*, January 2020, p. 2.
4. WWF, *Living Planet Report - 2018: Aiming Higher*. Grooten, M. and Almond, R.E.A.(Eds). WWF, Gland, Switzerland.
5. CDP, *Setting the high-water mark for mandatory disclosure*, June 2022, p. 9.
6. For a list of potential water risks for industry: CDP, *HIGH AND DRY: How Water issues are stranding assets*.
7. CDP, *Ibid.*, p. 9.
8. Eurostat, *Water productivity*, 5 September 2022
9. CDP, *A wave of change: The role of companies in building a water-secure world*, 2020.
10. Singapore’s National Water Agency, *NEWater*
11. European Commission DG ENV, *Optimising water reuse, Final report – Part I*, 17 March 2015.
12. European Commission, Joint Research Centre, Bouraoui, F., Aloe, A., Dorati, C., et al., *The potential of water reuse for agricultural irrigation in the EU : a hydro-economic analysis*, Publications Office, 2018, <https://data.europa.eu/doi/10.2760/263713>
13. China Water Risk (CWR), *Yangtze Water Risks, Hotspots & Growth*, August 2019.
14. Cf. Eurostat for the definition and the latest data. Eurostat, *Water productivity*, 5 September 2022
15. CDP, *A Wave of Change*, 2021.
16. Global Center on Adaptation and World Resources Institute, *Adapt now: A global call for leadership on climate resilience*, 13 September 2019, p. 36.

