# Roundtable on Financing Water
# Thematic meeting on Climate Action

Co-convened with the U.S. Government
23-24 September 2021, Virtual meeting

## Background and rationale

Finance and investment play a key role in achieving water security and climate policy objectives. The Paris Agreement aims to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C as well as strengthening climate resilience. The Agreement further recognises that reaching these goals depends on "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (Article 2.1c).

Investments that contribute to water security can make key contributions to climate action by supporting adaptation to climate change and improved resilience. They can also contribute to climate mitigation as a part of net zero pathways and targets. Beyond serving direct human needs, water-related investments benefit a range of sectors, including agriculture, urban development and energy; they can also strengthen ecosystems and the services they deliver. A lack of sustainable investment can result in cascading risks and costs to societies and the environment, affecting economic well-being and growth.

Many of the impacts of climate change manifest through the hydrological cycle, such as increased frequency of floods (coastal, riverine and storm-driven) and droughts, increased variability and intensity of rainfall, and reduced snowpack feeding headwaters of major rivers, among others; they also affect demand for water (for irrigation, or for cooling heat island effects in cities, for instance). Investments to manage such impacts can make a central contribution to climate adaptation and resilience.

Improved management of water services, resources and freshwater ecosystems can also contribute to climate mitigation while delivering benefits for water security. Improved energy efficiency of water services, reduced non-revenue water, along with greater uptake of wastewater reuse can contribute to reduced greenhouse gas emissions. Water is essential to the supply of some renewable energies (hydropower and bioenergy, in particular). Restoration and improved management of freshwater ecosystems, such as wetlands, can provide carbon sequestration alongside other benefits, such as improved resilience through flood protection, improved water quality and habitat for biodiversity.

Ensuring finance is aligned with both water and climate policy goals can provide an important lever for achieving the Sustainable Developments Goals, the objectives of the Paris Agreement, global biodiversity goals as well as key policy objectives, such as environmental justice and women's empowerment.

## About the Roundtable

The Roundtable on Financing Water, established in 2017, is a joint initiative of the OECD, the World Water Council, the Netherlands and the World Bank. The Roundtable provides a global public-private platform to promote action to scale up financing that contributes to water security, enhanced resilience, and sustainable growth among governments, financial institutions, international organisations, philanthropies, academia and civil society organisations.

In the lead up to the UNFCCC COP 26, a thematic meeting focused on driving climate action is being organised in partnership with the OECD and the U.S. Government including the U.S. Department of State and the U.S. Environmental Protection Agency (EPA). It will support OECD's broader work on financing water and climate action as well as the strategic priorities of the US Global Water Strategy.

**Specific objectives include**

- **Strengthen the awareness and understanding** among policy makers and financiers of the linkages between water security, climate action and finance, including:
    - How physical climate risks often manifest through water (e.g. floods, water scarcity and droughts, rainfall variability and degraded water quality)
    - How such water-related physical risks can translate into material financial risks and the extent to which the prudential regulation and financial system risk management frameworks take such risks into account
    - How climate and water-related considerations can be integrated in investment and financing decisions
- **Showcase good practices and inspiring examples** of financing and investment that can mobilise and align financing with water security and climate action.
- **Highlight opportunities for investments** that contribute to both water security and climate action (mitigation, adaptation and resilience) at global, national, and local levels. The contribution to related policy agendas will be considered as well, such as women's empowerment and environmental justice.

Participants will include government agencies, representatives of public and private financial institutions (such as national or regional development banks, commercial banks, institutional investors, asset managers, impact investors, philanthropies and foundations), civil society organisations and research-based institutions.

Key messages are to be shared by governments and stakeholders at COP 26 and the 9th World Water Forum and the U.N. Conference on Water in 2023.

**Outputs**

- Background papers on key issues to support the sessions' discussions, disseminated via a dedicated meeting webpage.
- Meeting summary with key messages prepared by the OECD.

For further information, please visit our website or contact: Kathleen Dominique, Co-ordinator of the Roundtable on Financing Water at the OECD

## Day 1. Thursday September 23rd

*All times in Central European Time zone*

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| 13:30 – 13:38 | **Opening Remarks: Rationale and aims** |

- **Rodolfo Lacy**, Director, Environment Directorate, OECD

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| 13:38-15:00 | **Session 1. Setting the scene: Putting finance to work for a net zero, resilient, water secure future** |

This session will set the scene by highlighting the key interlinkages between water security and climate action and the role finance and investment can play to deliver on these ambitions.

Many of the impacts of climate change manifest through the hydrological cycle, such as increased frequency of floods (coastal, riverine and storm-driven) and droughts, increased variability and intensity of rainfall, and reduced snowpack feeding headwaters of major rivers, among others; they also affect demand for water (for irrigation, or cooling heat island effects in cities, for instance). Water security is also an enabler for a viable pathway to net zero emissions, notably for the energy sector.

Investments to manage climate impacts on water and to ensure that water can be an enabler in the transition to net zero, can provide an important contribution to climate action. Finance and investment plays a key role in meeting water security and climate policy objectives. Uncertainties about water-related risks, now and in the future, and how these can affect expected investment returns of exposed assets must be considered.

**Chair: Ingrid Barnsley,** Deputy Director, Environment Directorate, OECD

- Keynote: The interlinkages between water security and climate action: How climate change is impacting water security & how water security can contribute to climate action
  - **Roger Pulwarty**, Senior Scientist, National Oceanic and Atmospheric Administration (NOAA), United States
- Keynote: On the road to COP26: Water's role in the Race to Resilience and Race to Zero
  - **Cate Lamb**, Global Director Water Security, CDP, UNFCCC Water Champion, COP26
- Keynote: Aligning finance with climate action and water security
  - **Julien Touati**, Partner, Corporate Development Director, Meridiam

*Moderated Q&A with keynote speakers and participants to clarify and discuss key issues*

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| 15:00-15:10 | Coffee break |
| 15:10-16:25 | **Session 2. Water as a lever for climate action: The investment opportunity** |

This session will explore practical examples of how water-related investments can be a key lever for climate action. It will highlight good practices and inspiring examples of financing and investment approaches that can contribute to facilitating scaling up financing and ensuring finance is aligned with water security and climate goals. It will also aim to draw of common cross-cutting features that contribute to success (e.g. robust enabling environment, investments that reflect the value of water, etc.).

Investments that contribute to water security and sustainable growth can make key contributions to climate action by supporting adaptation to climate change, improving resilience as well as climate mitigation. Beyond serving direct human needs, water-related investments benefit a range of sectors, including agriculture, urban development and energy; they can also strengthen ecosystems and the services delivered.

Investments in water security can also contribute to climate mitigation. Improved energy efficiency of water services, along with greater uptake of wastewater reuse can contribute to the reduction of greenhouse gas emissions. Water is also essential to the supply of some renewable energies (hydropower and bioenergy, in particular). Restoration and improved management of freshwater ecosystems, such as wetlands, can provide carbon sequestration alongside other benefits, such as improved resilience through flood protection, improved water quality and habitat for biodiversity.

**Chair: Andy Roby**, Senior Water Security Adviser, Foreign, Commonwealth & Development Office (FCDO), United Kingdom

- **Ger Bergkamp**, Head of Business Development, Climate Fund Managers (on Climate Investor Two focus on climate resilient investments in water, oceans and sanitation)
- **Hubert Jenny,** Senior Infrastructure Specialist, Division Mitigation Adaptation, Green Climate Fund (on the upcoming GCF Water Security Sectoral Guidelines)
- **Ella Lazarte**, Senior Water and Sanitation Advisor at USAID (on USAID's commitment to making climate-resilient investments in the water sector, highlighting examples from its global portfolio, e.g. the Philippines, Kenya and South Africa)
- **Todd Gartner**, Director, Cities4Forests & Natural Infrastructure Initiative, World Resources Institute (on Forest Resilience Bonds to protect water sheds from wildfire impacts and to finance investment in nature-based solutions)
- **Dr Yongdeok Cho**, Executive Director, Asia Water Council, K-Water, Korea (on financing the Tina River Hydropower Project in the Solomon islands, K-Water & Green Climate Fund)

*Moderated Q&A with panelists and participants to discuss key issues*

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| 16:25-16:30 | **Day 1 wrap up and preview of Day 2**<br>• **Kathleen Dominique**, Programme Lead, Financing Water, OECD |
| 16:30 | **Close of meeting Day 1** |

# Day 2. Friday September 24th

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| 13:30 – 13:45 | **Day 2. High-level opening remarks** |

High level remarks on water's role in contributing to transformational climate action

- **Henk Ovink,** Special Envoy for Water, Kingdom of the Netherlands

High level remarks on the Road to the 9th World Water Forum in Dakar

- **Franz Rojas**, Chair of the Task Force on Financing, World Water Council

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| 13:45-15:00 | **Session 3. Climate risks to the financial sector manifesting through water: Understanding financial materiality** |

Financial institutions and central banks are increasingly exploring how environmental risks, including water-related risks (e.g. floods, droughts, water stress, water pollution, etc.) may translate into material financial risks to the financial system. Many physical climate risks relate to water. The intensity and frequency of heavy precipitation (and hence the risks of floods) will increase with increased warming and as will droughts in some regions. So-called "transition risks" may also arise due to changes in policies and regulations, e.g. via more stringent regulation of water use, the allocation or pricing of water resources. These risks can have significant effects on productive assets relying on water (e.g. agricultural, industrial and energy production) and investments along the supply chain, globally.

Physical water risks may fail to be accounted for or considered financially material under prevailing prudential regulations and risk management approaches. While a large number of financial institutions report that environmental risks deserve a deeper investigation of the potential impact on financial portfolios, only few have such an approach in place. Overall, there is a need to understand the impact of climate and environmental risk on financial portfolios and to increase disclosure and transparency in this regard. Tools such as the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) among others can provide a useful entry point, but much remains to be done to help financial institutions identify, target and manage water-related risks in their portfolios. Close cooperation with clients (such as corporates in water-intensive sectors) who may be exposed to water-related risks, is needed in order to better understand and measure where and how these risks emerge and implications for the financial sector. Central banks can play a key role in setting disclosure requirements, methodology standards and rules around hedging and other risks management strategies.

**Chair: Dr Simon Buckle**, Head of the Environment, Transitions and Resilience Division, Environment Directorate, OECD

- Keynote: How climate-related and environmental risks (including floods, droughts, water stress, etc.) can have a material impact on banks' risk profile and the banking system
  - **Frank Elderson**, Executive Board Member, Vice-Chair of the Supervisory Board, European Central Bank
- **Marie Diron**, Managing Director, Sovereign, Sub-sovereign Risk, Moody's
- **Brian Rozental**, Policy Analyst, Budget Review Division, U.S. Office of Management and Budget
- **Tim Dunn**, Founder and CIO, Terra Alpha Investments

*Moderated Q&A with panelists and participants to discuss key issues*

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| 15:00-15:15 | Coffee break |
| 15:15-16:25 | **Session 4. Climate resilient investments in water security: Contributing to women's empowerment and environmental justice** |

This session will explore practical examples of how improved access to finance and better targeting of existing financing flows can contribute to resilient water security while promoting broader policy and societal goals related to environmental justice and women's empowerment. It will highlight inspiring examples and innovative approaches to improving access to and better targeting of finance for resilient water security.

Clean water, sanitation, hygiene and sustainable water resources management are fundamental to human health and contribute to sustainable economic growth, social and environmental objectives. Considering the distributional impacts of climate resilient investments (or lack of investment) can contribute to broader social objectives such as environmental justice and women's empowerment. For example, lack of access to water, sanitation and hygiene place a disproportionate burden on vulnerable groups, in particular women and girls and low-income communities. Vulnerable communities are particularly hard hit by water-related disasters, such as floods and droughts, with limited resources to build back better.

Financing has long been recognised as a major barrier to improving climate resilient water security. Women have a key role to play in overcoming this challenge. Where opportunities exist, women often take a proactive role to improve access to water and sanitation services for their families or businesses. This may include accessing microfinance to build a connection to safe water supply or a toilet near the home or managing a water kiosk to ensure fair distribution according to needs or entitlements. These financial solutions have potential to reach significant scale. Women's access to financial assistance and insurance mechanisms is also important to proactively build resilience to disasters and to rebuild homes, businesses and communities post-disaster.

**Chair: Vedika Bhandarkar**, Chief Operating Officer, Water.org

- **Radhika Fox**, Assistant Administrator for the Office of Water, Environmental Protection Agency, United States
- **Josien Sluijs**, Managing Director, Aqua for All
- **Zonny Woods**, Senior Social Development Specialist, Asian Development Bank
- **Kamila Galeza,** Senior Social Development Specialist, Water Global Practice, The World Bank

*Moderated Q&A with panelists and participants to discuss key issues*

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| 16:25-16:30 | **Closing remarks**<br><br>Key take-away messages and the way forward<br><br>**Jennifer J. Sara**, Global Director, Water Global Practice, The World Bank |
| 16:30 | **Close of meeting** |