



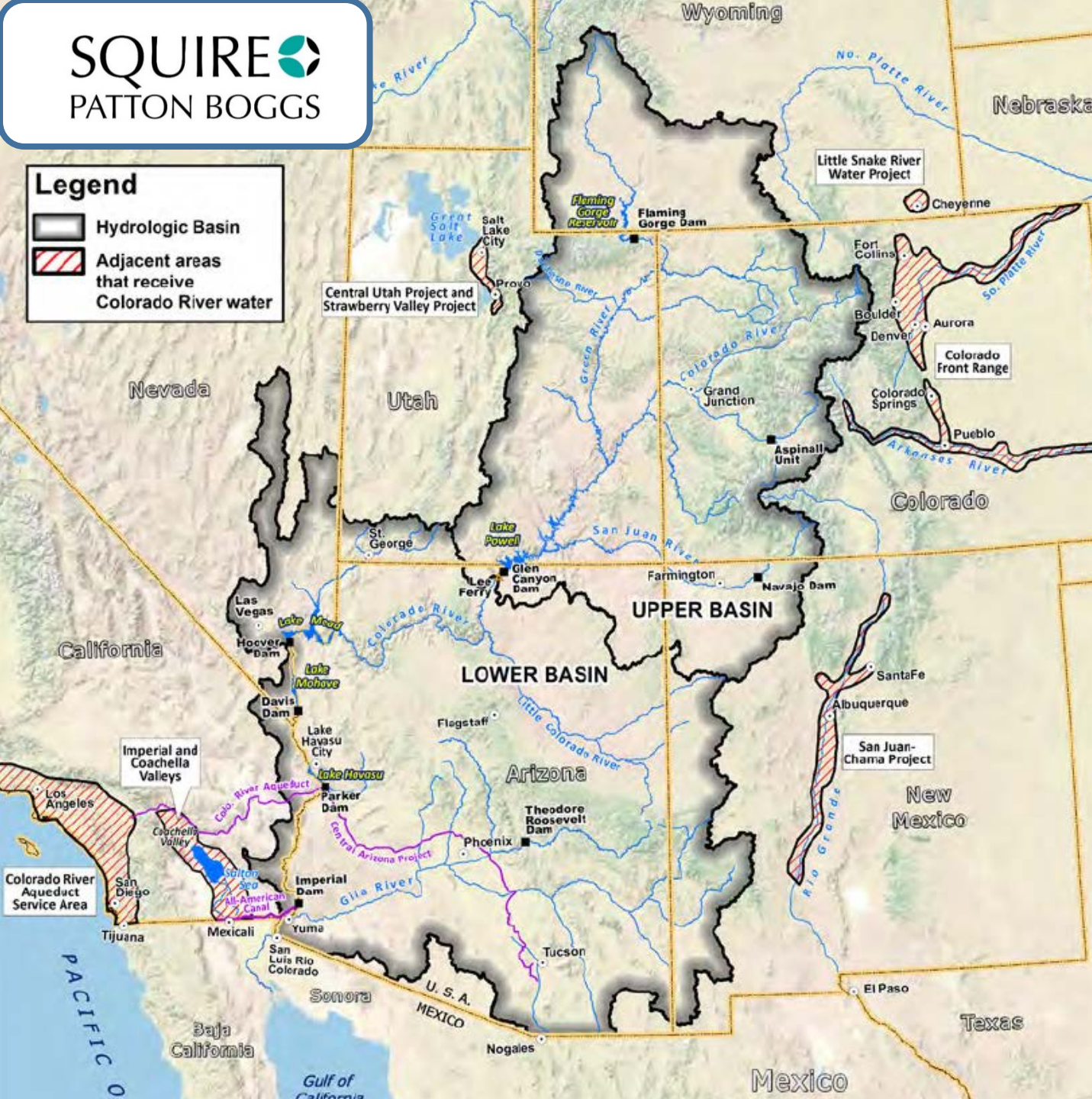
# LIQUID ASSETS: INVESTING FOR IMPACT IN THE COLORADO RIVER BASIN

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WEF EXECUTIVE BRIEFING  
MARCH 17, 2016

**Legend**

-  Hydrologic Basin
-  Adjacent areas that receive Colorado River water



# DEFINING A DIFFERENT ROLE FOR PRIVATE CAPITAL IN WATER MANAGEMENT

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*The challenge for the next generation of water investment: design tools that attract private capital at scale, move us beyond “static” thinking, and accomplish broader systemic/environmental goals*

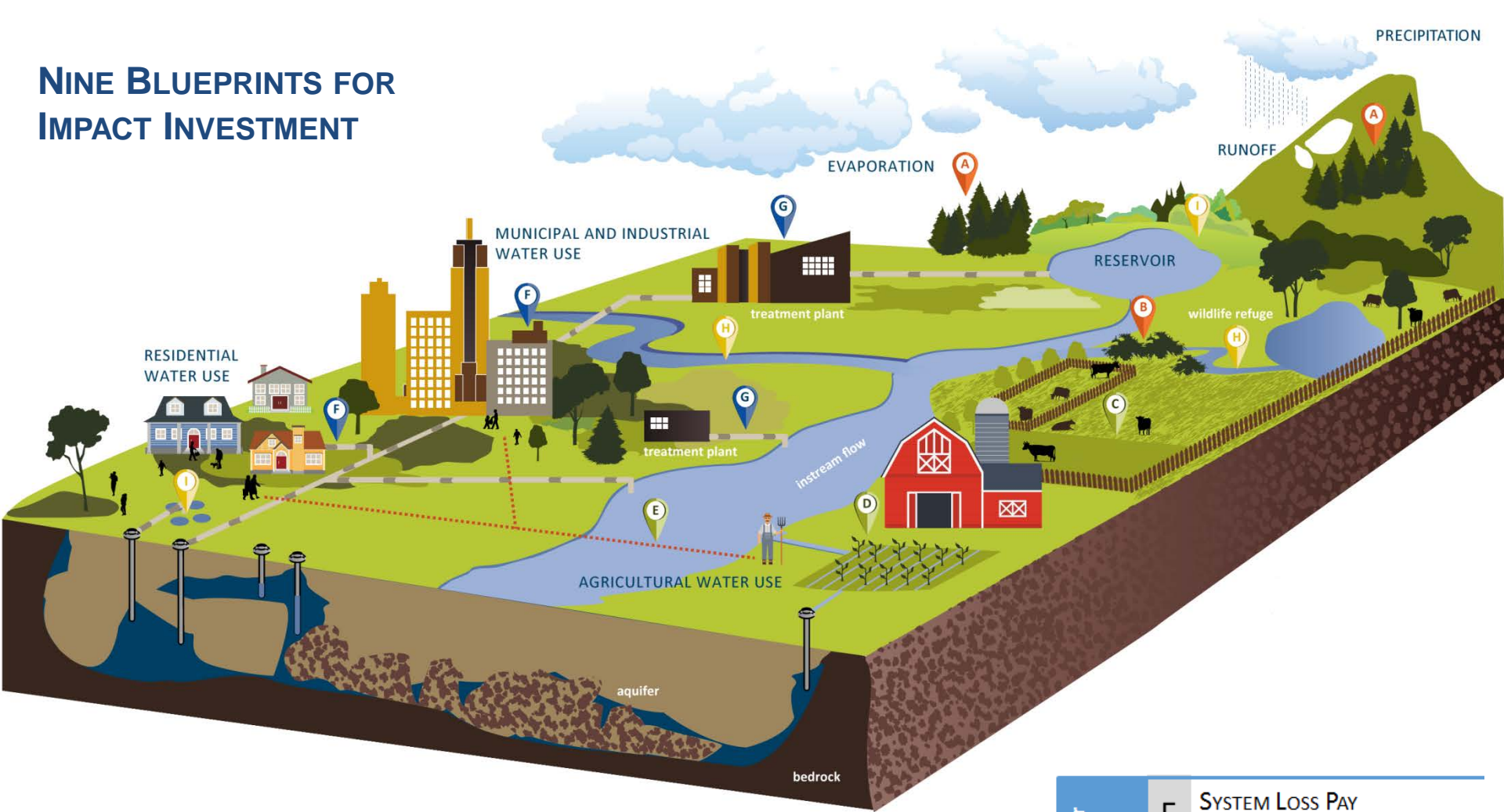
## HISTORIC ROLE OF PRIVATE INVESTMENT

- Traditional private investment role, but increasing interest in more “direct” investments in water
- Last 10 years have seen significant entry of private capital into water issues, but many strategies built on simple arbitrage approaches
- Few examples that have clear public benefits, address systemic issues, or environmental needs
- Water problems also frequently framed as static supply/demand issues, instead of growing problem of managing risk

## SCALE, SCOPE, AND RETHINKING NEEDS

- Water resource problems are manifesting at a rate and scale that is stressing the capacity of traditional water management institutions
- In many cases water problems are developing in areas with limited ability to pay, or in “commons” contexts
- Significant investment potential in solving those issues if strategies can be identified
  - Need for new approaches to increase flexibility, manage cross-cutting risks
  - And for solutions that move beyond zero-sum approaches

# NINE BLUEPRINTS FOR IMPACT INVESTMENT



Watershed Enhancement	A	FOREST HEALTH TREATMENTS
	B	TAMARISK REMOVAL & RESTORATION

Agricultural Water Use	C	HOLISTIC LAND MANAGEMENT
	D	JOINT VENTURE CROP CONVERSION
	E	COMMODITY-INDEXED DRY-YEAR OPTION

Muni Water Use/Infra	F	SYSTEM LOSS PAY FOR PERFORMANCE
	G	GREEN BOND WITH SUSTAINABILITY CONDITIONS

Market Development	H	NEXT GENERATION WATER TRUST
	I	WATER STORAGE TRADING

# IMPACT INVESTING IN WATER MANAGEMENT

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*Philanthropy will play a key role in making water-related impact investment a reality – by driving deal development, facilitation, and demonstration*

## THINKING BEYOND MARKETS

- Building pressures will inevitably drive changes in water policy to allow more “market-driven” transactions
- But: markets may or may not address fundamental environmental and systemic challenges/risks
  - The rules matter, and how rules are written will drive outcomes
- Impact investment can be used to undertake transactions that demonstrate approaches and solutions, bring them to scale, and leverage reforms to make “right-kind” transactions easier

## A KEY ROLE FOR PHILANTHROPY

- In most cases, deployment of tools by traditional private investors will be unrealistic
- Philanthropic capital needed to:
  - Foster collaboration with impact capital and mobilize existing capacity
  - Jump-start pipelines by identifying and structuring opportunities, demonstrating approaches
  - Where necessary, drive policy change to facilitate investment
- Provides a means to amplify philanthropic investments into large-scale impacts funded by private capital

# LIQUID ASSETS PROJECT

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*Collaborative effort among Encourage Capital, TNC, TU, and supporting resource firms to stand up deal pipelines and impact investments in Western water*

## KEY COMPONENTS

- **Virtual “Deal Shop”** – Combining on-the-ground NGO knowledge/relationships with financial/legal/technical support
  - Identification and development of opportunities
  - Refining blueprints into investable models and deals
  - Connecting investors to opportunities
- **Deploying Demonstrations** – identifying and, where needed, undertaking “pilot” transactions
  - Direct investments/PRI

## FOUR INTERRELATED “DEAL PIPELINES”

- **Agricultural Conversion & Sustainable Ranching**
  - Focus on mid-watershed areas, ag conservation and grasslands health
- **Municipal Green Bonds**
  - Focus on growth communities & deployment of green infrastructure
- **Forest Health Environmental Impact Bond**
  - Focus on watershed health; driver for creation of future “watershed fund”
- **Next Generation/Community Water Trust**
  - “System trust” investments that link economic and ecosystem values

