



**TWV Podcast #010:  
Water as a Business Risk. And Opportunity. With Will Sarni**  
Show Notes at <http://thewatervalues.com/pod10>

**Intro:** Welcome to The Water Values Podcast. This is the podcast dedicated to water utilities, resources, treatment, reuse, and all things water. Now here's your host, Dave McGimpsey.

**Dave:** Hello and welcome to another episode of The Water Values Podcast! Thanks for tuning in.

Hope you're doing well today. You know, last Friday, I attended the Colorado Foundation for Water Education's annual fundraiser. Now, they put on a great program, and I saw lots of friends and made some new ones. It really re-affirmed why I like water so much, not that I needed a re-affirmation, but just lots of quality people there. And people who are passionate about water, just like you.

And so I wanted to say thank you for listening – your numbers are growing every day, and I really appreciate your continuing listenership. Or if you're tuning in for the first time, thanks for giving The Water Values Podcast a try. One thing if you could please do for me – please take 20 seconds and rate and review the podcast on iTunes and Stitcher. We've received 12 ratings – eleven 5-stars and one 1-star rating, and only one person has reviewed the podcast so far. So more reviews would be greatly appreciated. More reviews will also help others find The Water Values Podcast and help spread the word.

Now, onto today's program. We are fortunate indeed today. Will Sarni, Deloitte Consulting's Practice Leader for Enterprise Water Strategy join us. I've been thoroughly impressed with our guests to date so far on the podcast, and Will continues that tradition of great guests. You'll really enjoy this interview and learning about how businesses approach water as a risk and an opportunity.

Okay – you knew it was coming, so here are the disclaimers. I'm a lawyer licensed in Colorado and Indiana. And nothing in this podcast should be taken as providing legal advice or as establishing an attorney-client relationship with you or anyone else. Additionally, nothing in this podcast should be considered a solicitation for professional employment. I'm just a lawyer that thinks water issues are interesting and that public education about water issues is needed. And that includes educating myself about water issues because no one knows everything about water.

With that said, let's get on with it. Open the valves, fasten your seatbelts and here we go.



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**Dave:** We're here today with Will Sarni of Deloitte Consulting. Will, thanks very much for coming on The Water Values Podcast. Greatly appreciate your time. Could you tell us a little bit about your background and how you got interested in water?

**Will:** Sure. So...Really a pleasure being here. Certainly my favorite topic, and it dominates my work day and sometimes weekends. But sure, a little bit about my background. I started my career as a hydrogeologist, so I am a ground water guy, and spent roughly about twenty years working on water supply projects and contaminant hydrology projects in the U.S. and the Caribbean. So really got hooked on water very early on, and I was fortunate to work for a ground water consulting firm in the New York area. And that was really sort of the perfect time to get hooked on water. It was a small shop – a bunch of USGS guys doing big water supply projects. So it hooked me instantly and in a lot of ways, my career has sort of come full circle now so I spend really all my time on water-related issues.

**Dave:** Those water related issues, I've heard some of your presentations for it. It's really looking at water as a business risk. Right? Is that the big issue you're looking at?

**Will:** It is. So where I sit in Deloitte Consulting is I primarily focus on the commercial side. So working for a private sector clients, U.S. multinationals, European multinationals, Asian, on why water is a business issue and how they relate to water, either on the risk side of the equation or the business opportunity side.

But something that you and I were talking about before is that increasingly there is a demand coming from the public sector side. So at the federal level, state, municipality level, there's increasing awareness that water scarcity impacts certainly the commercial side but business growth, economic development and so on. So you're really seeing this sort of blending of issues not just from one side or the other but really a recognition that public and private sector partnerships really are needed to address water risk issues and again business opportunities.

So as we frame this as a business issue, it is primarily a risk associated with physical availability of the water. So do you have enough water of the right quality when you need it, where you need it to run your business? Is there a regulatory risk aspect of this? So what are the regulations right now? We include pricing in that discussion and what might they look like ten or twenty years out from now? And then also, reputational risks, so how to stake holders perceive how you're managing water or are you a steward of water? So, what you can do is look at all those factors and quantify to the extent possible, what that risk looks like in terms of business value and really sort of moving you away from just thinking about the price of the water.



**Dave:** Ok. Let's talk about the business risk aspect of that and when, let's say we have a fictional company. What are they going to look at to try and quantify this business risk? What are the factors they're going to take into account?

**Will:** Sure. So let's say you're a U.S. multinational, you have operations, some operations in the U.S., but you're looking to grow internationally. You're looking at key markets, let's say in Asia and Africa. You've got a supply chain, and you've got consumers in a wide range of areas.

So the first thing you want to do is really understand how much water you're using through your direct operation, so within your four walls. So, you can quantify that fairly readily.

You'll also want to look at your supply chain. So if you're a beverage company or a food company, your agricultural supply chain is significant in the scheme of things. So how much water is going into producing barley or sugar, whatever the input might be.

And then in certain instances, if you're a personal care company, then your consumers use water in using your products. So if you are selling soap and shampoo then the availability of water plays into that equation rather significantly.

And that's actually worth focusing on a little bit because this is driving innovation. So, really understanding water use, across your entire value chain, is the first step and then overlaying the geographic component to it. So is most of my growth going to come from water-scarce or water-stressed areas? Well, if that's the case, then you need a strategy to manage that going forward. Does it drive innovation in your products? Can you make shampoo that doesn't use water or less water? Things like that. Can you support barley production to get that sector to be more efficient and more effective in how they are using water and so on.

And then, you really take that information and quantify, essentially put a dollar value on that, and start making investment decisions based on the location of your operations and your growth strategy, consumers whatever it may be. So it's taking some of the water scarcity mapping tools and driving that to another level of thinking.

**Dave:** Ok. That's absolutely fascinating. You're bringing in this whole value chain, and we've talked on this podcast before about the energy-water nexus. We're bringing into that nexus, another component, which is the food security, the food nexus. Can you talk a little bit about how those three, you know, energy, water and food kind of relate to each other?

**Will:** Sure. And you know almost every sustainability conference you go to these days, there is some discussion of the energy-water-food nexus. And you're seeing global organizations, like the World Economic Forum, identify energy, water and food nexus risk and resiliency as a



global business issue. So it's increasingly top of mind. The connectivity here is fairly straightforward. So, you need water for power production, for oil and gas production.

**Dave** Right.

**Will:** So it's suddenly become recognized that if you don't have enough water or there's increasing scarcity, then well, that might impact my ability to develop shale gas reserves, or I may not have enough water of the right temperature, right quantity for thermoelectric power cooling purposes. So there's this direct linkage now that's being recognized as, again, a business issue and how do you manage that from a systems thinking perspective?

Then, on the agricultural side, you need energy and you need water, and there are increasing demands for agricultural production as global population increases, headed towards nine billion people. How do we produce enough food? How do we produce enough energy? How to ensure we have enough water for industrial and agricultural production but also eco systems? So we tend to talk about energy, water and food, but we are leaving out of the equation is ecosystems and the value that that brings to businesses and society in general and so on. So a lot discussion around the nexus right now.

And you're really starting to see people talk a little bit more about solutions to this nexus, and this stress which is, for an example, well water footprint power production. So how do renewables fit into that equation? You know, how do you drive precision, smart agriculture through drip irrigation technologies? How do you set up water funds within a watershed to promote conservation? So it goes back to something we talked about a little bit earlier, scarcity driving innovation. Well, we're at that first stage, pretty much, in terms of understanding the connectivity and the stress, and we're really pretty good about innovating. So, innovating in technologies and innovating in partnerships is really an exciting place to be in right now.

**Dave:** Yeah. Curious about the ecosystem perspective. Could you talk about some of the value that ecosystems bring to these companies and also, how does the water play into that ecosystem?

**Will:** Sure. So, there is an accelerating movement to quantify natural capital. So what is natural capital? How is it important to your business? And water is a key aspect of that as is things like biodiversity and so on. But it's really understanding what nature brings to your business and putting value on that. It's the tragedy of the commons. If you don't pay for it, then it runs the risk of being neglected, essentially. So especially in the beverage sector right now and in the food sector, you're seeing companies start to understand and quantify the value that a watershed brings to their business in terms of filtering water, treating water, having water available for agricultural production and starting to work with stakeholders and becoming stewards of that resource. So, that's essentially the tip of the spear right now in terms of understanding natural capital and the role that water plays in that.



**Dave:** Ok. In terms of this relatively new concept of the businesses really valuing and placing a value on water and the ecosystem and things of that nature, where do you see that going? What's the adoption rate and where do you see that going?

**Will:** Yeah, great question. So, you know, I've seen a significant increase in not just dialogue, but actions associated with water-related risks and opportunity issues. And I think a good place to start is to take a look at the CDP.

**Dave:** Ok.

**Will:** The water program, so if you go to CDP.net, you can download the Global 500 and the S&P 500 reports that will talk about how companies are understanding water-related risks but also identifying business opportunities, so it's a pretty good measure of how companies that participated in the CDP program are viewing water related issues. And what we've seen is really an increase in the depth and breadth of understanding the issues and actually companies are, you know, talking openly about what some of the risks are to their business potentially and how they're addressing these risks.

So that's a good starting point. And I think what it does reflect is just this increasing recognition that water's a business issue and trying to figure out how to manage it effectively. We've had a decade plus of looking at energy and greenhouse gas emissions and most multinationals, if not all, have some energy, greenhouse gas strategy. And what you're seeing now is that water's becoming part of the corporate sustainability agenda and then also becoming part of the overall business strategy agenda. So how do you factor in water risks into your business growth strategy globally or other new products and services that you want to invest in who address quality and quantity issues.

**Dave:** Ok. Real quickly, you mentioned the CDP, organization. Could you, for those who are not familiar with that, could you just give a real quick thumbnail of what CDP is.

**Will:** Sure. So it's a U.K.-based not-for-profit, an NGO, and for, I want to say, at least ten plus years, they have been focused on sending out a questionnaire, a voluntary questionnaire, to global companies asking them to comment and report back on greenhouse gas emissions, climate change risks. And they're doing that on behalf of several hundred investors, institutional investors that care about these issues. So they are essentially a conduit for these investors that are interested in this a potential risk issue.

So a little over three years ago that same group, the CDP organization, started a water disclosure program. And it's basically the same construct. They have, I think, a thousand companies last year that they sent out the questionnaire to, and again, it's voluntary – companies can “not”



respond to it, and if they do, they basically fill out the questionnaire and they tell you, this is how we view water as a business risk or we don't view it as a business risk and this is why. And that information gets published in a report. And we're seeing that investors are paying attention to that in addition to other stakeholders, other NGOs, civil society and other businesses. So it's an interesting snapshot into how a subset of companies are viewing water.

**Dave:** Interesting. Now, what are the industry sectors that seem to be most responsive to these CDP questionnaires and could you talk a little bit about water usage in these industry sectors in terms of...what industries are paying most attention to water usage and water scarcity?

**Will:** Sure. So, historically, you've seen the food and beverage or consumer discretionary, consumer staple sectors pay quite a bit of attention to it for a number of reasons. It's the agricultural input, supply chain piece that historically been a big driver. So it makes perfect sense. They're using water in their products. In some cases, it is a visible component of their products. So, they've probably got the longest track record in terms of really trying to understand water-related issues, and then how to, not just manage, but be a steward of water.

But what we've seen is that other sectors are now paying more and more attention to that. So you're seeing it in the manufacturing sector. You're seeing it in the power sector. You're seeing it in the energy sector. And you know, some companies are really getting out there and talking about it – this is how much water we use and this is how we're managing it. We're becoming more efficient and reusing and recycling water and so on. So, historically lead by consumer products, but the other sectors are paying more attention to it, driven by scarcity issues.

And in a lot of ways, they're collaborating together through collective actions programs. So you'll see food and beverage companies working with manufacturing companies, oil and gas companies, service companies, whoever, within a particular watershed to really address some of these scarcity issues.

**Dave:** So Will, this newfound attention that's being paid to water – is that coming truly from the business side? Is that coming from the investor side, like CDP as we talked earlier? And does social activism play any role in that?

**Will:** Sure. My take is that it is all of the above. So there's no shortage of moving parts in terms of folks who are paying attention to it. And I mean we're sitting here in Denver – water has always been, essentially the lifeblood of the State, the economy. And what we've seen for past several years from the drought is that it is really just putting a fine point on the importance of water to the economy and again ecosystems, domestic use and the agricultural sector and so on. And so it's really coming from a lot of different places.



As I mentioned, I tend to focus on the commercial side so looking at how businesses are thinking about the issue and partnering with those other components that really come up with viable solutions that benefit everyone. But, it is coming from NGOs, the non-governmental organizations. It's coming from the public sector. It's coming from state, federal government, local utilities sectors.

Water utilities are obviously paying attention to things like conservation. And then, some of the major industries that are important in your particular location. So I think it's sort of this perfect storm, if you will, of folks paying attention to an issue and being creative in terms of what the solutions look like. I think historically this has been a supply side equation issue. We'll just get more water.

**Dave:** Some of these companies that are voluntarily reporting to CDP, are they also putting a section on water in their annual reports that they send to their shareholders? Can you talk a little bit about how these companies are interacting with their shareholders on that level?

**Will:** Sure. So, some of them do. So many companies now publish a sustainability report or a corporate social responsibility report or corporate responsibility report, or whatever you, however you want to name it, that really bundles non-financial reporting information. Talking about environmental matters, how they are engaging with their supply chain, governance issues, so water is part of that dialogue, again depending on what sector you're in, you would place either more or less emphasis on it as an important part of your sustainability program. Some companies actually publish a separate water report if it's that embedded into their business. So I think pretty clearly more and more discussion and reporting disclosure dialogue around the topic of water, especially because of the drought in the West right now and the impact that's having.

**Dave:** That's a great point that you brought up about the drought. Is the drought sharpening the focus? What's the drought doing in terms of how these companies are really paying more attention to water?

**Will:** Oh, I think it's very much having an impact on both the public and private sector side. And I think everyone's looking for opportunities to collaborate through collective action. That's the term of art in the world of water to basically describe how pretty diverse stakeholders come together and really try and come up with solutions. So you're seeing online platforms to promote collective actions to really identify who wants to do a conservation project within a particular watershed or whatever it might be. So it's really driven a lot more attention, if you look at the media, the drought is everywhere.

**Dave:** Right. They say the, you know there's drought in California is the one that's been getting a lot of attention but the drought in Texas is really starting to ramp up as well, in terms of media attention. And so I think that those are real interesting issues. I know we're coming up on time



here. I know you're incredibly busy, very generous with your time to spend some time and enlighten us on these uses. Will, where can people go to find out a little more about you and Deloitte?

**Will:** Sure, so for information about what we're doing in the world of water and in both private and public sector side, you can go to [Deloitte.com](http://Deloitte.com). We have Deloitte University Press that has had some recent articles, and we'll have an upcoming article on water as a growth issue. So that's a good place to start. Certainly, if anyone wants to email me, they can certainly do that at [wsarni@deloitte.com](mailto:wsarni@deloitte.com).

**Dave:** Ok.

**Will:** And, you know, happy to provide some follow up information and connections.

**Dave:** Excellent. And now what's your Twitter handle. I know you're on Twitter and very active.

**Will:** It's @WillSarni.

**Dave:** Ok. Well, Will, thanks very much. Greatly appreciate your time. I'm sure we'll be in touch later.

**Will:** Look, Dave, thanks for the opportunity. Appreciate it.

**Dave:** You bet.

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**Dave:** That was my interview with Will Sarni of Deloitte Consulting. And what a terrific guest. I hope you listened closely because he imparted a tremendous amount of information in the limited time we had to do the interview.

So, here are my key takeaways. Businesses and organizations are increasingly attempting to quantify the risks associated with water. They're looking not only within their four walls, but also throughout their supply chain and importantly, how their customers use water. Will's example of shampoo and companies possibly looking to produce shampoo that required less or no water really drove this home for me.

Another key takeaway is that businesses are increasingly recognizing natural capital. Water plays a role in natural capital, as does biodiversity, ecosystems and the like. But Will mentioned that businesses are increasingly looking at this natural capital, which may not appear on the balance





sheet per se, but still contributes to the business. Really interesting stuff that Will brings up. And it ties in with some of our prior guests such as Marty Melchior and Ellen Wohl who talked about the value of rivers as an ecosystem and seeing those rivers having intrinsic value rather than just seeing them as a conduit.

The final takeaway I had concerned the voluntary reporting to CDP by businesses. As the number of those businesses reporting to CDP continues to grow, it demonstrates to me that more and more businesses are recognizing that water issues are integral to their business and that they're seeing the value in voluntarily reporting to CDP. As I'm sitting here today, I'm thinking we should do an annual breakdown of the CDP report after it's been issued each year.

Now we didn't even get into Will's work as an author during the interview, but please know that Will has written several books, and links to those will be provided in the Show Notes at <http://thewatervalues.com/pod10>.

Please let me know what interested you about the interview by leaving a comment on <http://thewatervalues.com> or by emailing me at [david@thewatervalues.com](mailto:david@thewatervalues.com). You can also tweet at me @DTM1993.

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In closing, please remember to keep the core message of The Water Values Podcast in mind as you go about your daily business. Water is our most valuable resource. So please join me by going out into the world and acting like it.

**Outro:** You've been listening to The Water Values Podcast. Thank you for spending some of your day with us.