



A Guide to Biodiversity for the Private Sector

www.ifc.org/BiodiversityGuide

Water and Sanitation Utilities

The Bottom Line

Fresh water constitutes only about 2.5 percent of the total volume of water on Earth, and two-thirds of this is locked up in glaciers and ice caps. Freshwater ecosystems provide essential services to human society, including regulating water flows and naturally processing and breaking-down waste and contaminants. Freshwater species diversity is also particularly important (and threatened), accounting for about 40 percent of all fish species and 25 percent of all mollusks. Water utility companies, which manage human use of this limited and valuable resource, can affect biodiversity through infrastructure development (particularly for dams), altering downstream flows and sediment balances and depleting aquifers through excessive water use. Non-native species can be introduced to ecosystems through inter-catchment transfers and discharges of improperly treated wastewater can alter habitats and contaminate soil and water.

The utilities sector was identified as a high risk (“red zone”) sector for biodiversity risk in the September 2004 report *Is Biodiversity a material risk for companies?* (F&C Asset Management plc) [Report available from: <http://www.businessandbiodiversity.org/pdf/FC%20Biodiversity%20Report%20FINAL.pdf>] The report defines red-zone sectors as those sectors in which *most companies* are likely to be exposed to biodiversity risks and the risks are *likely to be significant*.

Drivers for change

- Maintaining effective ecosystem services to ensure a **sustainable and healthy supply** of water in the long term (shareholders, community, employees, clients)
- Business opportunities created by growing international emphasis on improving **water access to the poor** (community, shareholders, employees, government, NGOs)
- Increasingly **stringent requirements** from lending institutions (financiers)
- **Cost saving opportunities** created by reducing leakage rates and at the same time benefiting biodiversity (shareholders, community)
- Substantial **reductions in operating costs** that can come from investing in watershed conservation (community, government, shareholders, NGOs)

Key sustainability initiatives and good practices

- **The Water Initiative:**
[\[http://www.weforum.org/en/initiatives/water/index.htm\]](http://www.weforum.org/en/initiatives/water/index.htm) A program of the World Economic Forum, the Water Initiative is a multi-stakeholder forum that promotes sustainable water resources management and facilitates the private sector's participation in these activities.
- **The American Water Works Association's benchmarking initiative:**
[\[http://www.awwa.org/science/benchmarking/\]](http://www.awwa.org/science/benchmarking/) A process for water and wastewater utilities to measure and monitor their performance and compare it to other companies.
- **HSBC's Freshwater Infrastructure Guideline:**
[\[http://www.hsbc.com/hsbc/news_room/news/news-archive-2005?cp=/public/groupsite/news_room/2005_archive/hsbc_launches_freshwater_infrastructure_guideline.jhtml&isPc=true\]](http://www.hsbc.com/hsbc/news_room/news/news-archive-2005?cp=/public/groupsite/news_room/2005_archive/hsbc_launches_freshwater_infrastructure_guideline.jhtml&isPc=true) A set of guidelines from the bank HSBC that includes environmental and social criteria for evaluating freshwater projects.

- **Veolia:** [<http://www.veoliawaterna.com/default.htm>] A global water utility that has started integrating environmental and social concerns into its group-wide policies.

- **Manila Water Company:** [<http://ifcln001.worldbank.org/ifcext/pressroom/ifcpressroom.nsf/0/bcdb23bbb43a087985256ea6005ecbf6?OpenDocument>] IFC support has helped this company reduce leaks and bad connections from 63 percent to 46 percent, with important benefits for biodiversity, the wider environment and local communities.

- **Aguas Andinas:** [<https://www.aguasandinas.cl/weblectorrealinfo/index.aspx?sitio=1>] Chile's largest water utility, which has signed an agreement to create a conservation area that will protect its water source in a watershed outside Santiago.