

Water Now More Valuable Than Oil?

Savvy Investors and Successful Companies are Turning Water Into Gold

By [Larry West](#), About.com Guide

The most valuable commodity in the world today, and likely to remain so for much of this century, is not oil, not natural gas, not even some type of renewable energy. It's water—clean, safe, fresh water.

Follow the Money

When you want to spot emerging trends, always follow the money. Today, many of the world's leading investors and most successful companies are making big bets on water. Do a little research, and it's easy to see why. There simply isn't enough freshwater to go around, and the situation is expected to get worse before it gets better.

According to *Bloomberg News*, the worldwide scarcity of usable water worldwide already has made water more valuable than oil. The Bloomberg World Water Index, which tracks 11 utilities, has returned 35 percent to investors every year since 2003, compared with 29 percent for oil and gas stocks and 10 percent for the Standard & Poor's 500 Index.

"There is only one direction for water prices at the moment, and that's up," said Hans Peter Portner, who manages a \$2.9 billion US Water Fund at Pictet Asset Management in Geneva, according to a report by *Bloomberg News*. The value of the fund increased 26 percent in 2005, and Portner expects water to provide 8 percent annual returns through 2020.

Freshwater Becoming More Scarce

The United Nations estimates that by 2050 more than two billion people in 48 countries will lack sufficient water. Approximately 97 percent to 98 percent of the water on planet Earth is saltwater (the estimates vary slightly depending on the source). Much of the remaining freshwater is frozen in glaciers or the polar ice caps. Lakes, rivers and groundwater account for about 1 percent of the world's potentially usable freshwater.

If global warming continues to melt glaciers in the polar regions, as expected, the supply of freshwater may actually decrease. First, freshwater from the melting glaciers will mingle with saltwater in the oceans and become too salty to drink. Second, the increased ocean volume will cause sea levels to rise, contaminating freshwater sources along coastal regions with seawater.

Complicating matters even further is that 95 percent of the world's cities continue to dump raw sewage into rivers and other freshwater supplies, making them unsafe for human consumption.

The Need for Freshwater is Increasing Rapidly

Yet, while freshwater supplies are at best static, and at worst decreasing, the world's population is growing rapidly. The United Nations estimates that the world population—approximately 6.5 billion in 2006—will grow to 9.4 billion by 2050.

The cost of water is usually set by government agencies and local regulators. Water isn't traded on commodity exchanges, but many utilities stocks are publicly traded. Meanwhile, investments in companies that provide desalination, and other processes and technologies that may increase the world's supply of freshwater, are growing rapidly.

Companies Investing in Water

General Electric Chairman Jeffrey Immelt said the scarcity of clean water around the world will more than double GE's revenue from water purification and treatment by 2010—to a total of \$5 billion.

GE's strategy is for its water division to invest in desalinization and purification in countries that have a shortage of freshwater. Saudi Arabia is expected to invest more than \$80 billion in desalinization plants and sewer facilities by 2025 to meet the needs of its growing population. And while China is home to 20 percent of the world's people, only 7 percent of the planet's freshwater supply is located there.

"This will be a big and growing market for a long time," Immelt said at the GE annual meeting in Philadelphia in April 2006.