

Launch Event of the Study: *Leveraging a Water Efficient Economy – Opportunities for Companies and Financial Institutions in Brazil*

CEBDS and GIZ launch a joint study on water risks and opportunities for businesses and financial institutions in Brazil

In cooperation with our local partner, the *Brazilian Business Council for Sustainable Development (Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável, or CEBDS)*, the *Emerging Markets Dialogue (EMD) on Green Finance* launched the study *Leveraging a Water Efficient Economy – Opportunities for Companies and Financial Institutions in Brazil*. The study was presented during a workshop that comprised more than 70 representatives from Brazilian financial institutions and companies, as well as local and international experts.

The objective of the study was to identify business and investment opportunities in water-saving technologies for both companies and banks in order to increase the engagement of the private sector in the transformation towards a water-efficient and more sustainable Brazilian economy.

Marina Grossi, President at CEBDS, elaborated during her opening speech on the motivation to conduct the study. By providing specific guidance to companies and financial institutions on the adaptation and related costs of water-conserving technologies, the study filled a gap in a country, in which economic activity relies heavily on water, a resource that has become increasingly scarce. “The study makes clear that such a mapping of water risks and opportunities for businesses and financial institutions is not trivial at all. What really had been needed were precise answers on real values to make such opportunities financially tangible for both companies and financial institutions. The study shows how different sectors can benefit from the adaptation of water-conserving technologies and where the most attractive opportunities are for banks in stimulating the progressive use of such technologies.” Mrs. Grossi emphasized that “assigning a financial parameter to each technology, thereby raising visibility of its efficiency, is fundamental to the decision-making process for investments.”

Yannick Motz, Project Manager of the *Emerging Markets Dialogue on Green Finance* at GIZ, illustrated the particular relevance of the study’s results for the Brazilian economy at its current stage. The recent two-year drought in Brazil, the worst in 80 years, that led to water rationing, power outages and huge production losses, sharpened the awareness of the public and private sector regarding the risks stemming from environmental degradation and climate change. As businesses are currently recovering from the impact of the drought, those who seize the opportunity to turn to water-conserving technologies now, will benefit in the medium and long run from a significant competitive advantage.

The study analyzes 14 viable technologies for nine water-intensive sectors with high relevance for Brazil’s GDP. “It identifies, which technologies are used in the respective sectors, how technologies function and conserve water, whether their adaptation alters business processes and which costs may arise from these alternations,” Fernanda Gimenes, coordinator of the *Technical Working Group for Sustainable Finance* at CEBDS explains.

Identified technologies include: hydrometer for consumption segmentation, drip irrigation, dust disperser, aquaculture for sewage treatment, evaporation to vinasse concentration, water

loss detector, chemical-free cooling tower, rain water harvest, ozone treatment, artificial wetlands, ultra-filtration, reverse osmosis, thermal distillation and reforestation.

The sectors analyzed cover cattle breeding, agriculture (soy and sugar cane), food processing, automotive, petrochemical, steel and metallurgy, mining, beverage, and pulp and paper.

As revealed by the study, the estimated share of annual water conservation through the adaptation of the scrutinized 14 technologies amounts to 19% of the water consumed by the industry (equivalent to 2.3bn cubic meters) and 3% of water consumed by agriculture (2.1bn cubic meters). These numbers correspond to an annual saving of R\$ 11.6bn (EUR 3.2bn).

In order to reach the full potential of these technologies, investments of approximately R\$ 49bn (EUR 13.5bn) are required – of which half represent attractive investment opportunities for financial institutions, based on the average capital expenditure, the water break even cost and the investment gap for each technology. Both sub-suppliers and financial institutions would gain from additional business deals generated through the full adaptation and implementation. “Banks want to support and finance technologies that are viable and effective, but in order to become an actual business case for banks, technologies must be profitable for the productive sector as well. Companies will not solely invest in such technologies because funding capital is available. Exactly for that reason, the study aligns the two perspectives for each technology respectively”, Gustavo Pimentel, Executive Director at SITAWI, reinforced.

For further information on the launch event and access to the study in English [soon available] and Portuguese, please visit www.emergingmarketsdialogue.org.

The study and workshop are part of a project on *Natural Capital & Finance in Brazil* that was initiated in 2014 by GIZ's *EMD Green Finance* and CEBDS' *Technical Working Group for Sustainable Finance*. The objective of the project is to build awareness and capacity of finance professionals to incorporate natural capital considerations into their lending and investment decisions and risk management models. Activities include the development of open-source financial tools, a series of thematic capacity building workshops, and are backed by research papers such as this report. The project is commissioned by the *German Federal Ministry for Economic Cooperation and Development (BMZ)*.