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Water as an Investment

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Water is necessary for life. As the world population grows, water becomes increasingly scarce in many parts of the globe. This fact creates many problems and also makes water as an investment a reality. In the USA, water issues in the East have traditionally had to do with issues like pollution of rivers affecting those who live downstream. In the American West the issues have always revolved around those upstream using all of the water so that less is available to those downstream. Such is the case today with the Colorado River.

Colorado River Water Issues

After decades of immigration to the American Southwest and thirteen years of drought, a major source of water and electrical power, the Colorado River, is shrinking. A major issue is who will suffer cuts in their water supply? States that get water from the Colorado River include Utah, Wyoming, Colorado, and New Mexico along the upper reaches of the river and Nevada, Arizona, and California from the lower Colorado before it enters Mexico and provides water for Baja California and Sonora states.

Uses of Water from the Colorado River

The Colorado River and its tributaries are the primary source of water for almost forty million people. Five and a half million acres (8,593.75 square miles) of farmland are irrigated by Colorado River water. Hydroelectric dams along the Colorado River have the capacity to generate more than 4,200 megawatts of electricity. All of these uses are in peril as a historic drought reduces flow and usage continues unabated. According to *The New York Times*, the White House is suggesting mandatory equal percentage cuts in water allotments for all US states that get water from the Colorado River. Without a practical solution cities like Phoenix could be without water, the Southwest could experience rolling electric blackouts, and productive farmland could turn to desert. It is sad but true that similar situations are playing out across the world.

Availability of Fresh Water

The world has a lot of water. Seventy percent of the earth's surface is covered by oceans. Thus 96.5% of all water on earth is salt water in the oceans. Another 0.9% is salt water in other locations. 2.5% of all water is fresh water. Of the earth's fresh water 68.7% is in the world's glaciers and ice caps. 30.1% is ground water and 1.2% of all fresh water is on the surface. Of the surface water 69% is ground ice and snow or permafrost. 20.9% is in the lakes of the world while the soil, marshes and swamps, and rivers contain 3.8%, 2.6%, and 0.49% respectively. The atmosphere contains about 3% of all surface water and living things (animals and plants) hold 0.26%.

Uses of Fresh Water

The bottom line about water is that less than 1% of all water is available for human use. And there are many uses for water in modern society. According to data from the Environmental Protection Agency, only about 12% of US freshwater use goes to public supply. Thermoelectric power generation takes 45% and agricultural irrigation takes 32%. Thus, when cuts in water consumption are needed, they need to come more from irrigation and power generation than from home use. In the case of Colorado River allotments, somebody is going to suffer from cuts and none of the US states want it to be them or their constituents.

Scarcity Creates Water Investment Opportunities

The point we have made and perhaps belabored is that fresh water is becoming increasingly scarce. Much has been made of changes in the climate and historic droughts such as in the US West as well as the [Middle East](#). However, [world population growth](#) has taken us from about a billion people in 1800 to 8 billion today. The combined populations of India and China doubled from 1 billion to 2 billion from 1950 to the present.

In future articles we will look at specific investment opportunities as fresh water becomes more and more scarce and freshwater demand continues to increase.

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