

# The Economics of Water

The world faces a growing water disaster. For the first time in human history, the hydrological cycle is out of balance, undermining an equitable and sustainable future for all. We can fix this crisis if we act more collectively, and with greater urgency. We need bolder and more integrated thinking and a recasting of policy frameworks to address these challenges. The Global Commission on the Economics of Water (GCEW) calls for a new economics of water. GCEW/OECD, october 2024.

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Global Commission on the Economics of Water

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The world faces a growing water disaster. For the first time in human history, the hydrological cycle is out of balance, undermining an equitable and sustainable future for all.

We can fix this crisis if we act more collectively, and with greater urgency. Vitally too, restoring stability of the water cycle is critical not only in its own right, but to avoid failing on climate change and safeguarding all the earth's ecosystems, as well as on each and every one of the Sustainable Development Goals (SDGs). It will preserve food security, keep economies and job opportunities growing, and ensure a just and liveable future for everyone.

Decades of collective mismanagement and undervaluation of water around the world have damaged our freshwater and land ecosystems and allowed for the continuing contamination of water resources. We can no longer count on freshwater availability for our collective future. More than 1,000 children under five die every day from illnesses caused by unsafe water and sanitation. Women and girls spend 200 million hours each day collecting and hauling water. Food systems are running out of fresh water, and cities are sinking as the aquifers underneath them run dry.

We have, fundamentally, put the hydrological cycle itself under unprecedented stress, with growing consequences for communities and countries everywhere. Our policies, and the science and economics that underpin them, have also overlooked a critical freshwater resource, the "green water" in our soils and plant life, which ultimately circulates through the atmosphere and generates around half the rainfall we receive on land.

Most gravely, while itself a victim of climate change, the degradation of freshwater ecosystems including the loss of moisture in the soil has become a driver of climate change and biodiversity loss. The result is more frequent and increasingly severe droughts, floods, heatwaves, and wildfires, playing out across the globe. And a future of growing water scarcity, with grave consequences for human security. Nearly 3 billion people and more than half of the world's food production are now in areas where total water storage is projected to decline.

We need bolder and more integrated thinking and a recasting of policy frameworks to address these challenges. The Global Commission on the Economics of Water (GCEW) calls for a new economics of water:

- One that recognises the hydrological cycle as a global common good: understanding that it connects countries and regions through both the water that we see and atmospheric moisture flows; that it is deeply interconnected with climate change and the loss of biodiversity with each rebounding on the other; and that it impacts on virtually all the SDGs.
- One that transforms water governance at every scale, from local to river basin to global, to ensure it is governed more effectively and efficiently, delivers access and justice for all, and sustains the earth's ecosystems.
- One that brings together fundamental economic concepts and tools, to value water properly to reflect its scarcity and the multiple benefits it provides as the Earth's most precious resource.
- One that tackles externalities caused by the misuse and pollution of water but shifts from fixing them after the fact to shaping economies so that water is used efficiently, equitably, and sustainably from the start.
- One that spurs a wave of innovations, capacity-building and investments, evaluating them not in terms of short-run costs and benefits but for how they can catalyse long-run, economy wide benefits and hence dynamic efficiency gains through learning, scale economies and cost reductions.
- One that recognises that the costs entailed in these actions are very small in comparison to the harm that continued inaction will inflict on economies and humanity.

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Global Commission on the Economics of Water (GCEW) - The Global Commission on the Economics of Water (GCEW) is redefining the way we value and govern water for the common good. It is presenting the evidence and the pathways for changes in policy, business approaches and global collaboration to support climate and water justice, sustainability, and food-energy-water security. The Commission is convened by the Government of the Netherlands and facilitated by the Organisation for Economic Co-operation and Development (OECD). It was launched in May 2022 with a two-year mandate. The GCEW is executed by an independent and diverse group of eminent policy makers and researchers in fields that bring novel perspectives to water economics, aligning the planetary economy with sustainable water-resource management. Its purpose is to make a significant and ambitious contribution to the global effort to spur change in the way societies govern, use and value water.

Co-Chairs - Tharman Shanmugaratnam, President, Republic of Singapore; Ngozi Okonjo-Iweala, Director-General, World Trade Organization; Mariana Mazzucato, Professor in the Economics of Innovation and Public Value at University College London and Founding Director of the UCL Institute for Innovation and Public Purpose; Johan Rockström, Professor in Earth System Science at University of Potsdam and Director of the Potsdam Institute for Climate Impact Research; Henk Ovink, Executive Director, Commissioner.