



RESOURCE

Linking water risk and financial value – Part II. Review of water risk valuation tools.

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Author(s)

Morgan, Alexis J. Granzo, Martin

Description / Abstract

This report aims to help fill this gap and offer guidance and recommendations for improved water risk management in terms of available tools.

More specifically, this report provides a review of several tools in the water valuation space, including the Water Risk Monetizer and the Water Risk Valuation Tool, which are primarily tailored to the needs of investors, as well as the Corporate Bonds Water Credit Risk Tool and the Drought Stress Testing Tool, which are geared to bond and credit valuation. The Investor Water Toolkit is also introduced, which – while not a tool in the strict sense of the word – is a comprehensive online resource that gives investors essential information on water risks. The analysis of available tools shows that existing tools need to be further developed or supplemented, in order to fully and adequately capture the impact of water risks on investment and loan portfolios. In addition to droughts, based on both experience and the input of financial institutions in Germany, WWF suggests that future tools address the impacts of floods and pollution and provide information for as many relevant countries and industries as possible to ensure the broadest possible coverage of financial institutions' portfolios. These tools should also supply information for financial institutions focusing on both the short- and long-term and enable users to replace the assumptions underlying the calculation with their own assumptions or to apply different scenarios.

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