

# Tortoise QuickTake

## Water Podcast

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April 30, 2018

Welcome to the Tortoise podcast series on the water sector. Thanks for joining us. I am Evan Lang, Research Analyst with Tortoise. For the second installment of our series, we'll take a deeper dive into the water industry following a recent industry conference.

Last week, I brushed off my grade school French and jetted to Paris to attend the Global Water Summit, the leading water industry conference, where water business leaders, industrial water users, utility managers, water technology providers and investors came together to discuss, create and share ideas that could shape the future for the world's most essential commodity.

The renowned conference was filled to the brim with over 750 delegates from more than 60 different countries. The summit featured thought-provoking speakers, panels, and roundtable discussions, as well as 1x1 meetings that explored the fundamental role of water in the growing and rapidly changing economy.

One message was clear throughout the conference: water investment is needed now. This sentiment was reflected in the conference tag line of "water meets money." Excitement was evidenced by attendance increasing approximately 10% from the prior year, with one speaker noting that the sector is near an inflection point of investment as the global water crisis is unfolding today as seen in Cape Town and will continue to worsen without action taken now.

Two areas of investment stood out as what we believe to be the best opportunities where water can meet money today:

- The first is the digitalization of the water industry
- The second is the adoption of water reuse

Today, we'll walk through each of these opportunities.

Let's start with the digitalization of the water industry. A technological revolution is occurring in the water sector that is driving increased use of data. Data capture and analytics are enabling the industry to make more informed and optimized decisions. The impact of digital solutions is substantial, particularly for capital constrained water utilities that currently lose billions of gallons of water around the globe every day. At Tortoise, we believe that by implementing a smart water network, the leading digital solution in the industry, water utilities could benefit as smart water networks improve operational efficiencies and maximize supply through a reduction in water loss.

Let's zero in on a few key benefits of smart water networks that were highlighted by the conference speakers. These benefits include a 75% reduction in water loss as smart meters identify leaks in real time; 80-90% reduction in capital cost for a project as smart meters identify specific areas of improvement; and ultimately, an improved customer experience and lower tariff increases due to the efficient capital spend. The excitement surrounding the digitalization of the industry is notable as a conference poll indicated that approximately 2/3rds of conference attendees believe that the digitalization of the industry is transformational.

Shifting gears, the second major area of investment opportunity is the adoption of water reuse. Whether its industry members or established water utilities, we think the future for re-used water as a source of supply is bright as it is the cheapest alternative to traditional water supply today.

Industry appears particularly interested in water reuse as companies look to implement sustainability programs and secure water supply in an increasingly water scarce environment. In fact, there was more industrial interest this year than previous conferences. The opportunity is not lost on the water sector as almost 2/3rds of attendees believe that industrial water is a huge opportunity according to a poll conducted at the conference.

Salesforce.com is the most recent example of an industry player turning to water reuse. Earlier this year, they announced that its new headquarters, Salesforce Tower, in San Francisco will implement the largest on-site water reuse system in a commercial high rise in the U.S. The system is designed to reduce the building's consumption of local water supply by an estimated 7.8 million gallons a year, which will represent a whopping 76% reduction in the building's water demand. Many other companies are following the path taken by Salesforce. In fact, more than 30 distributed reuse projects are being developed around the city, according to Bluefield Research.

Industry is not alone in adopting water reuse. Utilities are excited about this form of alternative supply as well. At the summit, the general manager of the Metropolitan Water District of Southern California, which provides water to 19 million people from Los Angeles to San Diego counties, provided an example of a water utility turning to water reuse. In its long-term plan, this water district plans to increase groundwater recovery and recycling from 7% of water supply in 1990 to 35% by 2040. With industrial water users and utilities shifting to water reuse, we believe the trend is clear - water reuse will continue to grow.

I want to leave you with a quote from a utility board member that was shared at the conference that has stuck with me ever since he said it. He explained, "Every generation should plan for their water supply being cut in half."

With this in mind, our goal at Tortoise is to help align capital with the investment required to prepare for a water scarce world as supply is limited and demand is ever increasing as the population grows, industrial usage intensifies and the global economy expands. We look forward to working together to forging a better future for the world's most essential commodity.

That will do it for today. We look forward to speaking with you again soon. As the French say, au revoir.

**Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at [info@tortoiseadvisors.com](mailto:info@tortoiseadvisors.com).**

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