



## Water starts to make waves

Amy Westervelt - May 16, 2008

The "Consolidated Natural Resources Act of 2008," (S.2739) was signed into law last week, and what was barely covered in the media was the new law's impact on water resources in the country.

The law authorizes significant federal funding for "specified" water projects, seven of which are in the Bay Area. Two recycled water projects in Santa Clara County, which will provide water for irrigation and landscaping, will receive \$15.25 million. The federal funding could be just the support the venture community needs to make good on its much-publicized intentions to invest heavily in water. Three days before the bill was signed into law, *Venture Beat* predicted big opportunities in the water sector if it passed.

The President may have been motivated to sign S. 2739 by the Environmental Protection Agency's recent report on the need to address the effect of climate change on water resources. In it, the EPA lays out several concerns that the National Water Program will need to address in coming years: water safety and quality as water becomes more polluted and adversely affected by extreme weather; a reduced amount of available water due to drought or rising sea levels; and the impacts of warm water, high sea levels and extreme weather on coastal lands and marine biology. In addition to the EPA's concerns, the rising middle class in China and India suddenly able to afford clean water has already helped fuel the success of water purification companies such as Sylvan Source, Miox, Novazone and Purfresh.

Now, with federal funding for water projects, companies with technological solutions to water quality issues could provide attractive investment opportunities for venture capitalists focused on cleantech. Just as energy-efficiency and demand-response technologies have proven to be sound investments for cleantech funds, companies with technologies that improve the efficient use and management of water could become big winners in the space.

Further bolstering support for investments in water are a handful of recent IPO filings in the space. Arizona-based water utility Global Water Resources Group, which owns and operates 16 water and wastewater utilities in the state, filed this week and is aiming to raise \$50 million on the Nasdaq. The Global Water IPO comes a month after American Water Works stock debuted on the Nasdaq with its stock priced \$2.50 less per share than anticipated, and San Leandro, Calif.-based desalination company Energy Recovery, Inc. filed to go public.