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Water is joining gold, oil and other commodities traded on Wall Street, highlighting worries that the life-sustaining natural resource may become scarce across more of the world.

Farmers, hedge funds and municipalities alike will be able to hedge against -- or bet on -- potential water scarcity starting this week, when CME Group Inc. launches contracts linked to the \$1.1 billion California spot water market. According to Chicago-based CME, the futures will help water users manage risk and better align supply and demand.

The contracts, a first of their kind in the U.S., were announced in September as heat and wildfires ravaged the U.S. West Coast. They are meant to serve both as a hedge for California's biggest water consumers against skyrocketing prices and a scarcity gauge for investors worldwide.

"Climate change, droughts, population growth, and pollution are likely to make water scarcity issues and pricing a hot topic for years to come," said RBC Capital Markets managing director and analyst Deane Dray. "We are definitely going to watch how this new water futures contract develops."

Two billion people now live in nations plagued by water problems, and almost two-thirds of the world could face water shortages in just four years, Tim McCourt, global head of equity index and alternative investment products at CME, said in an interview. "The idea of managing risks associated to water is certainly increased in importance."

The futures will be financially settled, as opposed to requiring the actual physical delivery of water, and are based on the Nasdaq Veles California Water Index started two years ago. The index sets a weekly benchmark spot price of water rights in California, underpinned by the volume-weighted average of the transaction prices in the state's five largest and most actively traded water markets.

Contracts will include quarterly ones through 2022, with each representing 10 acre-feet of water, equal to roughly 3.26 million gallons.

Currently, if a farmer wants to know what water will cost in California six months from now, it's kind of a "best guess," Patrick Wolf, senior manager and head of product development at Nasdaq, said in an interview.

The futures will allow market participants to see "what is everybody's best guess," he said.

CME declined to identify potential market participants, except to note that the exchange has heard from California agriculture producers, public water agencies, utilities as well as institutional investors like asset managers and hedge funds.

Clay Landry, managing director at consulting firm WestWater Research, which provides the data used to calculate the water index, said in addition to the likelihood of a “great deal of interest” from Wall Street, he expects the early water futures adopters to be large and small agriculture businesses.

“Without this tool people have no way of managing water supply risk,” Boise, Idaho-based Landry said in an interview. “This may not solve that problem entirely, but it will help soften the financial blow that people will take if their water supply is cut off.”

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