

## Water Market Expands on U.S., Chinese Measures, Study Reports

June 22, 2010, 8:52 PM EDT

By Jeremy van Loon

June 23 (Bloomberg) -- Payments to protect fresh water resources have grown in the last a decade to become the second- largest environmental market after carbon credits as China and the U.S. safeguard dwindling supplies, according to a study.

Governments and investors paid \$9.3 billion to protect watersheds in 2008, the most recent year surveyed, compared with less than \$2 billion in 2000, according to the study released today by Ecosystem Marketplace. The Washington-based analyst studies environmental services such as forest preservation, carbon sequestration and biodiversity.

China, the U.S. and Jordan are some of the countries spending more money to protect water, about 70 percent of which is traditionally used by agriculture. Two-thirds of the world will face water shortages by 2025, the International Union for Conservation of Nature, based in Gland, Switzerland, estimates.

National and regional governments spent most of the \$9.3 billion on payments for farmers and other landowners to encourage land-use practices that protect watersheds and water flows.

Jakarta preserves nearby forests because the trees shield some 60 streams and rivers from evaporation and erosion, according to the IUCN. That provides cheap drinking water to the Indonesian capital, avoiding about \$1.5 billion a year that would be needed to import supplies from distant reservoirs.

Water trading involves exchanging credits created from reducing pollutants such as nitrogen and phosphorus based on water quality standards, such as those established by the U.S. Environmental Protection Agency. The U.S. is the largest market for water trading, Ecosystem Marketplace said.

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