

# Turning water risk into competitive advantage

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## Water is reshaping business risk and investment

Water is rapidly emerging as a defining factor for economic stability, business resilience, and long-term competitiveness. What has traditionally been treated as a background environmental issue is increasingly shaping core business decisions, financial risk assessments, and investment strategies.

Against this backdrop, an interactive seminar was jointly arranged by SIWI, UN Global Compact Network Sweden, and Skandia on 19 March 2026 ahead of World Water Day at Norrsken House in Stockholm. Moderated by SIWI, the discussion brought together actors from business, finance, research, entrepreneurship, and civil society. It focused on how water is evolving from a perceived risk into a potential source of competitive advantage and societal resilience.

The starting point was clear. Climate change, water stress, flooding, and ecosystem degradation are already affecting production, supply chains, financial flows, and social stability. Water underpins all economic activity yet remains insufficiently integrated into how organizations assess risk and make decisions.

Across sectors, a shared understanding is beginning to take shape: water is no longer only a sustainability issue. It is becoming a core business and investment question. The seminar brought together perspectives from finance, industry, research, and entrepreneurship, including representatives from Skandia, SEB, WaterAid, Hansgrohe Group, Norrsken, and Laguna. Together, these actors reflected the range of stakeholders shaping how water risks are translated into business and investment decisions.

## Emerging themes from the discussion

### Water as a business and investment risk

A central theme throughout the seminar was the shift in how water is understood. No longer confined to sustainability or compliance, water is increasingly recognized as a material business risk. Climate variability, water scarcity, flooding, and ecosystem degradation are already affecting production, supply chains, and financial performance.

This shift is particularly visible in the financial sector, where water is now being assessed in terms of its impact on cash flows and asset values. The discussion highlighted how water-related risks can be understood through a small number of core dimensions: too much water, too little water, polluted water, and ageing infrastructure. Each of these presents both a risk and an opportunity, requiring investment, innovation, and new forms of management.

At the same time, there is growing recognition that existing systems are not fully equipped to manage these pressures. Much of today's infrastructure and governance models were designed for different conditions, and are now being tested by climate variability, urbanization, and new forms of pollution. As these pressures intensify, the likelihood of more frequent and more severe disruptions increases, reinforcing water as a business-critical risk.

Despite this, water continues to be systematically undervalued. It is rarely priced or accounted for in ways that reflect its true value, creating a disconnect between the scale of the risk and the incentives to act.

### The gap between available capital and investable solutions

A recurring theme was the disconnect between the capital available for investment and the ability to deploy it into water-related solutions. Public funding alone is insufficient to meet the scale of investment required, and there is broad recognition that private capital must play a significantly larger role.

However, capital does not flow automatically. Financial actors require clarity on risk, return, and structure. In the absence of robust data, standardized approaches and predictable revenue models, water investments are often perceived as complex or uncertain.

This challenge is compounded by the nature of water itself. Unlike other global commodities, water is highly local, context-specific, and governed through fragmented systems. This makes it difficult to create scalable financial models and comparable investment opportunities.

At the same time, the discussion highlighted a structural misalignment between public responsibility and private capital. Water infrastructure is largely a public mandate, while private capital operates under clear return requirements and fiduciary duties. Bridging this gap requires models that align responsibilities, risks, and revenue flows — without compromising access or affordability.

The issue, therefore, is not a lack of capital. Rather, it is a lack of regulatory frameworks, structures, and incentives that make water solutions investable.

## **The importance of the business case**

Closely linked to this was the emphasis on the business case as the starting point for mobilizing capital. For actors managing large pools of capital, particularly pension funds and institutional investors, investment decisions are guided by clear mandates and fiduciary responsibilities.

This creates a fundamental requirement: solutions must demonstrate how they generate value before their broader societal benefits can be considered. Impact alone is not sufficient to unlock large-scale investment.

At the same time, participants highlighted a related challenge: many of the benefits associated with water investments are difficult to quantify in financial terms. Improvements in resilience, reduced leakage, or enhanced ecosystem services often create significant value, but this value is not always captured in pricing or revenue models.

This creates a disconnect between what is valuable and what is investable. Addressing this gap will be critical to scaling solutions.

## **Innovation in context: from ideas to implementation**

The seminar explored how innovation, research, and entrepreneurship can contribute to scaling water solutions. While technological advances play an important role, several contributions highlighted that innovation must also respond to real-world conditions.

This includes understanding user needs, local constraints, and system dynamics. In many contexts, the most effective innovations are not those that are technologically advanced, but those that are adapted, accessible, and scalable within existing environments.

At the same time, there was a strong emphasis on moving beyond concept and pilot stages. Many solutions already exist, but remain untested at scale or lack the conditions needed for broader implementation. Creating space for experimentation, pilot projects, and early-stage collaboration was identified as a critical step in demonstrating viability and unlocking further investment.

This also points to a broader need to better integrate research and academia into organizational and financial decision-making structures. Strengthening these interfaces can help translate knowledge into actionable solutions and support more effective scaling.

## **Data, risk and decision-making**

A critical question raised during the seminar was how companies can better understand their dependence on — and impact on — water across their value chains.

Data emerged as a key enabler in this regard. While many organizations are aware of water-related risks, they often lack the tools to quantify and act on them. Water is frequently underpriced, meaning that the financial signal required to trigger action is weak, and risks remain insufficiently reflected in decision-making.

Bridging this gap requires both improved data and the ability to translate that data into financial terms. This includes linking operational realities with metrics that can be used by investors, insurers, and lenders.

As understanding improves, there is also growing recognition that pricing risk — rather than the resource itself — may offer a more effective pathway for directing capital and influencing behaviour.

### **From pilots to scale: the implementation challenge**

Despite a growing number of innovations and solutions, scaling remains a major challenge. Many initiatives remain at the pilot stage, unable to move into wider implementation.

Participants pointed to structural barriers including low water pricing, fragmented governance, and limited coordination across sectors. In many cases, these factors create greater constraints than technological limitations.

At the same time, there is a tendency to delay action until risks become acute. Experience from other sectors suggests that major shifts often occur in response to crisis rather than anticipation. In the context of water, this creates both urgency and risk, as delayed action increases both the cost and the impact of disruptions.

There are also clear signs of progress. New platforms, start-ups, and collaborative initiatives are emerging, alongside a growing interest from financial actors. These developments indicate that the conditions for scaling are beginning to take shape, even if they are not yet fully realized.

Moving forward, scaling will depend less on identifying new solutions and more on aligning incentives, responsibilities, and financing mechanisms to support implementation at scale.

### **Implications for industry and finance**

The discussion points to a clear shift in how water must be approached by businesses and financial actors. Water is becoming a strategic factor that influences risk, performance, and long-term value creation.

This requires moving beyond viewing water as a compliance issue and integrating it into core business and investment decisions. It also requires stronger alignment between data, finance, and implementation, as well as new forms of collaboration across sectors.

Across the discussion, a recurring insight emerged: the constraints are no longer technical or financial. Solutions exist, capital is available, and data is increasingly

accessible. The remaining gap lies in action — in aligning incentives, decision-making, and implementation at scale.

### **Closing reflection**

Water connects climate, nature, economies, and societies in ways few other issues do. The direction is clear. Water is moving to the centre of decision-making. The remaining question is how quickly systems, and the actors within them, can adapt.