

Why water is becoming the new oil

Valuable commodity trades as futures contract in Chicago

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Albertans are set to increase oil royalties, causing a furor in the energy patch, but the New Oil is going to be water.

It appears that water is about to become commoditized and be traded as a futures contract along with pork bellies, oranges or lumber.

This is according to Craig Donohue, chief executive of the Chicago Mercantile Exchange at a Tokyo conference last week.

And it's about time.

Economic catastrophe, even wars, will be caused by water shortages. The problem is population growth, farming, resource extraction and heavy industrial use. Also waste: Homeowners in North America water their lawns with drinking water.

This is a big plus for Canada and the United States. Canada has 1% of the world's population and 20% of its water, which includes our half of the Great Lakes. The United States has parched growing areas like the Southwest and Midwest, but there is plenty of water in its northern tier. On international markets, water may fetch a hefty price and eventually justify the cost of water pipelines to the coast and water ships.

The commoditization of water has partially happened. "Designer" or bottled water is already more expensive than oil.

And the creation of dozens of corn-ethanol refineries in the U.S. Midwest will strain water supplies, possibly forcing Great Lakes water southward. This is probably the reason behind the Chicago Mercantile's notion of water futures, to justify pipelines or canals.

This will make water a geopolitical issue. If Great Lakes water is shipped to irrigate the U.S. Midwest, will Canada get half its value?

China has problems. The Yellow River no longer reaches the ocean. Saudi Arabia's giant oilfields need water and it is being shipped up from Africa at great expense. Australia and Southern California have droughts.

Here are some water factoids:

- One pipeline carrying surplus fresh water from Manitoba to Texas could double provincial and municipal government revenues each year. It would cost up to US\$9-billion to build a pipeline, estimated Paul Wihbey, of water consultant GWEST LLC of Washington, D.C., at a conference. "Annual revenue would be US\$7-billion."
- Bulk water exports will begin to take place from Manitoba, Newfoundland, Quebec and British Columbia in a handful of years, experts say.
- Worldwide, 68% of all fresh water is contained in ice caps and glaciers, 30% ground water and 2% surface water. Surface water is the cheapest to harness or transport, and Canada has the world's biggest abundance.
- About 9% of Canada's entire acreage is surface water, or roughly the size of British Columbia, including its half of the Great Lakes.
- Quebec has 3% of the world's fresh water.
- China has 20% of the world's population and 7% of its global water supply.
- The Middle East has 5% of the world's population and 1% of its water.

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