

New thermal projects are expected to almost double between 2010-2020, whilst water availability remains uncertain.

POWER : LONG-TERM BET ON WATER AVAILABILITY

China will surpass the US as the largest producer of electricity in the next few years but water is required to generate 95.6% of China's electric power. Hydro and thermal power require water to generate. With a doubling of installed capacity, China will have to manage this water energy nexus.

Powering the Economy

Made in China

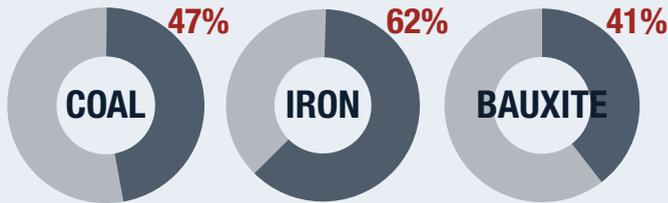
China has surpassed Japan to become the world's second-largest economy. However, future growth could be stifled: 52% of industrial output is produced in water scarce regions. This amounts to RMB 28.7 trillion.

Given that water is used in the manufacturing of almost all products or their raw material inputs, the basic cost of materials will rise and profit margins will be eroded if water is scarce and polluted.

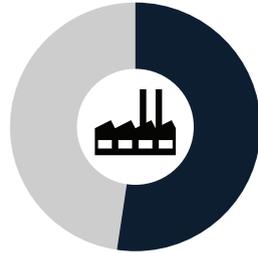
Location of Resources & Availability of Water

Unfortunately, water is not always available where key resources are located. Water can be made available but at a cost through diversion and desalination projects.

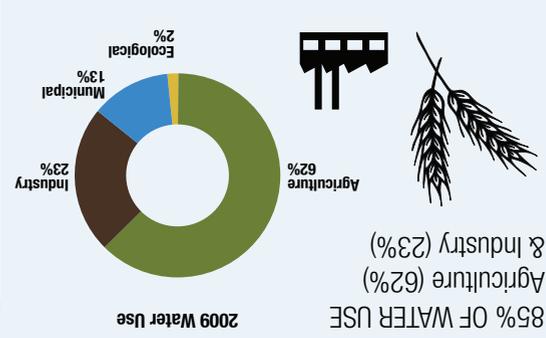
PERCENTAGE OF ENSURED RESERVES LOCATED IN WATER SCARCE REGIONS:



RMB 28.7 trillion



INDUSTRIAL OUTPUT PRODUCED BY WATER SCARCE REGIONS



CHINA WATER RISK is a non-profit initiative dedicated to addressing business and environmental risk arising from the country's urgent water crisis. We aim to foster efficient and responsible use of China's water resources by engaging the global investment and business communities, civil society and individuals in understanding and managing China's water risk.

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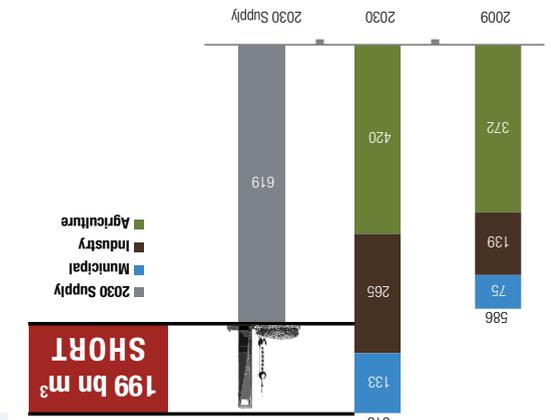
Sources:
National Bureau of Statistics of China, China Statistical Yearbook 2010; 2030 Water Resources Group, "Charting Our Water Future", 2009; China Electricity Council, 2010 and 2020 projections.

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China's Ministry of Water Resources projects that water supply will not be able to meet demand by 2030 if China carries on with business as usual. The 2030 Water Resources Group, comprising a consortium of MNCs, the IFC and McKinsey, estimates the 2030 water supply to be 619 billion m³, resulting in a shortfall of 199 billion m³.

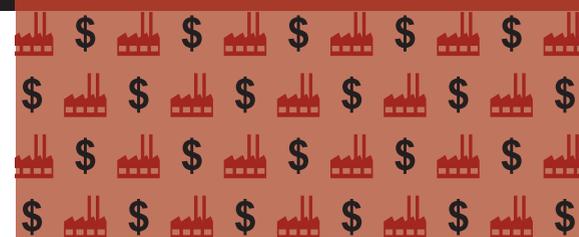
Demand to Exceed Supply by 2030



Water Demand by Sector (billion m³)

The economy runs on water with Industry and Agriculture accounting for 85% of Water Use in China.

Industry & Agriculture Dominate Water Use



THE ECONOMY RUNS ON WATER

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