INVESTMENT FIRM ENCOURAGE CAPITAL AND SQUIRE PATTON BOGGS RELEASE BLUEPRINTS FOR PRIVATE CAPITAL TO ADDRESS WESTERN WATER SCARCITY


(September 28, 2015) – New York – Encourage Capital, an asset management firm specializing in profitable investments to solve critical social and environmental challenges, and law firm Squire Patton Boggs today released a report detailing nine investment blueprints that could generate environmental and other water management benefits in the Colorado River Basin, while generating financial returns for impact investors.

The nine blueprints identify strategies for private investment to address a variety of complex environmental challenges in the Basin through approaches including:

• Restoring watershed health;
• Investments in agricultural water efficiency, conversion to lower-water use crops, and water risk sharing between farms and cities;
• Financing and development of environmentally-beneficial municipal infrastructure; and
• Investments in new market institutions that could reduce systemic water risks to human and environmental users.

The report focuses on opportunities in the Colorado River Basin, which is facing significant challenges from the persistent overuse of water, coupled with growing water scarcity as a result of drought. However, the tools proposed in the report address issues common to much of the Western United States, and thus are intended to be transferable to other water-stressed U.S. river basins.

“Today we are hearing a lot about the drought in California which, to be sure, is a serious problem. However, the ongoing water crisis in the Colorado River Basin in many ways presents even more fundamental challenges. This is not simply a problem of drought, but it is a problem of long-term demand for water far outstripping supply. The problem is systemic and requires a systemic solution,” said Ricardo Bayon, Partner and Co-Founder, Encourage Capital. “Our investigation has found that there are now substantial opportunities for investment that could help address these systemic problems, while still producing interesting financial returns. In many cases, these opportunities exist within existing regulatory frameworks. Yes, policy change is needed in the Basin, but these investments don’t rely on that change and may even help to drive that change.”
“There is a real need to engage private capital in solving Western water problems,” said Peter Culp, a partner in the Phoenix office of the Squire Patton Boggs international law firm, and a leading expert in western water law and policy and Colorado River issues. “Over the past decade, we have been seeing water issues around the West develop at a rate and a scale that make them difficult for federal, state, and local governments to address, let alone philanthropy. However, this investment needs to reach further than it has in the past and focus on a broader range of challenges. The challenge for the next generation of water investment will be to design tools that are capable of attracting private investment at appropriate scale, while also accomplishing broader social, economic and environmental goals,” Culp concluded.

Over the past 15 years, much of the western United States has been in the grip of persistent local and regional droughts that have caused significant economic, political and ecological disruption. Unprecedented water scarcity combined with massive economic expansion in the arid Western States, has rendered the water problems a national crisis, affecting critical municipal and industrial centers – such as Los Angeles, Las Vegas, and Phoenix – and agricultural regions that represent a substantial portion of the U.S. Gross Domestic Product.

The report and its investment blueprints was prepared with support from the Walton Family Foundation, which has invested more than $101 million in innovative environmental initiatives since 2014, particularly in the area of rivers and oceans. The blueprints, which include notional financial models, will be made freely available to NGOs, investors and others interested in impact investing and available for download at http://encouragecapital.com/publications/.

“The Colorado River Basin supports more than 35 million people and 5.5 million acres of irrigated agriculture,” said Tom Melton of Encourage Capital. “The blueprints encourage new thinking in how we design systems of water use that can survive and thrive in the face of variability and inevitable disruption in water supply. Whether it’s through the development of efficient water use on agricultural farms and ranchland, or support of market-based trading systems, we need to create a system that values water accurately and permits water to be used – and moved – more flexibly to serve changing conditions, values and demands. To accomplish this, we need to start with private investment that can catalyze change locally, regionally and nationally.”

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its preeminent public policy practice and deep-rooted relationships in Washington DC and Brussels. For more information, visit www.squirepattonboggs.com.

About Encourage Capital
Encourage Capital is an asset management firm focused on profitable and strategic investments to solve critical social and environmental problems. Encourage Capital was formed by the merger of Wolfensohn Fund Management and EKO Asset Management. A unique partnership of disciplined investors and creative problem-solvers, the new firm is already working with major asset owners to deploy investment capital to solve problems like the global ecosystem decline, climate change, and bringing financial services to the world’s poor. Visit Encourage Capital on the web at www.encouragecapital.com.

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