



3rd Water Stewardship Forum
October 1-2, 2008

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Summary of Outcomes



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Overview

The third Water Stewardship Forum was held at Lancemore Hill outside Melbourne on the 1st and 2nd of October 2008. This document has been prepared as a record of that meeting and contains material from discussions, workshops and break-out groups. The Forum was attended by about 60 people including; primary producers, industrial, beverage and processing interests, commercial and institutional water users, water suppliers and infrastructure providers, conservation interests, researchers and scientists, the finance industry and a range of state and federal government bodies including the National Water Commission, Murray Darling Basin Commission and the Bureau of Meteorology.

The Forum opened with speakers setting the scene in terms of the current water crisis affecting Australia and many other parts of the world. The opening remarks positioned water stewardship as an innovative tool to address conflict over water use. The objectives of the water stewardship system were set out and participants were asked to reflect on issues that made them feel optimistic and pessimistic about the chances of water stewardship impacting the water crisis. While there were many issues that made people optimistic, including the strong support from business, there were also concerns about deep divisions over water use, how competing demands for water could be reconciled and whether support for water stewardship would translate into sufficient financial support to sustain the initiative.

Concern over development of a strong value proposition for water stewardship led into a more detailed discussion about the core value proposition. For many of the participants their personal drivers for supporting water stewardship were subsumed by high level public policy drivers. Although for at least one participant, the value proposition was quite simple; "do or die". When this issue was again considered, but this time in the context of corporate value drivers, it emerged that risk management and license to operate were stronger value drivers than the desire to develop a branded range of 'water friendly' products. This was seen as having mainly niche value for green markets. However, as is noted later in this report, the results may have been different had there been a stronger representation from retailers at the forum.

Development of standards for responsible water use was a major focus of discussion at the forum, starting from high level considerations, moving through key principles that would need to be reflected in the standard and, on day two, the structure and content of the standard. The general feeling of the forum was that the objectives of the proposed standard were broadly correct. Participants identified a need to refine (and define) the language in which the objectives are written. It was felt that definition of the scope of the standard should refer explicitly to a materiality test. Off-setting water use was clearly a contentious issue, and its inclusion as a core principle of water stewardship will be reviewed. One option is that 'offsetting' could be considered an 'add-on' to the basic standard - for example, recognition of positive off-site impacts could be taken into consideration as a 'gold' level of compliance, whilst not being obligatory in relation to 'basic' requirements for compliance. In any case, it was clear that the practical aspects and definitions of offsetting need further consideration.

Discussion of verification processes showed that this was not a contentious issue. WSI had proposed to contract to existing organisations for accreditation services that would in turn accredit independent certification bodies to undertake verification audits of companies seeking to be certified to the WSI standard. It is proposed that an international body such as Accreditation Services International (ASI) be used for this purpose although some participants suggested a local accreditation service such as JANZ Accreditation be used. For pilot testing purposes it was proposed that at least one certification body be engaged directly to develop and pilot audit protocols. This will be developed further as the period for pilot testing approaches in 2009.

Discussion of governance issues focused on the need to establish credible claims for uses of the water stewardship system and that this would be best achieved through a multi-stakeholder governance process. The issues and complexity of developing multi-stakeholder governance processes were discussed as well as the need for consensus-based decision making. Participants offered a number of recommendations in terms of a wider list of stakeholders that would need to

be considered in this model. It was felt that consensus would be relatively easy to achieve in terms of the need for action, however participants saw reconciling competing claims on water for economic and environmental purposes (between industry, communities and the environment) as the hardest area to achieve consensus.

In defining next steps for the development of a water stewardship system, finance remains an issue. A proposal for a more sustainable independent financial model was discussed and generally supported. This would involve WSI moving to its proposed governance model as a not for profit organisations with a Board that would attempt to achieve a level of stakeholder balance. Cash flows to the entity would be through membership subscriptions and a fee levied on organisations pilot testing (initially) and subsequently using the WSI standard. The immediate work program would be finalisation of a draft standard, pilot testing the standard, market research and development of the new governance arrangement.

Water Stewardship: An instrument for change

In welcoming participants to the workshop/forum, WSI Co-Director Michael Spencer said the objective of the two day meeting was to explore and refine some of the key issues outlined in the WSI Options Paper released to participants prior to the meeting. He said the WSI Team were hoping to gain sufficient comment and input on the Options Paper that they could move to develop a draft water stewardship standard over the coming months (subject to funding becoming available). It was hoped that an early draft of this would be available in the early 2009 so that pilot testing could commence in a number of water use situations.

The workshop opened with a series of presentations that situated the current water crisis in a national and international context and discussed the contribution water stewardship could make to dealing with this crisis. **Jason Alexandra**, Murray Darling Basin Commission, highlighted that Australia had moved from a country where water was a free good to one where it was a scarce commodity. Changes were needed not only in the physical management of water but in the mental models and the way costs and benefits are evaluated. Water stewardship could make an important contribution. **Jason Morrison**, Pacific Institute, showed that the problems being faced in Australia were also being faced in many other parts of the world, particularly as climate change impacts weather patterns. He outlined a number of responses including the work of the United Nations CEO Water Mandate, the World Business Council for Sustainable Development and the European-based Water Footprinting Network. He highlighted that the work instigated by the Water Stewardship Initiative was being closely watched internationally and had become part of a broader global initiative to develop a water stewardship system.

Kate Vinot, South East Water and Chair WSI Reference Group outlined the role the Reference Group had played in providing stakeholder oversight of development work undertaken by the WSI Team. The Reference Group included people from primary production, beverage production, processing industries, a retailer, a water authority and water policy leader as well as environment and community interests. The point was made that a water stewardship system offered potential benefits for water users and water managers to distinguish themselves and be recognised as exceptionally responsible users of water. She said the third water stewardship forum (WSF3) would require participants to actively engage in further development of concepts and ideas.

Michael Spencer, Water Stewardship Initiative, explained the origins of the water stewardship concept and its key components – stakeholder endorsed standards, credible verification, a strong brand and multi-stakeholder governance oversight. He outlined the main outcomes of the second water stewardship forum (WSF2) and the WSI Team's response. At WSF2 participants had wanted to see the concept developed in further detail. This further detail was provided in the WSI Options Paper released just prior to WSF3. Progress with the Options Paper had been delayed in the early part of 2008 due to the time needed to raise funds. However, during that time great progress had been made building international connections and links with other organisations interested in water stewardship. WSF 3 was positioned at the transition from concept development to pilot testing and the next phase of work would be to prepare a draft standard that could be tested in the field by early 2009.



In the Options Paper, the objective of the water stewardship system was set out as being:

To develop a water stewardship system that will promote responsible use of fresh water that is both socially beneficial and environmentally sustainable:

- **Socially beneficial water use** recognizes basic human needs and ensures long-term benefits (including economic benefits) for local people and society at large.
- **Environmentally sustainable water use** maintains or improves biodiversity and ecological processes at the watershed level.

The Options Paper said this would be realised through a voluntary water certification system that recognises and rewards responsible water managers and users (industrial, commercial, agricultural, institutional users and suppliers) through enhanced community standing and competitive advantage.

Participants were asked to reflect on the significance of the task and the challenge of balancing social and environmental outcomes. They were asked to discuss reasons for being optimistic about achieving water stewardship objectives and reasons they would have for being pessimistic.

Issues that made people optimistic were:

- It was practical, holistic, 'joined up' thinking
- The timing was right, there is demand
- Strong corporate interest, industry driven (social license to operate)
- There was good drive, desire and willingness to act
- Voluntary
- Independent, moves management to stakeholders
- Strong mandate from public, reflects basic human values
- Global, ability to share problems and solutions
- Win-win benefits
- Technology is available to make it possible
- Professionalism of science-based hydrology
- Risks have been/are being identified
- Offers a better risk management tool
- Opportunity to look at land and water
- There had been progress over the past two to three years
- It was something that has been done before in other areas/activities (precedents)

Issues that made people pessimistic were:

- Trying to accommodate social as well as environmental outcomes (trade-offs difficult)
- Force social adjustment (are people prepared to sacrifice standard of living)
- Urban versus rural conflict
- Need to feed growing world population
- Hard to build a business case (economic drivers)
- Compliance costs
- Would the market pay for the system (especially in survival industries)
- Need strong incentives

- Distrust of water authorities
- Politics – apathy, interference, inconsistency, coercion
- Complexity of water
- Takes security away from water users
- May not be accessible to individuals or small users
- Voluntary, people are time poor
- Number of competing groups/projects
- Poor coordination (conflict) among groups active in this area
- Competing science
- Need to integrate – so many certification systems, too many initiatives
- Disconnect between water stewardship and what was happening 'on the ground'
- Challenge from 'me too' schemes to maintain the status quo

Summary and conclusions

Following the opening presentations there was a balance of optimism and pessimism among participants.

On the positive side participants felt the timing was right for an initiative such as water stewardship and that there was strong interest in the concept. They could see a range of opportunities for water stewardship as a risk management tool; as endorsement of social license to operate; as a way to build win-win outcomes between business and the community, between land and water, and; as an opportunity integrate with a global network and develop global solutions to the water crisis. They were also very positive about the opportunity to create new forms of governance in the water sector through meaningful stakeholder engagement.

On the negative side participants could see the difficulties of balancing social and environmental outcomes with some participants wondering whether that would be possible. Others focused on the business model and asked whether the market would be willing to provide sufficient reward to create a strong business case for companies to participate in a water stewardship system. Participants highlighted existing conflict within water and levels of distrust and asked whether this would undermine chances of success. Many were also concerned about the growing complexity faced by business through regulations and questioned whether business, particularly small business, would be prepared to engage with another voluntary conformity assessment program.

Many of these issues became themes of the two day program. Some were explored further in the context of building a market leverage system for water stewardship through a brand that would create value for participants in the system. Others became discussions in the context of developing a draft standard for responsible water use or in the context of developing a governance system for water stewardship.

Developing Water Stewardship Standards

Discussion of water stewardship standards focussed on four key elements:

- key considerations relating to the general approach and scope of water stewardship standards
- the high level structure of the standards
- the detailed structure of the standards
- content

Presentations focussed on key considerations and the structure of the standards, though content issues were touched on during discussion.

Water stewardship standards (1): key considerations

The following key proposals were presented:

- Social and environmental objectives
- The focus on impacts rather than water use per se
- The use of environmental flows as a key component for linking use to impacts
- Consideration of the impacts of both direct and indirect water use within the scope of the standard
- The proposal to consider the impacts of transport and energy generation as being outside the scope of the standard
- The proposal to consider impacts at the level of the watershed
- The proposal to consider the 'offsetting' of impacts
- The proposal that standards should focus on the 'site' level, but the system as a whole should focus on the 'organisational' level
- How to address watershed level governance issues

Three tasks were undertaken in groups to provide feedback on key issues. Tasks focussed on:

- Key social and environmental objectives
- Scope
- Offsetting of impacts

The tasks and their results are described briefly below.

Key social and environmental objectives

Task: To review the proposed social and environmental objectives and revise if necessary.

Each group was asked to specify a maximum of five key social objectives and five key environmental objectives that water stewardship should aim to achieve.

The original objectives were:

Environmental objectives

Implementation of Water Stewardship Standards will:

- reduce the depletion of water tables and, in the long term, lead to their replenishment
- promote ecological flows in major water courses
- maintain or restore high conservation value water-dependent habitats
- minimise contamination of water sources

Social objectives

Implementation of Water Stewardship Standards will:

- increase the proportion of people worldwide who have reliable access to safe drinking water and sanitation (from UN Millennium Goal, target 10)
- support the resolution of disputes relating to access to water for commercial, domestic and recreational purposes
- increase respect for the traditional claims of communities and indigenous peoples

Results (the following results are combined for the four break-out groups):

- Recommended to consider "bio-regions" rather than "catchments" as the basis for considering scope of impacts
- Review whether 'objectives' or 'outcomes' is better terminology (e.g. "minimising consumption, pollution", etc)
- Need to clarify distinction between application at level of the enterprise, and at level of the endorsed organisation
- Discuss why economic is identified as a specific
- Acknowledge natural variation in biodiversity
- replace 'maintain' by 'conserve'
- replace 'water table' by 'aquifer'
- need to consider the whole system, not just local people
- need more description/ definition of key terms: water tables, ecological flows, over allocation/ depletion
- "recognise" is too weak, "provide" is better
- Objectives should be more aspirational, e.g. change "will" to "should", or show commitment and be more specific e.g. change "minimise" to "will avoid/ prevent"
- Define who the objectives apply to - the user vs. the manager
- Need to consider the social equity debate and reference people who are dependent on water: "socially beneficial and equitable water use"

- "sustainable" needs a definition ('sustainable' to whom?)
- should consider energy use/ waste
- does 'water use' cover regulated systems?
- Should merge social and environmental objectives into a single list to emphasise overlap rather than differences
- Consider separate mention of economic benefits
- Delete traditional claims objective (separate disputed rights from traditional claims)
- Acknowledge indigenous rights, functional systems of indigenous peoples
- Include an objective to "optimise management of aquifers"
- Acknowledge groundwater/ land water nexus (maybe in preamble)
- Refer to "ecologically based flow regimes"
- Include social objective: "establish alliances, cross-sectoral and within sector collaboration"
- needs statement of personal responsibility
- in relation to MDG refer to "support" or "advocate for" rather than "increase"
- Include social objective: "support socially equitable access to..."
- In relation to water table objective "balance" better than "reduce", and "promote" better than "replenish"
- In relation to environmental objectives, take out "high conservation value"
- In relation to contamination, delete "sources"
- Include as a general environmental objective reference to non-water environmental trade offs

Conclusions and next steps: The general feeling of the forum was that the intent of the objectives is broadly correct. However, there is clearly a need to refine (and define) the language in which the objectives are written.

The objectives will be reviewed and revised to try to accommodate the views expressed at the forum. First draft standards can be developed to try to accommodate these revised objectives. As the Water Stewardship concept is further developed it is expected that the objectives will be further revised and in due course formally signed off through a balanced, multi-stakeholder process.

Scope

Task: To review the proposal that water stewardship standards should include the impacts of direct and indirect water use, but exclude the impacts of 'product-use', transport and impacts associated with power supply.

Results: In plenary there was general agreement that the key test for inclusion in scope should be the test of "materiality". e.g. in some cases (e.g. aluminium smelting) water use associated with power consumption may be significant, and should be included. The same principle would limit application in relation to indirect use in some cases. There's a need to balance practicality against credibility. The scope needs to be simple enough to be understood by consumers, though it was suggested that, initially, the scheme might focus on B2B rather than B2C communications. It was also suggested that the implications of 'sphere of influence' need to be taken into account.

Conclusions and next steps: the definition of scope should refer explicitly to a materiality test. In principle water use associated with energy generation may be considered within scope if it is 'material', whilst 'indirect' water use could be considered out of scope if it is not 'material'. The current proposal is that water use is 'material' when it exceeds 80% of water use by volume and/or impact. This approach will be maintained in the next draft, and the balance between practicality and credibility will be reviewed (and may be revised) following pilot testing in a variety of situations.

Offsetting of impacts

Task: to consider how offsetting of direct impacts could be achieved, if it were required.

Results: There was a lot of discussion of offsetting. The general feeling of the forum was that off-setting would be contentious and difficult to define in practice. There was agreement that off-setting should only take place after all reasonable efforts had been made in relation to reduced water consumption. There was concern that offsetting might appear to be a 'get out of gaol free' card in relation to unacceptable impacts, undermining the credibility of the scheme. In contrast there was a strongly held but minority view that offsetting was critically important to the effective achievement of environmental objectives and restoration of historical damage to the environment at the watershed level. The issue of offsetting is also discussed in relation to the results of the following task, described below.

Conclusions and next steps: Off-setting is clearly contentious, and its inclusion as a core principle of water stewardship needs to be reviewed. One option is that 'offsetting' could be considered an 'add-on' to the basic standard - for example, recognition of positive off-site impacts could be taken into consideration as a 'gold' level of compliance, whilst not being obligatory in relation to 'basic' requirements for compliance. In any case, the practical aspects and definitions of offsetting need further consideration.

Water stewardship standards (2): high level structure

Task: Each forum participant was provided with a printout of the 6 high level 'functional groupings' proposed as a possible high level structure for a water stewardship standard, together the 21 associated 'elements'. Participants were asked to grade each element in terms of i) its importance to achieving the proposed objectives of a water stewardship scheme, and ii) how difficult it would be to implement. Importance was graded as *** (very important), ** (important), or * (not important). Difficulty was graded as ☺ (straightforward), ☹ (difficult), or ☹☹ (very difficult).

Results: The results are presented in high level summary from below, and in more detail on the following pages. In total 34 completed sheets were returned (not all elements were scored by all participants). Total scores for 'importance' and 'difficulty' were calculated by allocating 3 points to 'very important' or 'very difficult', 2 points to 'important' or 'difficult', and 1 point to 'not important' or 'straightforward'. Total scores for importance and difficulty were then normalised by calculating each as a percentage of the total scores allocated. Finally, the ratio of importance:difficulty was calculated using the normalised scores. A high ratio would mean that the element was considered relatively important in comparison to the difficulty of implementation, a low ratio would mean it was relatively difficult to implement in relation to its importance.

Table 1: Summary results averaged for the high level functional groupings

	Importance	Difficulty	Importance	Difficulty	Imp / Dif
Requirements					important but easy
2. Site level management	84	55	5.4%	3.9%	1.43
1. Water impact assessment	77	70	4.9%	5.0%	1.03
3. Community relations	76	65	4.9%	4.6%	1.06
6. Watershed level management	75	73	4.8%	5.2%	0.93
5. Monitoring and reporting	69	70	4.5%	4.9%	0.96
4. Offsetting	50	79	3.2%	5.6%	0.57

Table 2: results ordered by 'importance' of each element

Requirements (in order of importance)	Importance			Difficulty			Importance total score	Difficulty total score	Importance % of total	Difficulty % of total	imp/dif important and easy
	***	**	*	😊	😐	😞					
2.2 Water management at the site meets appropriate standards for efficiency, monitoring, etc.	29	3	0	18	11	2	93	46	6.0%	3.3%	1.83
5.1 The site's water related direct impacts (quantity, quality) are regularly and consistently monitored and reported.	28	3	1	18	11	4	91	52	5.8%	3.7%	1.59
1.2 The site's direct water footprint is measured (quantity, quality, timing; blue, green, grey water aspects)	27	3	2	9	14	8	89	61	5.7%	4.3%	1.32
2.4 Water discharge meets appropriate standards (e.g. volume, quality, timing and location of discharge)	24	8	0	16	12	3	88	49	5.7%	3.5%	1.63
2.1 Water consumption is within acceptable parameters.	25	6	1	17	8	6	88	51	5.7%	3.6%	1.57
1.4 The social and environmental impacts of the site's direct water use and actions which have had direct impacts are specified.	24	8	0	7	15	9	88	64	5.7%	4.5%	1.25
1.3 Actions which have had direct social or environmental impacts (e.g. modification of natural habitats, drainage, construction of dams) are described.	23	8	1	9	18	4	86	57	5.5%	4.0%	1.37
2.3 Management of water-affected habitat at the site meets appropriate standards (e.g. wetland management, river banks, drainage, etc).	21	9	2	13	10	8	83	57	5.3%	4.0%	1.32
1.1 The key water dependent social and environmental values in the watershed are described (e.g. environmental flow variables; human water access and use).	20	10	2	2	16	13	82	73	5.3%	5.2%	1.02
6.1 The system of water governance within the watershed operates effectively in terms of: specification of watershed level goals; transparency; stakeholder consultation; scientific review; monitoring of performance (environmental flow variables; water quality variables); adaptiveness	20	8	2	7	7	17	78	72	5.0%	5.1%	0.98

Table 2: results ordered by 'importance' of each element

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Requirements

(in order of importance)

- 3.1 The site's managers engage with the 'watershed community' in accordance with specified requirements (e.g. in relation to recognition of local water rights; communication/ education in the community; ensuring basic rights are met (e.g. safe drinking water, sanitation); resolving conflict).
- 6.2 Water management within the watershed operates within acceptable deviations from the natural environmental flow regime.
- 1.5 The site's indirect water footprint is measured (quantity, geographic scope; green, blue, grey)
- 5.3 The site's water related indirect impacts (quantity, geographic location) are regularly and consistently monitored and reported
- 2.5 Management of indirect water impacts meets specified requirements (data collection, sourcing, etc).
- 5.2 The impacts of the site's offsetting activities within the watershed are regularly and consistently monitored and reported
- 1.6 Key water dependent social and environmental values within the indirect geographical footprint are described.
- 1.7 The social and environmental impacts of the site's indirect water use are specified.
- 5.4 The impacts of the site's offsetting outside the watershed are regularly and consistently monitored and reported.
- 4.1 Any negative impacts (social and environmental) of direct water use are offset within the watershed.
- 4.2 Any negative impacts (social and environmental) of indirect water use are offset at the lowest practical geographical scale.

	Importance			Difficulty			Importance total score	Difficulty total score	Importance % of total	Difficulty % of total	imp/dif important and easy
	***	**	*	😊	😐	😞					
3.1	19	7	5	5	15	10	76	65	4.9%	4.6%	1.06
6.2	15	11	4	5	9	17	71	74	4.6%	5.2%	0.87
1.5	13	11	8	1	8	21	69	80	4.4%	5.7%	0.78
5.3	10	15	7	6	13	14	67	74	4.3%	5.2%	0.82
2.5	8	18	6	5	13	14	66	73	4.2%	5.2%	0.82
5.2	12	7	13	3	10	17	63	74	4.0%	5.2%	0.77
1.6	7	16	9	3	9	18	62	75	4.0%	5.3%	0.75
1.7	8	13	11	0	13	18	61	80	3.9%	5.7%	0.69
5.4	9	8	13	2	8	20	56	78	3.6%	5.5%	0.65
4.1	9	9	10	2	2	24	55	78	3.5%	5.5%	0.64
4.2	3	10	15	1	3	24	44	79	2.8%	5.6%	0.51

Discussion: Firstly, it is important to note that the results reflect the responses of the participants at the forum. The forum was not designed to include a broad range of stakeholders, but was not balanced in terms of participation of different stakeholder groups - in general there was greater attendance from commercial/ research interests than from social/ environmental representatives. With that proviso in mind, the results show a number of clear findings.

- There was a strong negative correlation between perceived 'difficulty' and perceived 'importance'. i.e. the most important elements were generally considered more straightforward to implement, and the least important elements were considered more difficult to implement.
- Aspects of direct water use were generally considered both more important, and easier to implement than similar aspects relating to indirect water use
- The results reinforce the finding from the previous task in relation to 'offsetting'. There is a strong consensus that offsetting will be difficult to implement (especially in relation to indirect impacts), and the general feeling of the forum was that offsetting is less important than the other proposed elements of a standard. Nonetheless, there remained a significant minority which rated offsetting of direct impacts as 'very important'.
- When the average is taken for each high level grouping, 'site level management' is clearly identified as being the most important grouping, and 'offsetting' as the least important, with the other four groupings being of relatively similar importance in between.

Conclusions and next steps: The findings should be taken into account during the drafting of the first water stewardship standard developed for pilot testing.

Water stewardship standards (3): detailed structure

The final task related to the detailed structure of water stewardship standards

Task: Groups of participants were presented with the proposed list of specifications for the development of water stewardship standards, and were asked to review and comment on the list. Participants were, asked to consider, specifically:

- What additional specifications are required that will affect the *structure* of the standard?
 - To address technical complexity?
 - To encourage participation and improvement?
 - To address site and 'organisational' level aspects?

The initial list of specifications was that the standards should:

- provide a single, coherent international framework, strong and clear enough to support a single, coherent international brand
 - be applicable internationally
 - be applicable to all intended sectors
 - support a staged approach to sector-specific development
 - maintain a consistent quality for all sector specific applications
 - specify clear, auditable requirements
 - be accessible to users and credible to the public
 - support the most effective branding/ labelling approach
- Accommodate the complexity of the subject
- ... and be really simple...

Results: One group proposed that the specification be modified and prioritised as follows:

Standards must:

1. must be credible to the public
2. support the most effective branding/ labelling approach
3. be applicable internationally
4. be applicable to all [intended] sectors
5. support a staged approach to sector-specific development
6. maintain a consistent quality for all sector specific applications
7. specify clear, auditable requirements
8. be accessible to users

Other notes and suggested specifications included:

- that the requirement keep things simple refers to language, rather than necessarily to technical content;
- standards are dynamic not just static - they should move with the development of best practice; should be 'bar raising' - iterative, evolutionary.
- acknowledge other existing norms, standards and systems; should aim to work seamlessly with other standards/ systems; needs to work harmoniously with e.g. ISO14000 and general principles of regulatory regimes;
- should be self-evident that they add value to the user;
- may be different boundary conditions for sites (technical requirements) and organisations (claims)
- users should be able to evaluate the validity of standards - continual feedback on validity;
- standards should be geographically neutral
- standards should relate to water scarcity/ abundance (may be at level of requirements, indicators, or possibly at level of guidance)
- Auditor training requirements should be specified
- Aim to maximise consistency between different certification bodies
- Generally focus on outcome rather than process
- Should aim to minimise audit costs (as distinct from compliance costs);
- Need to work with accreditation requirements (e.g. ASI, JAZ-ANS);
- Sector variations should be organised according to ANZIC or NACE commodity groupings
- Standards should be internationally applicable, but should start local and be site specific
- Sector specific versions should be developed for largest and most influential sectors first (e.g. agriculture)
- Standards need to balance (optimise) trade-off between accessibility and credibility
- Standards need to be suitable for end-user requirements

Conclusions and next steps: The proposed specifications should be reviewed to take account of the forum results, and revised specifications should be prepared for publication with a first draft water stewardship standard developed for pilot testing.

Verifying Water Stewardship Performance

The forum session detailing WSI's proposed verification process outlined to participants the options available and the preferred implementation methodology for an accreditation and certification model that retained the maximum credibility and independence achievable through third-party verification.

With consumer influence being a powerful driver in defining product preference and creating positive perceptions, the use of social and environmental performance standards provides social license and enhanced organisational reputation. Those organisations that choose to demonstrate water stewardship certification can create competitive advantage within their industry sector.

Feedback discussion centred on some preference for the use of national accreditation agencies where country specific interests were maintained. Arguably and WSI's preferred position, is for accreditation of certification bodies delivered through a single internationally recognised agency such as Accreditation Services International (which can demonstrate existing expertise within the environmental and social standards spectre). Benefits include international consistency, greater specialisation within the socio-environmental context and arms-length impartiality combined with existing economies of scale resulting in potential costs savings.

With increased rigour demonstrated through accreditation of certification agencies being contingent on compliance against ISO Standards ISO 65 and ISO 17011, WSI achieves genuine third party oversight of certification entities where independent inspection and audit provides the maximum credibility to the verification process. Organisations who achieve certification against the standards are then able to apply to WSI for the use of the label.

In closing the session, forum participants were provided with the framework for a trial schedule where a series of pilots would be undertaken with pre-determined industry groups to test and review the new standards. These groups who have expressed interest represent the manufacturing, water utility and agricultural production sectors.

Water Stewardship Branding and Licensing

The 3rd Water Stewardship Forum focussed mainly on the question of where and how a water stewardship brand would create value for those who might choose it, promote it or seek to apply it either at the product, organisational or site level.

Two sessions were undertaken to address these issues.

The first session focussed on how an individual 'supporter' would derive value from the brand, in the effort to define a 'brand value proposition'. This session was intended to help those at the forum to appreciate the critical importance of translating 'stewardship' outcomes such as 'environmentally sustainable' and 'socially beneficial' water use into ideas that are immediately appealing at the personal level.

The second session focussed on how value would be realised by organisations and stakeholder groups linked along the 'value chain'. This session aimed to focus participants on the need to translate the core value proposition into a range of different contexts. It was also designed to provoke debate around the question of how licensing can be used to ensure that those who derive organisational benefit from water stewardship are those who ultimately bear the cost of operating a water stewardship enterprise.

One aim of the second session was to draw on participant's experience and insights to help map the value chains associated with different areas of application for water stewardship standards and certification.

Personal value of water stewardship

Table group task: Forum participants were asked to consider two questions from different points of view in order to build up to an overall value proposition. Specifically they were asked to complete the following sentences, initially from the distinct view-point of an individual consumer, investor and citizen (voter / taxpayer), and ultimately to attempt an overall integration that encapsulates all three perspectives:

- Water stewardship certified is best because ...
- As a water stewardship supporter I ...

Exploring the individual value of water stewardship in this way revealed a wide array of reasons that we might expect people to support certified products, organisations or practices through their preferences as consumers, investors, employees and voters.

Summarising the broad themes that emerged from this diverse array, participants suggested that water stewardship provides a way for each of us as individuals to ...

- fulfil a personal responsibility to minimise the impact of our actions on future generations (i.e. show that we care about the future)
- do the best we can to avoid distress and shortage in our own lifetimes
- make organisations that we rely on accountable for the consequences of their actions
- prove to others that we act in accordance with our stated environmental and social beliefs
- choose easily the best options for minimising our own water 'footprint'

One of the more extreme but amusing suggestions for a water stewardship slogan was 'buy or die!'

It was notable that some participants found it difficult to articulate the value of water stewardship in personal terms, with many suggestions taking the form of statements of broad principle, such as:

- promotes shared healthy system
- safe-guards Australian interests

- sustains ecological processes

The relevance of this observation is to remind us that the power of the value proposition depends on how effectively it communicates something of value to an individual in the context of one's own life – 'what's in it for me?' One of the most important contributions that a water stewardship scheme can make will be to help bridge this gap for 'everyday' people who are not intimately familiar with the issues surrounding water usage and its impact on the environment, social equity or national interests.

COB or ROI?

During the Forum discussion about the organisational value of water stewardship debate revolved around the question how compliance with water steward would serve to benefit an organisation, and how therefore it should be regarded – as a 'cost of business' or as a form of discretionary investment justified by a specific form of return.

Most of those who participated in the debate suggested that the primary value of water stewardship lay in the avoidance of future risks associated with negative impacts arising from consumer, shareholder or voter rejection of those organisations which fail to accept responsibility for water stewardship.

Many expressed doubts about the capacity for water stewardship certification to create a strong positive 'point of difference' capable of generating substantial market advantage in the short term.

The exception to this general rule was generally agreed to be for products or services targeted to the high margin 'green' segment – those consumers and voters with substantial spending power whose relatively high level of awareness in and commitment to the need to address issues of environmental decline and social inequity.

This general pattern of opinions was reflected throughout the ensuing discussion, as noted below.

Mapping the Brand Value Chain

Break-out group task: Forum participants were asked to join one of four groups, depending on their own particular area of interest. Each groups was asked to focus on the practical opportunity for water stewardship to be applied by different types of organisations, considering specifically

- horticultural production in a rural irrigation context (Timbercorp)
- growing and processing meat (chicken) in an urban hinterland context (Ingham Enterprises)
- water supply and waste management (South East Water)
- financial assessment of (agricultural) business risk associated with substantial water usage (Westpac)

The break-out groups were asked to consider how different types of organisations and stakeholders are linked by the 'value chain' that operates in relation to the specific application of water stewardship under consideration, and how to ensure fair contribution to the costs of certification those who benefit most from the process of certification at a site, where these benefits might flow at a different point along the value chain. Specifically, the tasks were:

- Map the value chain
- Identify who along the chain should pay, and how

Horticulture: in this case the value of water stewardship was considered to flow primarily to shareholders in the long term as 'insurance' against negative impacts. It was agreed that costs should be bourn by the primary producers and/or investors, and would be justified in the longer

run by sustained preference amongst existing customers at the next stage up the supply chain, leading to long-term growth in market share underpinned by sustained margins.

Food processing: in this case the value of water stewardship was considered to flow from a combination of savings and efficiencies associated with adopting superior water management practices, security of water allocation and planning approval for expansion of plant, and the ability to sustain relationships with major customers such as retailers. These values were not seen as consistent with the need for end-consumer recognition through on-product branding, but rather through organisational and processing site-specific brand endorsements. It was agreed that the operator should accept the cost of water stewardship as an overhead associated with sustaining its long-term market reputation and so its capacity to deliver shareholder returns.

Water supply: in this case the value of water stewardship was seen to flow in the longer term both directly to those served directly by the water authority (i.e. its residential and business customers) in the form of water savings and security of supply, and indirectly to the public at large via state government from which the organisation derives its authority to operate, mainly in the form of broad social benefits such as security of water supply, sustained public amenity and safety. Apart from re-allocation of savings associated with reduced water usage it was agreed that the cost of compliance and certification should be shared by customers and the state government, in the form of fees and reduction to the dividend returned to state coffers.

Financial service: in this case the value of water stewardship was seen to flow to investors primarily through superior risk management associated with application of a reliable and effective measure of risk associated with water use. In this model the cost associated with measurement and reporting would be counted as part of the costs to deliver a financial product that will assure investors of a more sustainable return, and in turn allow those seeking investment to attract more secure and lower cost investment. While this form of product may have some degree of 'green' appeal its primary selling point would be a pragmatic financial rationale rather than a 'feel good' reassurance

Conclusions

The concept of avoiding and minimising long-term risks dominated thinking about water stewardship branding and licensing. For most of those who attended the 3rd Water Stewardship Forum the first priority for a future Water Stewardship Enterprise should be to allow large organisations who best understand and anticipate those risks to benefit through credible endorsement of 'early mover' commitment to adopt and promote more environmentally sustainable and socially beneficial water management policies and practices.

The concept of a water stewardship brand operating as a 'beacon' to attract support and ultimately drive organisational change by allowing consumers, investors and voters to actively express their own desire to behave responsibly in relation to water was not widely recognised or endorsed. While recognising that this may be relevant to a small group of highly committed individual, the Forum did not support the idea of developing a 'mass' brand.

One word caution associate with this conclusion is that the major retailers who had originally agreed to attend the Forum withdrew for different reasons at the last minute. Observing the potential for strong consumer support to be harnessed by innovative retailers in markets such as the US and UK, we might wish to pursue this opportunity further before reaching a firm conclusion on this question.

Next steps

Throughout the options paper and in the Forum itself reference has been made to the need for market research to explore and validate hypotheses about the potential value and appropriate positioning for a water stewardship brand.

Feedback from Forum participants suggests that the initial focus of market research efforts should be those internal stakeholders and key influencers whose acceptance of the potential

'shareholder' benefits (including state taxpayers and local rate-payers in the case of water authorities) will determine the rate of adoption of water stewardship standards and certification in cases such as those outlined above.

Specifically the 'prototype' stage needs to address the question of licensing and fees associated with water stewardship brand endorsements at the organisational and site level that are narrowly focussed on rational propositions associated with risk avoidance in a long-term operational context.

Making Water Claims Credible

The concept of multi-stakeholder governance was introduced with the observation that the world is awash with 'green' claims about products and services. It categorised these claims in the following way:

- Self-declared claims that may be based on some form of evaluation but do not comply with any recognised standard or independent verification system;
- Compliant or conforming claims that conform to a recognised norm such as ISO or claims that have been verified by an independent certification system;
- Multi-stakeholder endorsed claims that have been verified against standards and through processes that are endorsed by a representative group of stakeholders.

It was noted that few consumers understand the complexity of most systems for making and endorsing claims. They tend to rely on people or institutions they trust for guidance in any judgements they make regarding green claims.

In this regard, research by Edelman Public Relations¹ was cited to demonstrate that the public trusts Non-Government Organisations (NGOs) the most, then government, corporations and the media. These relationships vary over time and circumstances however; there is a consistent pattern of NGOs being the most trusted "to do what is right".

In considering governance options for water stewardship the following options were briefly considered:

- NGOs could be asked to oversee the system independently although this might have trouble attracting business participation;
- Government could provide oversight although, as noted in the WSI Options Paper, Government oversight tends to lead to a command and control or regulatory approach;
- Industry could manage the system although this would mean water stewardship would tend to be seen as self-serving for participating companies, or;
- A multi-stakeholder model could be adopted.

A multi-stakeholder governance approach is seen as the preferred option for WSI although a range of issues were identified in the Options Paper that would need to be addressed. Multi-stakeholder governance models face the following challenges:

- The model **needs to be inclusive** accommodating diverse interests, individuals and organisations
- **Stakeholders need to be able to fully engage** in both the challenge and solution being proposed
- Stakeholders need to be able to **coalesce around common interests** and decision-making modes
- The organisation needs to **build and maintain trust and integrity** with all stakeholders
- There must be recognition of a **clear and strong compliance driver**
- It must provide for **leadership that can lead and deal with complexity**
- It must **provide for learning, integrating, transforming** and be capable of third order change

¹ Edelman Australia Stakeholder Survey 2007

- It must allow for **staged development and a sub-organising capability** (national, regional)
- Must be **simple but non-hierarchical and embody collective decisions**
- There should be an **identified source of metagovernance** (governance of governance)

A key challenge in designing multi-stakeholder governance systems is identifying the appropriate balance between democracy and efficiency. A criticism of some models has been that they are so democratic it is difficult to resolve problems or respond to issues. On the other hand, sacrificing democratic systems can lead to stakeholders not engaging or walking away.

A key ingredient for multi-stakeholder models is a commitment consensus-based decision making. This has been defined by the International Social and Environmental Labelling Alliance (ISEAL), based on ISO/IEC Guide 2 as follows:

“General agreement, characterised by the absence of sustained opposition to substantial issues by any important part of the concerned interests and by a process of seeking to take into account the views of interested parties, particularly those directly affected, and to reconcile any conflicting arguments. (Consensus need not imply unanimity)”

After identifying these issues and challenges, participants were asked to consider the list of stakeholders identified in the Options Paper and add groups that would be important but had not been listed. The list (slightly modified) from the Options Paper was:

- **Economic** perspective chamber
 - primary production
 - industrial and processing
 - commercial and institutional
 - water suppliers and infrastructure
 - Investors and financiers
 - retailers
- **People** perspective chamber
 - traditional owners
 - social development and equity organisations
 - community organisations
 - labour organisations
 - recreational water users
- **Environment** perspective chamber
 - conservation organisations
 - environment protection agencies
 - environmental researchers and scientists
- **Government** policy makers

Additional stakeholders identified at the Forum included:

- Whole communities (local government)
- Water transport
- Health service providers
- Domestic users

- Power generators (including hydro power)
- Mining
- UN and other multi-lateral organisations including the World Bank
- Data owners and providers
- Virtual interest groups
- Water stewardship endorsers (for example celebrities)
- Professional and industry groups
- Recreational businesses
- Natural resource management bodies including Catchment Management Authorities
- Education and training
- R&D and agricultural extension organisations
- Scientists and engineers
- Politicians
- Water technology providers
- Tourism operators
- Property developers
- Water traders
- Think tanks
- Waste water managers
- Designers including product designers
- Architects and builders
- Media

In addition it was proposed that the Government category should be broken down to reflect the variety of agencies involved including resource managers, agriculture departments, industry development departments, regulators (including the ACCC).

Many of these stakeholders could fit within the categories proposed in the Options Paper however others will probably require that the categories be expanded. This will be reviewed in developing a final governance model.

Participants were also asked to reflect on issues where it would be easy and difficult to achieve consensus among water stakeholders. Issues where consensus was considered to be easy included:

- That consensus is needed but that it will be difficult to achieve
- The need for multi-stakeholder representation
- That something needs to be done
- That there is excessive use of water and a pollution problem
- The need to conserve available water
- Direct water use should be included in water stewardship
- That users need to comply with existing legislation

Issues that were seen as being more difficult to achieve consensus were:

- Conflict between the environment and economic use of water starting with the largest water users; agriculture
- What is sustainable? What is achievable? Unachievable?
- Whose water is it?
- Challenge from traditional owners
- Who pays?
- People versus government
- Offsetting
- Representation of stakeholders
- Scale – where to draw the line between major and minor users
- Engaging small enterprises

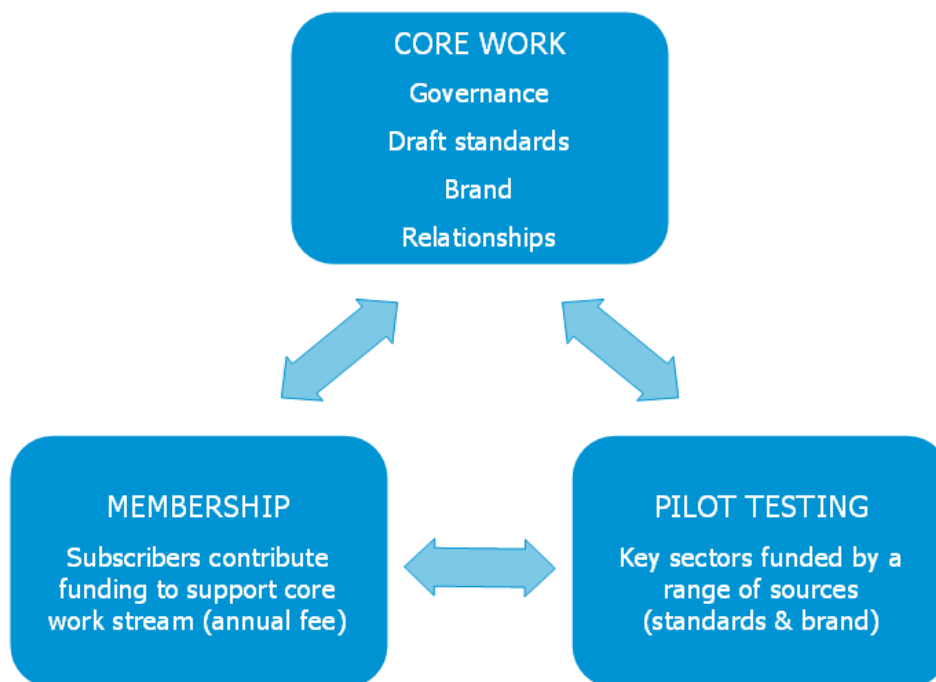
Summary and conclusions

The issues identified as being difficult to achieve consensus revolve primarily around balancing stakeholder claims to water. This is understandable given that the issues driving interest in water stewardship is scarcity of water and, in many parts of the world pollution of water supplies. How claims on this scarce resource are balanced will be both the major source of tension and the main reason for the existence of a water stewardship system. The difficult issues are balanced by the view of participants that gaining consensus around the existence of the problem and that action is needed will be relatively easy. The challenge for a water stewardship system is leverage this consensus around the need for action to secure consensus around balancing claims for water.

Next Steps

The final session concerned the relationship between WSI and the Alliance for Water Stewardship (AWS) and next steps for WSI. **Jonathan Kaledin** from Director of The Nature Conservancy Bluewater Certification Program provided an overview of AWS activities. AWS bring together WSI from Australia, The Nature Conservancy and the Pacific Institute from the United States and, the World Wildlife Fund (WWF) primarily from Europe. Jonathan has represented AWS (and indirectly WSI) at several forums in recent months including World Water Week in Stockholm. Next Steps for AWS will be to form a not for profit organisation and further develop the work of its participating members in a cohesive way. Some of this will be presented at Forums planned for London, San Francisco and Miami over the coming months. WSI has the opportunity to continue to work in partnership with other AWS members to accelerate the development process and to ensure consistency in the approach being taken to water stewardship across the globe.

Michael Spencer and **Angus Kinnaird** outlined next steps for WSI. As stated at the outset of the Forum these would include development of a draft standard with a view to undertaking pilot tests in the New Year on the application of the standard in various situation including agriculture and industrial processing. Next steps would also include some initial market research and testing of brand concepts for the water stewardship system. It is also proposed that WSI transition to a membership-based organisation with a more formal governance structure based on the current Reference Group. It is intended to progress each of these over the coming months but progress will again be dependent on financial support. A financial 'model' was presented based on membership subscriptions and earned income from levying a proportion of funds used for pilot testing. These funds would be invested in further development of the standard, market research and organisational governance. This proposal is reproduced below.



This approach was generally supported and a number of existing funders indicated they would be prepared to contribute both as members and as pilot test sites for the standard.

Other issues canvassed in the discussion on next steps included:

- International liaison and development of AWS
- Integration of WSI/AWS
- Establishment of a WSI Foundation
- Communication and profile building
- Build a stakeholder consultation group
- Review and rebuild reference group

The Forum closed with a strong feeling that progress had been made and a commitment to continue to develop the water stewardship model.

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