

## *The Value of Water to the U.S. Economy*

EPA's Office of Water

Draft Project Overview

Water is a critical input in the economic welfare of the U.S., yet there currently is no organized, science-based narrative describing this relationship. A qualitative review of the literature provides some insights on the importance of water to key sectors of the economy, such as the energy, agriculture, construction, tourism, fishing, manufacturing, and public water supply sectors, but the information tends to be incomplete.

As a consequence, EPA and others are unable to systematically and comprehensively analyze the value of water to the U.S. economy, resulting in potentially inefficient resource protection and management decisions. EPA's Office of Water is conducting an analysis of water's contribution to the U.S. economy to evaluate currently available information and to encourage innovation and investment to fill this information gap. Combined with EPA research on the value of water in the U.S. from *nonmarket* consumption (e.g., nonuse values, recreation, etc.), this project will serve as a catalyst to integrate market and nonmarket "pricing" information that is critical to support private and public decision-making at multiple scales (e.g., national, state, regional, watershed, local). Key questions to be addressed include the following:

- How does growth in various sectors of the economy affect the demand for water and its associated value?
- How does water contribute to competitive and comparative advantages within various sectors of the economy?
- How do water quality and water supply affect economic productivity in different sectors?
- How does investment in water and other forms of infrastructure affect the value of water to the economy?
- What specific data, methods, or models would improve estimation of the value of water to the economy? What would be the benefit of this improved information?
- Given projected trends in population growth and composition, urbanization, infrastructure investment, global warming, and other macro-drivers of change, how might water supply or water quality affect patterns of economic and regional development in the U.S., and what does that imply about the value of water to the U.S. economy?
- How might access to clean water create competitive or comparative advantages for the U.S. in the global economy? In what sectors of the U.S. economy are these competitive or comparative advantages most significant? What are the implications on regional economic development?
- What factors will affect the ability of the U.S. to maximize the economic value generated by its water supplies?

The project deliverables will include (1) a background report that includes a literature review and analysis of U.S. economic and water resource statistics, (2) expert papers on strategic topics that provide greater insight on water's contribution to the U.S. economy, current analytic capabilities, and innovations required to enhance technical analysis capabilities, (3) a workshop for a diverse group of stakeholders to discuss the findings and implications of the background report and expert papers, and (4) synthesis reports for non-technical and technical audiences.

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