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Dear Angela, Kerry, Ed, and Justin:

Thank you for the opportunity to comment on the Environmental Finance Advisory Board's (EFAB) effort to examine the public benefits of a federal investment tax credit (ITC) to support industrial water recycling.

The WateReuse Association is a not-for-profit trade association for water utilities, businesses, industrial and commercial enterprises, non-profit organizations, and research entities that engage in and on water reuse. WateReuse and its state and regional sections represent nearly 300 businesses and organizations and more than 200 water utilities serving over 60 million customers across the country.

Our comments reflect feedback that we received from providers and users of recycled water, as well as from the engineers and technology providers that serve both. This includes companies seeking to purchase recycled water in lieu of using other freshwater sources, companies seeking to reuse more water onsite within their operations, and companies seeking to partner with municipalities to build out municipal water recycling infrastructure.

While nearly 70 percent of the planet is covered by water, only two and a half percent is freshwater, and only one percent is accessible. Industrial water use in the US is second only to agribusiness in terms of water usage, and current industrial water reuse offsets only a fraction of this. As the impacts of severe weather continue to degrade water resources, it is vitally important that industrial users of water invest in water recycling. In addition to protecting community water resources and local watersheds, doing so will have the added benefit of ensuring sustainable water supplies to support business development and job creation. A federal ITC will help companies make these critical investments.

Water reuse, also known as water recycling, is the process of intentionally capturing wastewater, stormwater, or graywater and cleaning it as needed for a designated beneficial freshwater purpose, such as drinking, industrial processes, irrigation, groundwater replenishment, and watershed restoration. The fundamental principle of water reuse is using the right water for the right purpose, everywhere and all the time.

Across the country, water, wastewater, and stormwater managers have shown that water recycling can be a central feature in innovative, integrated approaches to solving water management challenges. The drivers for water reuse are many. In recent years, droughts have brought severe conditions including wildfires, heat waves, severely depleted water sources, and reduced crop production across the country. Despite last year's snowpack and rain events, conditions in the West were recently at their driest point in 1,200 years and will worsen over time. In parts of Pennsylvania, Illinois, New England, and other regions across the country, communities have faced significant and even extreme drought conditions over the last three years. In addition to combatting supply constraints, communities and industries are also turning to water reuse to meet stringent discharge regulations and reduce pollutant loads to receiving waters.

### **Public Benefits of an ITC to Support Industrial Water Reuse**

In our communications with water users of various sizes, including small businesses as well as some of the largest private-sector water users in the country, businesses noted that a water reuse investment tax credit would help them scale up their use of recycled water. The public benefits of increasing the use of recycled water by industry include:

- *Improving local and regional water quality by limiting discharges of industrial effluent*

Businesses are turning to water reuse to limit discharges of industrial effluent and protect the quality of local and regional water resources. By capturing, treating, and reusing process water, businesses can better meet local water quality standards and limit the conveyance of pollutants. Water recycling is as much about protecting water quality as it is about enhancing water supplies.

- *Conserving local and regional water supplies by limiting the amount of groundwater and surface water withdrawn by industry*

Industrial operations in the United States require vast amounts of water. Companies can use recycled water to limit their impact on groundwater and surface water supplies by reducing water withdrawals. This is especially important in water-stressed areas. The WaterReuse Association's municipal members have a long and successful track record of protecting water supplies by providing safe, sustainable recycled water for customers to use in lieu of other freshwater sources. An ITC can help industry do its part by facilitating the transition to recycled water.



- *Limiting interruptions to the production and provision of goods and services due to severe weather and natural disasters, such as hurricanes and drought*

Severe and prolonged drought can have dire consequences for businesses that depend on water to support their operations. A semiconductor manufacturing facility, for example, may use tens of millions of gallons of water per day (MGD). A single plant currently under construction in the United States is expected to use upwards of 40 MGD. Any water supply interruption due to acute or prolonged drought would leave companies without the water they need to operate.

Similarly, hurricanes, for example, have knocked centralized water and wastewater systems offline, leaving communities and businesses without access to these essential services. Onsite water recycling systems can help ensure that important industrial sectors are able to maintain their operations in the face of extreme wet weather events that disrupt local utility services. In one recent example, the Solaire Residential Development in New York City was able to provide continuous wastewater processing services for its residents during Super Storm Sandy when lower Manhattan and the surrounding region experienced disrupted power and sewer service.

- *Supporting business development and the creation of well-paying jobs*

As businesses decide whether and where to expand or establish industrial operations, they are increasingly focused on ensuring access to recycled water. Businesses are keenly aware that water recycling can help them achieve their stewardship goals, provide sustainable and resilient supplies, and limit the impacts of their operations on local and regional water resources. Where recycled water supplies are not already available, businesses are seeking to partner with local communities to build municipal water recycling infrastructure. At the same time, local communities seeking to attract businesses are increasingly interested in public-private partnerships to develop needed recycled water supplies. Simply put, by incentivizing investments in water reuse systems, an ITC will support business development and vibrant local economies.

### **Structure of an ITC to Support Industrial Water Reuse**

In order to maximize public benefits, a federal ITC should be structured to cover a range of water reuse investments. We recommend a 30% ITC for investments made by a manufacturer, data center, or other industrial user of water to:

- Construct or expand onsite water recycling systems;
- Construct or expand the water recycling infrastructure of a municipal water or wastewater authority; or
- Purchase municipally produced recycled water in lieu of using another freshwater source, where the former is more expensive than the latter.



As discussed above, in some cases, industrial users of water are interested in installing or expanding onsite water reuse systems to reuse their process water for a range of purposes. In other cases, a company may be interested in partnering with a municipality to build out centralized water recycling infrastructure to increase the availability of recycled water. These systems, including treatment and conveyance infrastructure, can cost tens or even hundreds of millions of dollars. In yet another scenario, an industrial user of water may be drawing heavily from the local groundwater or surface water supply but interested in replacing that supply with municipally produced recycled water. Where a centralized recycled water supply exists and is more expensive than alternatives, an ITC can help facilitate the transition.

We recommend that the ITC include an elective payment option allowing eligible investors to choose either a credit or a payment for the value of the credit. Certain investors in water recycling infrastructure may already have excess tax credits. Moreover, investors may not have a significant tax liability in the early years of a project. If an elective payment option is not included, the value of any credits arising under this provision will be severely diminished to such investors, which will reduce the incentive to invest in water recycling projects.

Lastly, we recommend that tax credits be uncapped or capped high to encourage large projects and shared projects between multiple consumers that work together to reuse and share water.

The WaterReuse Association appreciates the EFAB's work assessing the public benefits of an investment tax credit to support industrial water recycling. We strongly support the enactment of an ITC to help industrial water users adopt water recycling technologies and systems—investments that recognize the need for sustainable water consumption and support job creation in the United States. Thank you for considering our views.

Sincerely,



Patricia Sinicropi  
Executive Director

