

# ACT4water Estándar

This document complements the usage regulations of the different ACT4WATER certification marks: Water+ for offset projects, Water Positive for organizations, and Water Neutral for activity, location, or product.

## Definition of Positive Water Credits

Positive Water Credits (CAPs) are a unit of measurement to quantify the environmental and social benefits of water footprint offset projects. Positive Water Credits (CAPs) are, therefore, a measure of saving the impact on water resources associated with projects, actions, or initiatives developed by public or private entities, equivalent to **1,000 m3 of water footprint saved**. CAPs can be acquired by entities wishing to offset their water footprint by supporting offset projects, contributing to a more sustainable water management.

Water footprint savings can be established when, compared to a baseline scenario, there is:

- saving in the volume of water used for a specific use that becomes available in the basin
- improvement in the quality of water discharged to the receiving environment
- improvement in the quality of the water body

Initiatives that can contribute to water footprint savings will therefore be projects of the following typology:





## How Positive Water Credits are Calculated

Positive water credits are calculated based on the savings of each action in terms of water footprint saved at a rate of 1 CAP = 1,000 m<sup>3</sup> of water footprint saved.

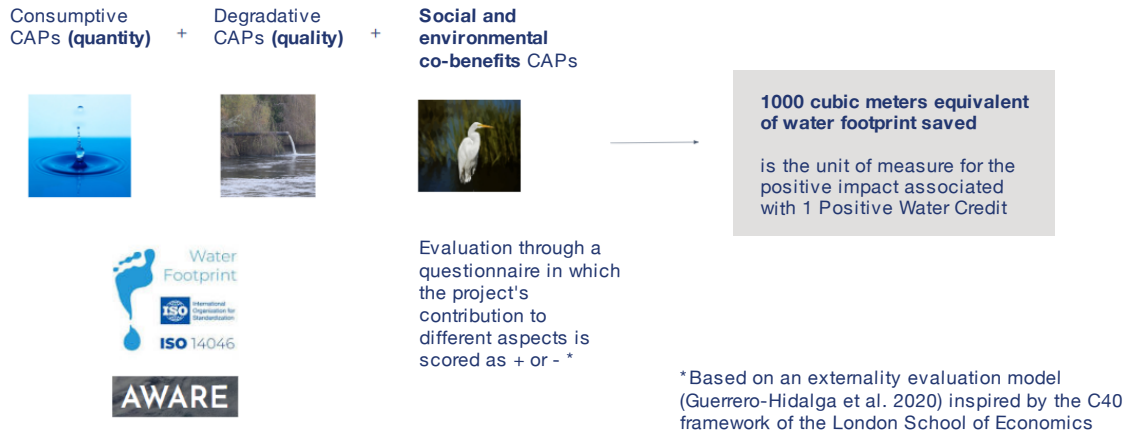
For calculating the water footprint, there are two standard methods, the Water Footprint Network manual and ISO 14046 based on Life Cycle Assessment. For all offset projects, the method of calculating the saved water footprint will be ISO 14046, which provides impacts and benefits associated with water use, both quantitatively and qualitatively.

In this way, the **CAPs associated with resource savings or water efficiency** of a project will be calculated by applying the water footprint method (ISO 14046), which involves using the Life Cycle Impact Assessment methodology AWARE. Thus, the benefit in volumetric terms of an action will be considered, considering the water stress factor of the basin on which it operates.

Additionally, also with ISO 14046 methodology, **the CAPs of projects associated with improving water quality will be evaluated**, thus quantifying the water footprint saved by reduced degradation of the receiving environment.

Lastly, to also consider the cross-effects of actions on other aspects of sustainability, a scoring method is used to score the **contribution of the action to other social and environmental aspects** through a questionnaire response by the project developer. This questionnaire and scoring method are based on a methodology published by Guerrero-Hidalga et al. 2020 for the evaluation of environmental and social externalities. After scoring, a multiplier factor of CAPs is obtained to be applied to the total number of CAPs obtained by volumetric and degradative benefits. This multiplier factor, in no case, can exceed a 15% increase in the CAPs obtained from the analysis of saved water footprint. In this way, the main benefit of an offset project is maintained as the contribution in quantity or quality improvement of the water body in which it is being developed; however, this factor aims to recognize the positive effects on biodiversity, human well-being, and other ecosystem services of the action.

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## How the Cost of a CAP of a Project is Assigned and When the Project Offset Certification can be Obtained

In general, there can be two different cases: a request for validation of anticipated CAPs to develop a new offset project or a request for recognition of CAPs for compensations obtained by already executed projects.

### 1- Project to be executed requesting project certification and its CAPs in advance

For the certification process, the project developer must provide information about the capital costs structure (CAPEX) to develop the project, as well as an estimation of annual operation and maintenance costs (OPEX) for its execution. Additionally, technical descriptive documentation of operation and a justified estimation of the project's useful life must be provided.

The project developer can include in the presented cost structure any cost incurred in the design, construction, operation, and maintenance process, including necessary consultancy and verification services to qualify for Act4water Water+ certification.

With this information, an estimated price per CAP is calculated based on the total project value and the total number of CAPs generated over the project's useful life and annualized.

It is possible to obtain WATER+ certification for CAPs in advance as long as a commitment is formalized to annually re-evaluate the project to adjust the number and price of CAPs generated each year (on a year-on-year basis), to compare the estimates with actual data. The possibility of certifying in advance with Water+ facilitates the formalization of public-private agreements to carry out projects in a clear collaborative framework, establishing what corresponds to an organization's contribution to the project developer in CAPs so that the project execution can start with guarantees for all parties involved.

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A binomial formula is used to calculate the price of CAPs, differentiating a fixed price part and a variable one. The fixed part is established with the annualized CAPEX on the total estimated annual CAPs. The variable price is established with the estimated annual OPEX on the total estimated annual CAPs.

When closing the water footprint calculation at the end of the year, the variable price is adjusted based on the number of CAPs finally generated and the incurred variable costs.

The anticipation of CAPs associated with the initial investment part is based on recognizing the need to develop or build the project to be able to generate the CAPs during the rest of its useful life. The adjustment with the variable part adds rigor to the compensation system, validating the calculations with real data.

In case of anticipating the certification of CAPs to formalize agreements or transactions that allow the project to start, the maximum period for which a €/CAP price will be established, and the advance of certified CAPs will be 5 years, even if the project's useful life is longer and as long as the useful life exceeds 10 years.

## 2- Existing project in the Operation and Maintenance phase

Projects already underway when applying for WATER+ certification must provide the same documentation as in the previous case but with real data at the end of the year and retroactively, for all those years for which they wish to obtain the CAPs.

In no case is the objective of ACT4WATER to accredit and put on the voluntary market CAPs that have already been generated previously and whose source of financing is some public entity unless the project developer agrees with the public entity that has rewarded the developer for that action to reverse the revenues associated with the sale of CAPs into other activities of the same nature within a maximum period of 2 years after the sale of the CAPs. The project promoter must present documentary evidence to Act4water for this purpose.

## 3- Annual Monitoring of Accredited Projects

Projects with Water+ certification must undergo an annual reassessment in which they must demonstrate that the project continues to generate the estimated benefits in case of anticipation, as well as present an adjusted balance of CAP generation with respect to the base, which will be cumulative. Additionally, if it is desired to adjust the estimated CAP price, the cost structure must be presented and verified again based on real data instead of estimated data, if the advance option was chosen.



In all cases 1), 2), and 3), a guarantee fund is established, which in the case of anticipation may be increased according to the risk assessment.

### **CAP Balance to Obtain Water Positive Organization Certification**

To qualify for Act4water organization certification at its Water Positive level, the organization must submit a technical report that includes the balance in terms of CAPs. For this purpose, the direct water footprint (WFN) or water footprint (ISO 14046) of the organization will be considered, and it will be transformed into a number of Positive Water Credits needed to achieve water neutrality. In this transformation, if the organization has a standardized calculation of the water footprint using the WFN methodology (m<sup>3</sup>), it will need to convert it to Water Footprint, since CAPs are measured in Water Footprint (m<sup>3</sup> equivalents according to ISO 14046).

### **CAP Balance to Obtain Water Neutral Certification**

To qualify for Act4water Water Neutral certification, it is specified that for products whose indirect water footprint exceeds 80% to achieve neutrality, the CAPs associated with both direct and indirect footprints must be compensated.