Veles Water Weekly Report:

Water Markets Still Operate on Century-Old Pricing Assumptions

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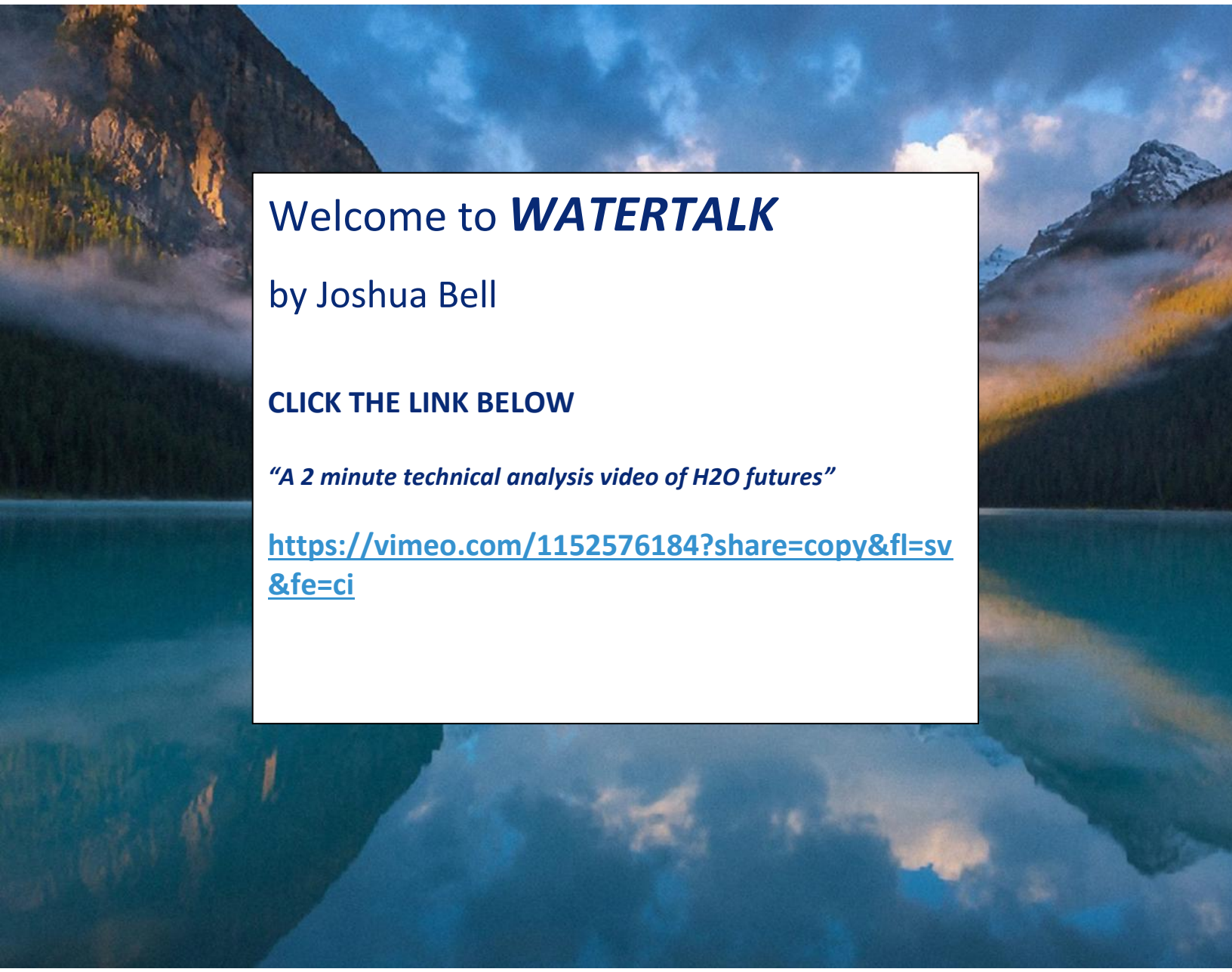
VelesWater

WATER FUTURES MARKET ANALYSIS



Welcome to ***WATERTALK***

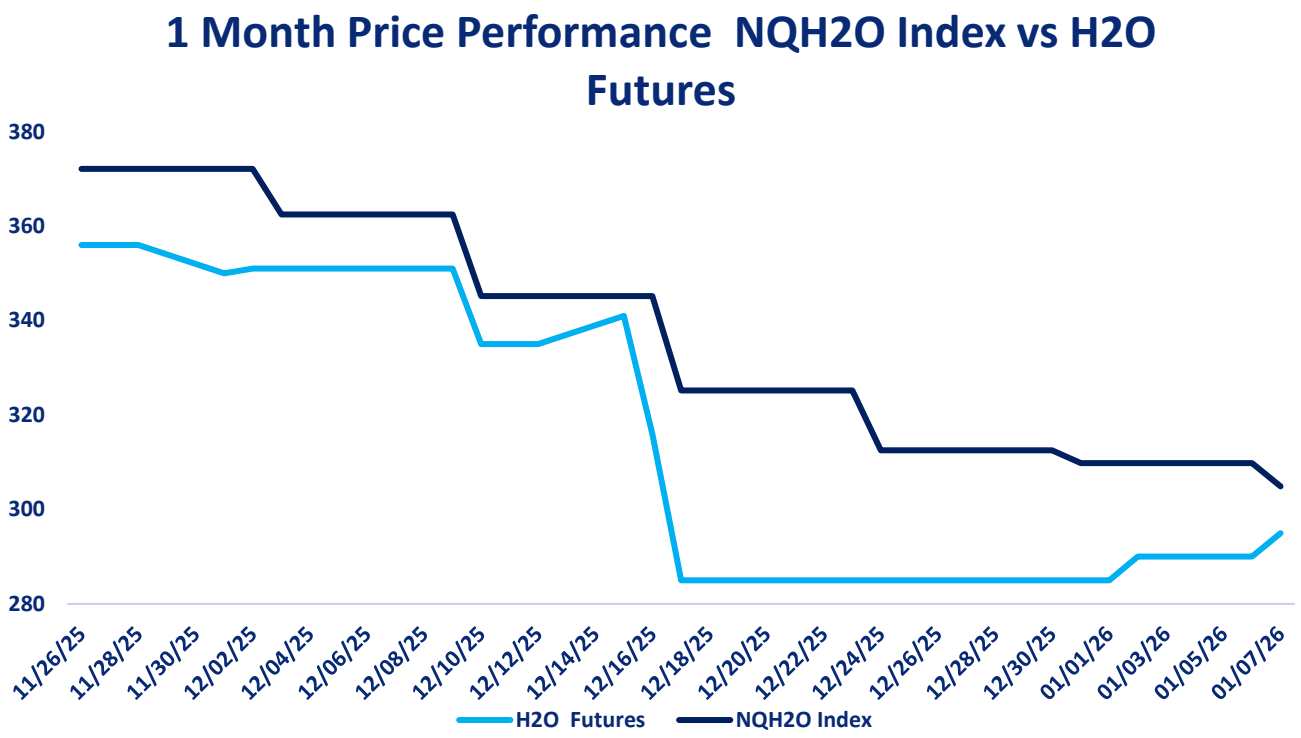
by Joshua Bell

CLICK THE LINK BELOW

"A 2 minute technical analysis video of H2O futures"

https://vimeo.com/1152576184?share=copy&fl=sv&fe=ci

NQH2O™ INDEX PRICE vs H2O FUTURES PRICE



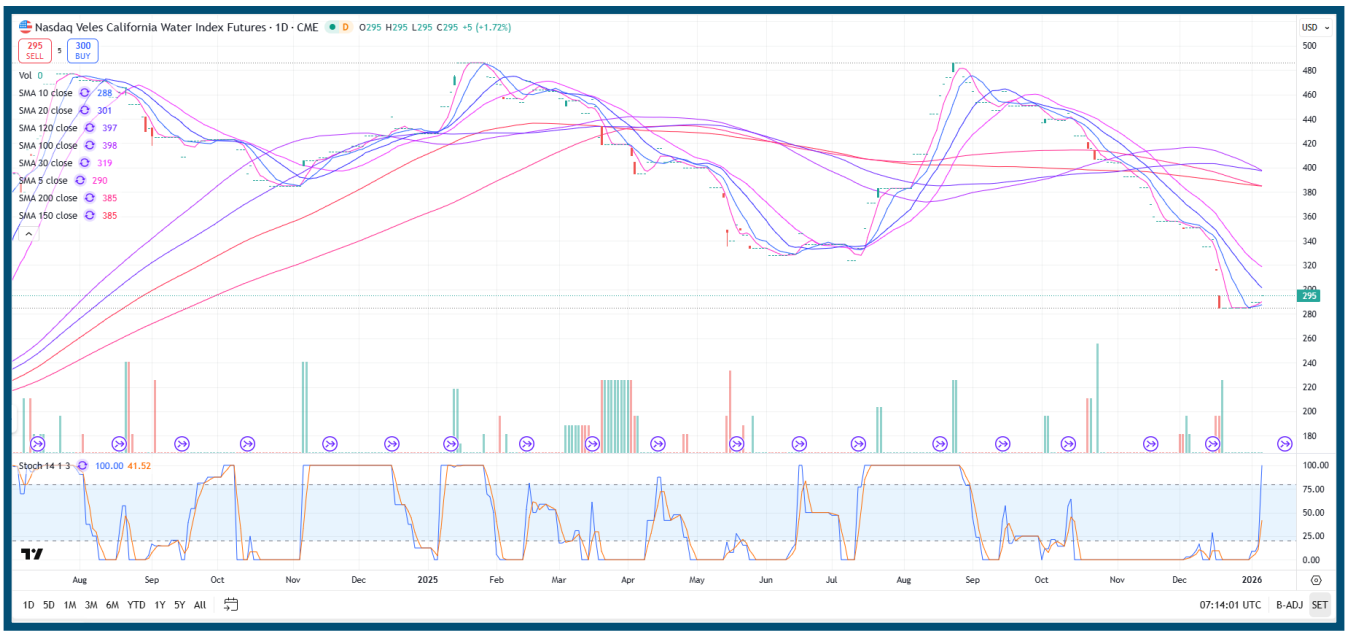
Price Chart Based upon Daily Close

The new NQH2O index level of $304.90 was published on January 7th, down $4.95 or 1.60% from the previous week. The January contract is considered the front month. The futures prices closed at a discount of $9.90 to $24.85 versus the index over the past week.

Below are the bid offer prices on different expiries being quoted in the market.

Jan 26	295@300
Jun 26	335@355

H2O FUTURES TECHNICAL REPORT



Trend Overview

Current Price: $295 (+1.72%)

The index has bounced from a recent low near $285 and is now trading at $295, attempting a short-term recovery. This is a modest rebound, but price remains deeply below all medium- and long-term moving averages, and the broader trend is still decisively bearish.

Momentum

Stochastic Oscillator

- **%K = 100.00**
- **%D = 41.52**

Analysis:

- %K has spiked sharply to 100, a textbook oversold-to-overbought reversal signal.
- This vertical move reflects an abrupt change in momentum, potentially signalling the start of a short-term recovery, but the move is unconfirmed without follow-through price action.
- The oscillator suggests a stretched move up, which could lead to either continuation if supported by volume or a rapid retracement.

Moving Averages

Short-Term (SMA 5–30)

- **SMA 5** = 290
- **SMA 10** = 288
- **SMA 20** = 301
- **SMA 30** = 319

Analysis:

- Price ($295) is now above both the 5-day and 10-day SMAs, a short-term bullish shift.
- However, it remains below the 20-day SMA ($301) and well below the 30-day SMA ($319).
- This puts immediate resistance in the 301–319 range, which represents a key short-term supply zone.
- All moving averages are still sloping downward, showing no trend reversal yet, but the break above the shortest SMAs could be an early indication of a base forming.

Long-Term (SMA 100–200)

- **SMA 100** = 398
- **SMA 120** = 397
- **SMA 150** = 385
- **SMA 200** = 385

Analysis:

- Price remains deeply below all long-term moving averages, confirming that the primary trend is still bearish.
- The 385–398 zone represents major long-term resistance.
- A move back above 385 would be required to indicate a structural shift in the longer-term trend.

Resistance & Support Levels

Resistance Zones

- **$301–$319**: SMA 20 and 30 resistance band
- **$385–$398**: Long-term resistance cluster (SMA 150–200–120–100)

Support Levels

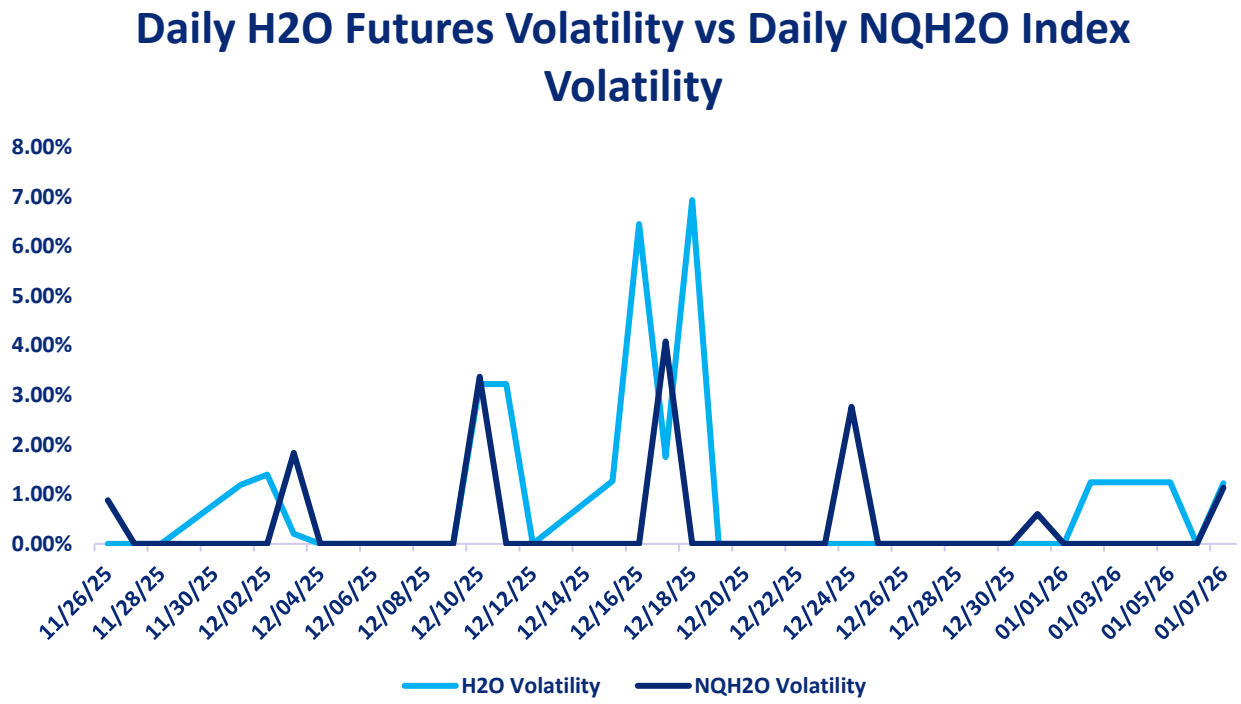
- **$285**: Most recent local low
- **$270–$275**: Potential psychological support zone
- Below $270, there is no obvious support, increasing downside risk significantly

Summary

- The index has bounced to $295, now above its 5-day and 10-day SMAs — a small but important technical improvement.

- Momentum has flipped sharply to the upside as shown by the Stochastic Oscillator, but volume is still weak, and key resistance looms at $301–$319.
- Price remains in a bear market structure, with major overhead resistance at the 385–398 range.
- A daily close above $301, and preferably over $319, would be the first real sign of trend reversal.
- Until then, this is best viewed as a potential relief rally within a broader downtrend.

H2O FUTURES AND NQH2O INDEX VOLATILITY ANALYSIS



DAILY VOLATILITY

Over the last week the January contract daily future volatility high has been 1.24%.

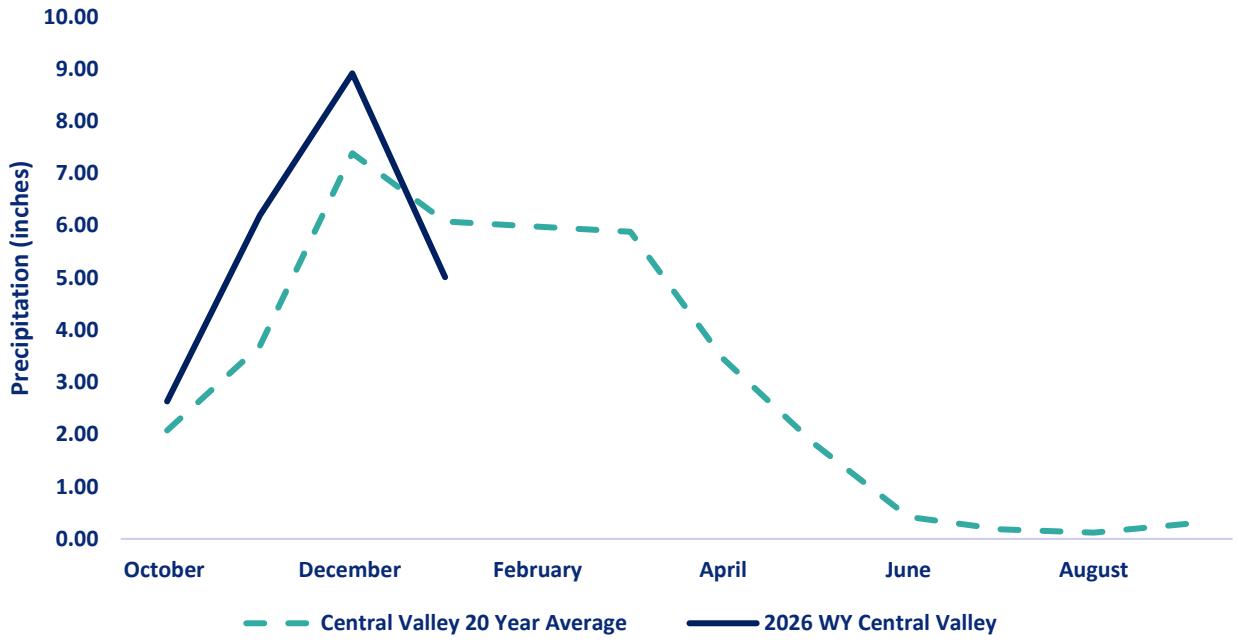
ASSET	1 YEAR (%)	2 MONTH (%)	1 MONTH (%)	1 WEEK (%)
NQH2O INDEX	**20.89%**	**4.41%**	**3.20%**	**0.75%**
H2O FUTURES	N/A	**14.07%**	**12.66%**	**2.13%**

For the week ending on January 7th, the two-month futures volatility is at a premium of 9.63% to the index, up 0.03% from the previous week. The one-month futures volatility is at a premium of 6.06% to the index, up 3.40%. The one-week futures volatility is at a premium of 1.38% to the index volatility.

*The above prices are all **HISTORIC VOLATILITIES**. All readings refer to closing prices as quoted by CME.*

CENTRAL VALLEY PRECIPITATION REPORT

Central Valley Precipitation Index



Central Valley average is calculated using data from 19 weather stations in Central Valley, California.
Data as of 07/01/2026

STATION	MTD (INCHES)	WEEK ON WEEK CHANGE (INCHES)	% OF 20 YEAR AVERAGE MTD	2026 WYTD VS 2025 WYTD %	2026 WY VS 20 YEAR AVERAGE TO DATE %
SAN JOAQUIN 5 STATION (5SI)	5.36	5.36	85.70%	69	157
TULARE 6 STATION (6SI)	3.43	3.43	74.14%	70	156
NORTHERN SIERRA 8 STATION (8SI)	6.25	6.25	85.04%	134	160
CENTRAL VALLEY AVERAGE	5.01	5.01	82.50%	91	158

RESERVOIR STORAGE

RESERVOIR	STORAGE (AF)	% CAPACITY	LAST YEAR % CAPACITY	*% HISTORICAL AVERAGE
TRINITY LAKE	2,030,961	83	77	137
SHASTA LAKE	3,605,371	79	78	132
LAKE OROVILLE	2,546,238	74	70	135
SAN LUIS RES	1,434,304	70	70	109

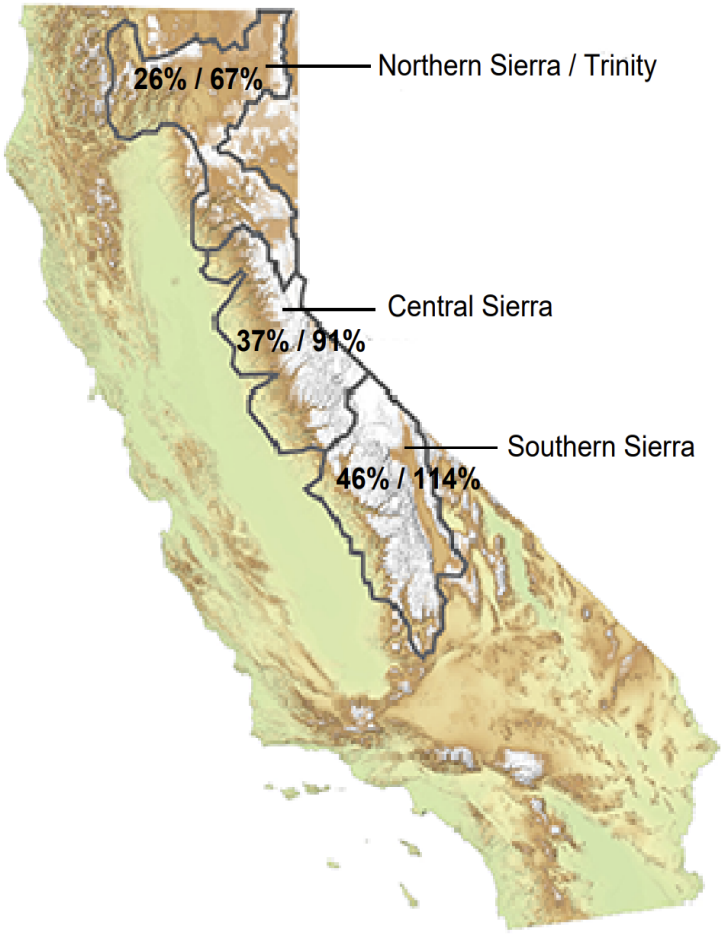
*% Historical Average is based on a daily average that is interpolated from historical monthly averages. The monthly averages are computed using monthly data from water year 1991 to 2024. The monthly averages are updated every 5 years using a sliding 30 year period.

Reference: California Water Data Exchange

SNOWPACK WATER CONTENT

CURRENT REGIONAL SNOWPACK FROM AUTOMATED SNOW SENSORS

% of April 1 Average / % of Normal for This Date



NORTH	
Data as of January 6, 2026	
Number of Stations Reporting	32
Average snow water equivalent (Inches)	7.0
Percent of April 1 Average (%)	26
Percent of normal for this date (%)	67

CENTRAL	
Data as of January 6, 2026	
Number of Stations Reporting	52
Average snow water equivalent (Inches)	10.4
Percent of April 1 Average (%)	37
Percent of normal for this date (%)	91

SOUTH	
Data as of January 6, 2026	
Number of Stations Reporting	21
Average snow water equivalent (Inches)	11.3
Percent of April 1 Average (%)	46
Percent of normal for this date (%)	114

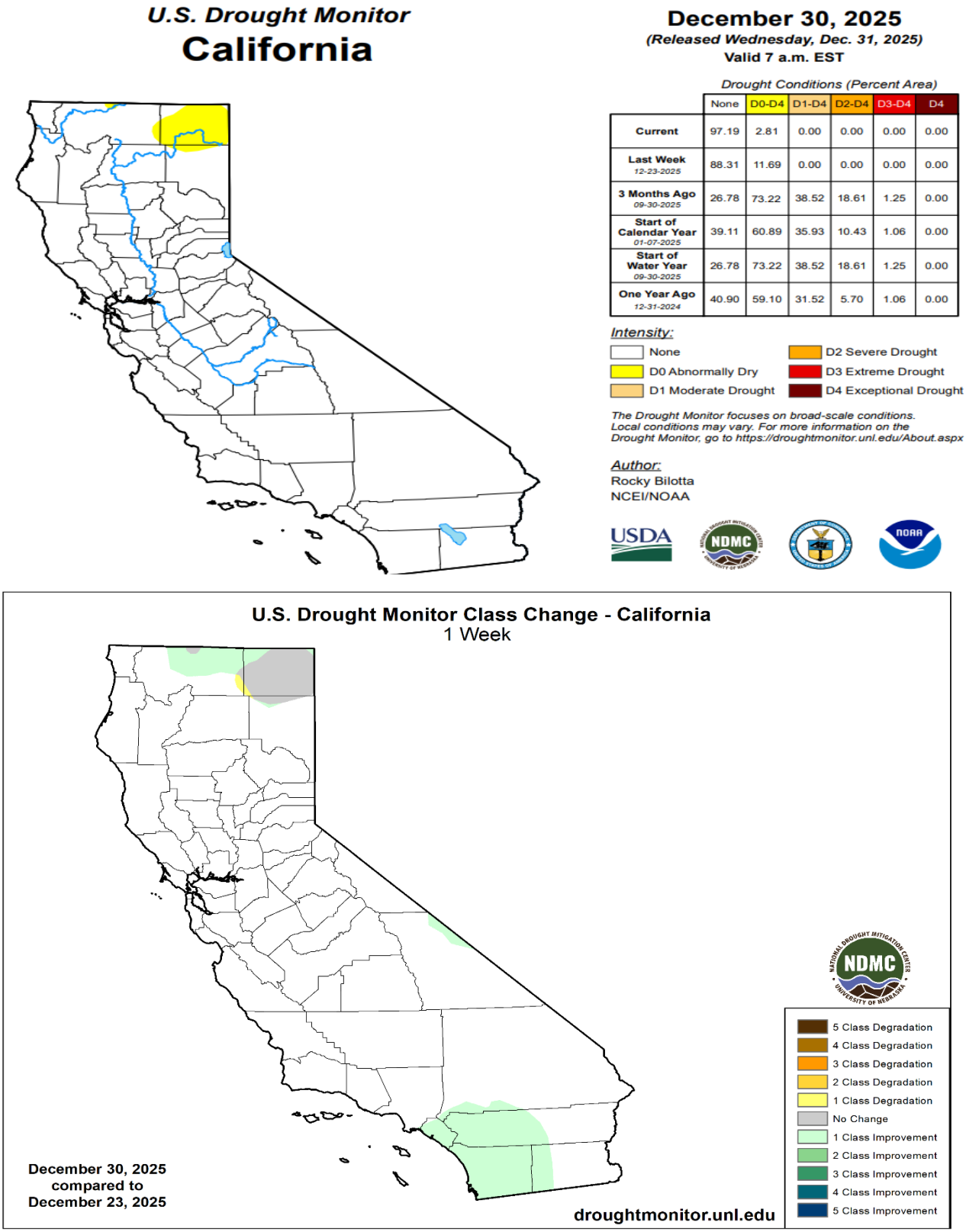
STATE	
Data as of January 6, 2026	
Number of Stations Reporting	105
Average snow water equivalent (Inches)	9.6
Percent of April 1 Average (%)	36
Percent of normal for this date (%)	90

Statewide Average: 36% / 90%

Snow Water Equivalent,* **or SWE**, is a commonly used measurement used by hydrologists and water managers to gauge the amount of liquid water contained within the snowpack. In other words, it is the amount of water that will be released from the snowpack when it melts. SWE has regional variance.**

**** April 1st is used as the benchmark as it when the snowpack in California is generally deepest. It has been used the benchmark date since 1941 by DWR and can be used to predict spring river flow.**

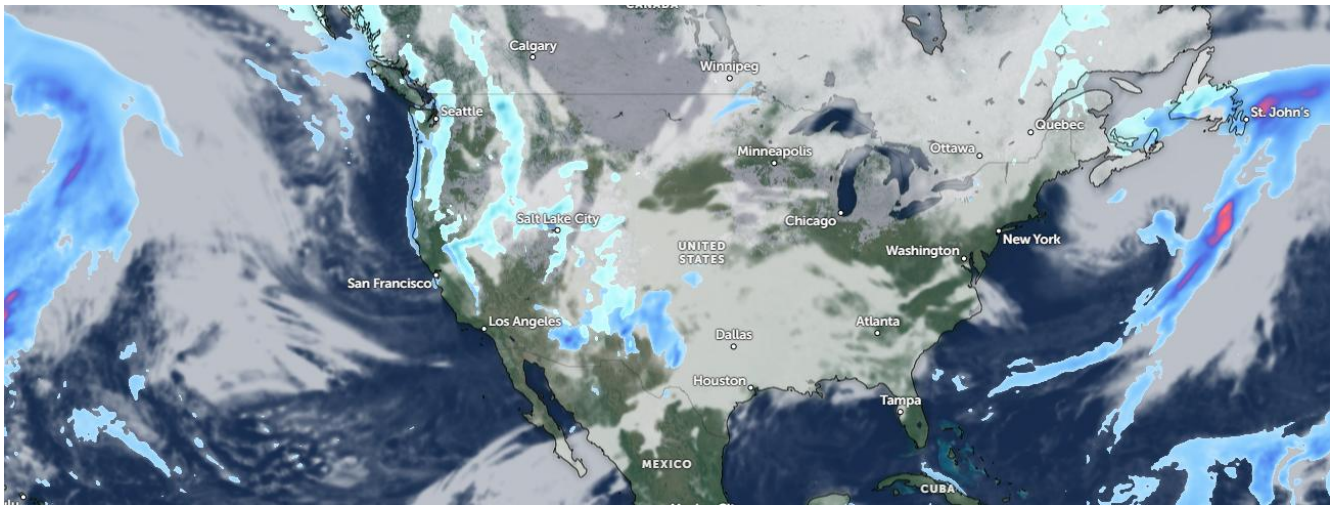
DROUGHT MONITOR



The U.S Drought Monitor is jointly produced by the National Drought Mitigation Center at the University of Nebraska-Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration. Map courtesy of NDMC.

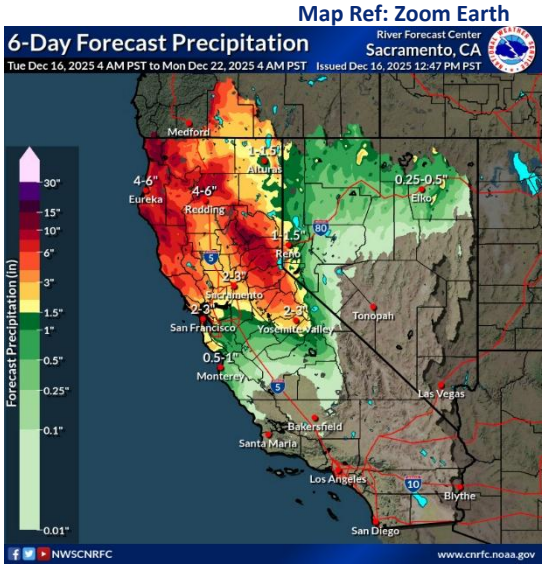
CURRENT SATELLITE IMAGERY

A broad Pacific trough remains the dominant feature, with a mature low-pressure system offshore of the U.S. West Coast driving widespread cloud cover and precipitation into the Pacific Northwest and Northern California. Rain is focused along coastal areas, with snow at higher elevations in the Sierra Nevada and Cascades, while lighter spillover precipitation extends into the Great Basin and central Rockies. Cold air remains entrenched across central Canada and the northern U.S., supporting light snow, while much of the central and eastern United States remains relatively dry under weak ridging. A narrow band of heavier precipitation associated with a separate frontal system remains offshore in the western Atlantic, limiting impacts to the U.S. mainland.



10 Day Outlook

Map Ref: Zoom Earth



While guidance continues to show disagreement in the overall specifics associated with the active pattern throughout the 6-day forecast window, slight convergence, especially in the latter portions of the window (Saturday into Monday morning) warranted a relative increase in accumulations throughout the window. Largest increases were made over the North bay of up to 1.4 inches while increases of up to 2 inches were made in the Sierra over the Feather, Yuba, and American River Basins. While these increases were made, model differences in exactly what locations along the coast and the Sierra Nevada could receive the heaviest accumulations. GFS

generally favours a more southern trajectory whereas the EC favours more Northern. Afternoon forecasts generally followed the NBM which smoothed out these differences while producing magnitudes that illustrated the uncertainty across all guidance.
Reference: National Weather Service / California Nevada RFC / Sacramento CA

WESTERN WEATHER DISCUSSION

Temperatures were above normal across much of the West this week, while below-normal temperatures were observed along parts of the West Coast and in northern Montana. For the week, temperature departures ranged from -10 degrees F below normal in northern Montana to +25 degrees F above normal in parts of Nevada and Utah. Precipitation varied across the region, with beneficial amounts falling across much of the southwest and parts of the north. Over the past 14 days, much of the West has received 2 to 20+ inches of precipitation, with departures ranging from +1 to +8 inches above normal (150% to 800% of normal). This above-normal precipitation justified the removal of extreme drought (D3) from the Washington-Idaho-Oregon border and reduced severe drought (D2) coverage in northern Montana. Moderate to severe drought (D1-D2) conditions improved in portions of Washington, Idaho, Montana, Nevada, and southern Arizona, while moderate drought (D1) was removed in western Washington and improved in north-central Oregon and central Arizona. Abnormal dryness (D0) was removed from southern California and improved across northern portions of the region. Conversely, conditions were drier than normal across interior and eastern portions of the region. Lack of precipitation and growing deficits resulted in the expansion of severe drought (D2) in western Utah, while moderate drought (D1) and abnormal dryness (D0) expanded in central Nevada this week.

Reference:
Lindsay Johnson, National Drought Mitigation Center
Richard Tinker, NOAA/NWS/NCEP/CPC

WATER NEWS

CALIFORNIA WATER NEWS

California snowpack gets boost from December storms
The Guardian (Dec 30, 2025)
https://www.theguardian.com/us-news/2025/dec/30/california-snowpack-water
A series of December storms delivered a welcome boost to California's snowpack, scientists said on Tuesday in a closely watched assessment of the state's water resources for the year ahead.
The snowpack survey recorded a snow depth of 24in (61cm), said Angelique Fabbiani-Leon, state hydrometeorologist at the California department of water resources' snow surveys and water supply forecasting unit. The survey was conducted at the Phillips station in the Sierra Nevada, a mountain range that covers the eastern part of the state.
The department also collects measurements with electronic instruments at other sites, and said that statewide the snowpack currently stands at 71% of average.
The measurement is the first of the season, and offers an important snapshot of the health of California's water supply. The snowpack acts as a critical saving bank for the year ahead – essentially a frozen reservoir that provides about a third of the water used annually in California as it melts each spring and flows into rivers and streams and replenishes groundwater.
A period of warm, dry weather was recently broken by a series of heavy storms – fueled by a powerful atmospheric river – that brought record levels of rain in places such as Los Angeles and large quantities of snow in mountainous areas.
Officials said that Monday's measurement offered a hopeful sign, but cautioned that it is too soon to know how that could affect water supplies in the coming year.
"The dry conditions and warmer temperatures in early December delayed our snow-building season, but the return of storm activity, especially in the last week, helped to build a solid base for this year's snowpack," said Fabbiani-Leon. "While California is in a better position now, it is still early in the season and our state's water supply for this year will ultimately depend on a continued cadence of storms throughout winter and early spring."

Newsom's Delta Tunnel financing plan hit by court ruling
San Francisco Chronicle (Jan 2026)
https://www.sfchronicle.com/politics/article/newsom-delta-tunnel-snag-ruling-bonds-21270412.php
California's plan to build a 45-mile tunnel under the Sacramento-San Joaquin River

Delta to carry water from north to south ran into financial trouble Wednesday when an appeals court ruled that the state lacked authority to issue billions of dollars in bonds to finance the project.

The pipeline, planned for many years, would allow water shipments to bypass sensitive delta wetlands and reach drier areas in Central and Southern California. It would take about 13 years to construct and is supported by recipient water agencies and Gov. Gavin Newsom, but opposed by major environmental groups.

While the Legislature has not expressly approved $16 billion in bonds to pay for the project, state officials argued that it was authorized as part of the Feather River Project, which includes dams and hydroelectric plants in the Sacramento Valley.

Newsom's Department of Water Resources approved the bonds in 2020, but they were immediately challenged in court and have not yet been issued. On Wednesday, the state's 3rd District Court of Appeal in Sacramento agreed with opponents that the bonds were unauthorized.

While state law allows the Department of Water Resources to issue bonds for "modifications" to the Feather River Project, it does not authorize funding to add new "units" to that project, Justice Peter Krause said in the court's 3-0 ruling.

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The department's bond resolution would give it "nearly unfettered discretion to finance any delta conveyance facility," and "cannot be justified as a further modification" of the project, Krause wrote.

The ruling upheld a January 2024 decision by Sacramento County Superior Court Judge Kenneth Mennemeier. The Department of Water Resources has returned to Mennemeier's court with additional arguments for bond funding, but a lawyer for opponents of the project said the ruling raises "significant obstacles" to any current funding attempts.

Maven's Daily Digest: Rain returns; sediment basin retrofit explored

Maven's Notebook (Dec 29, 2025)

https://mavensnotebook.com/2025/12/29/daily-digest-12-29-rain-to-return-to-california-just-in-time-for-new-years-dramatic-changes-in-store-for-private-island-on-edge-of-san-francisco-bay-a-sediment-basin-retrofit-for-enhance/?

Round-up includes forecasted rain returns, experimental sediment basin retrofits to enhance recharge, and other items relevant for groundwater management — useful context for markets tracking supply elasticity.

California's largest reservoir surges 30 feet after recent storms

San Francisco Chronicle (Jan 2026)

California's largest reservoir surges 30 feet after recent storms
In early January 2026, Shasta Lake — California's largest reservoir — rose more than 30 feet after a series of intense winter storms pushed levels to nearly 80 percent of historical average for this time of year. Other major reservoirs, including Lake Oroville and Trinity Lake, also climbed significantly, reducing immediate concerns about storage. Officials cautioned that continued snowfall and runoff will be needed to sustain water supplies through the dry months.

California bill SB72 proposes expanded advisory and planning for water resources
LegiScan (Bill text, 2026 session)
https://legiscan.com/CA/text/SB72/id/3271508
California Senate Bill 72 would revise The California Water Plan to expand advisory committee membership (including tribal, labor, and environmental justice representatives) and require integration of new storage, conservation, and reuse strategies. The bill outlines expanded planning targets *through 2050* and includes discussion of estimated costs, benefits, and financing impacts — signalling evolving state governance and fiscal planning approaches.

California river users pitch framework to conserve millions of acre-feet
GPS Business Insider (Dec 16, 2025) Bob Marra
https://gpsbusinessinsider.com/new-colorado-river-framework-highlights-californias-commitment-to-conservation-and-collaboration/
On December 16, California's water, tribal, and agricultural leaders presented a comprehensive Colorado River framework for a durable, basin-wide operating agreement. They highlighted the state's proposal to conserve 440,000 acre-feet of river water per year.
At the annual Colorado River Water Users Association conference, California underscored the state's leadership in conservation, collaboration, and long-term stewardship of shared water resources that inform its approach to post-2026 negotiations.
California takes a balanced approach, relying on contributions from the upper and lower basins to maintain a shared resource. California supports hydrology-based flexibility for river users, with all states contributing real water savings. Any viable framework would need to include transparent and verifiable accounting for conserved water, along with several other elements outlined in the California framework.
State leaders also noted that they are willing to set aside many of their legal positions to reach a deal, including releases from Lake Powell under the Colorado River Compact, distribution of Lower Basin shortages, and other provisions of the Law of the

River, provided that there are equitable and sufficient water contributions from every state in the Basin and the country of Mexico.

US WATER NEWS

Trump issues vetoes on major water infrastructure bill
Reuters (Dec 31, 2025)
https://www.reuters.com/world/us/trump-issues-first-second-term-vetoes-colorado-water-project-florida-tribal-2025-12-31/
U.S. President Donald Trump vetoed a major drinking water project in Colorado, drawing immediate condemnation from Colorado Republican lawmaker Lauren Boebert, a former loyal MAGA ally who also recently challenged Trump over the Jeffrey Epstein files.
The White House announced Trump's veto of the Finish the Arkansas Valley Conduit (AVC) Act, which was approved unanimously by both the House of Representatives and the Senate, and a second measure affecting a Florida project, late on Tuesday. They were the first two vetoes of Trump's second term.
The veto of the Colorado project came after Trump's vow to retaliate against the state for keeping his ally Tina Peters in prison, despite his attempt to pardon her earlier in the month, and Boebert's action to force the release of the government's files on the late convicted sexual offender Epstein.
Peters, a former Colorado county clerk, is serving a nine-year prison term after being convicted on state charges for illegally tampering with voting machines in the 2020 presidential election. Trump's pardon covers only federal charges and the state has refused to release Peters.
Boebert, who sponsored the bill, condemned Trump's veto of what she called a "completely non-controversial, bipartisan bill" in a statement on X, adding her hope is that "this veto has nothing to do with political retaliation for calling out corruption and demanding accountability."
The bill was aimed at funding a decades-long project to bring safe drinking water to 39 communities in Colorado's Eastern Plains, where the groundwater is high in salt, and wells sometimes unleash radioactivity into the water supply.
In his letter to Congress, Trump said he vetoed the measure to prevent "American taxpayers from funding expensive and unreliable policies."
It was not immediately clear if the Republican leaders in Congress would allow a vote to override Trump's veto.

Boebert was one of four Republican lawmakers, along with Marjorie Taylor Greene, who played a key role in forcing the release of Justice Department files on Epstein. Trump had fought the release of the files for months before ending his opposition.
The White House said Trump had also vetoed a measure to spend $14 million to protect an area known as Osceola Camp within the Everglades National Park that is inhabited by members of the Miccosukee tribe of Native Americans, which has fought Trump's makeshift immigrant detention center "Alligator Alcatraz" in the Everglades. A federal judge has now ordered the detention center to be shut down.

Colorado River states struggle to reach 2026 agreement
The Colorado Sun (Dec 19, 2025) Sharron Mullane
https://www.coloradosun.com/2025/12/19/colorado-river-limbo-state-negotiators-las-vegas/
Colorado River farmers, water managers and officials were gearing up for the largest gathering of the year for months expecting some kind of update about how the water supply for 40 million people will be managed going forward.
Some walked away frustrated, while others clung to do-or-die optimism or wondered why the people negotiating the rules still have their jobs.
When seven state negotiators took to the stage for the annual Colorado River Water Users Association conference, they didn't have much progress to report about how the river's main reservoirs will be managed once the current operational rules end in fall 2026. Instead, for the second time this week, many of them used their time to highlight the same concerns they've shared for years. With the clock ticking down, federal officials started to ratchet up the pressure.
"If you distill down what my six partners just said, I believe there's three common things: Here's all the great things my state has done. Here's how hard/impossible it is to do any more. And here are all the reasons why other people should have to do more," John Entsminger, the governor-appointed negotiator for Nevada, told the gathering.
"As long as we keep polishing those arguments and repeating them to each other, we are going nowhere," he said.
The state officials are negotiating an agreement on how to store and release water in the basin's main reservoirs, like lakes Mead and Powell. That agreement requires tough decisions about water cuts in dry years that could impact ecosystems like the Grand Canyon, a powerful agricultural industry that provides food for the nation, hydropower generation that supports Western power grids and more.
If the states agree, then federal officials have said they will use the states' proposal to manage the Colorado River's water supply.

If they can't agree, the Department of the Interior will choose how to manage the river. Or the states, or powerful water users in the basin, could take it to court — the "nuclear option" that would lead to millions of dollars in legal expenses and years of uncertainty.

The Lower Basin, which comprises Arizona, California and Nevada, has said it will take the first 1.5 million acre-feet in cuts in the basin's driest years. One acre-foot equals 325,851 gallons, enough to cover one-acre of cropland in a foot of water or provide two to three homes with a year's supply of water.

"It is a huge step. But what Mother Nature has said is she is demanding more. And where do we go from there?" Colorado's negotiator Becky Mitchell said.

The seven governor-appointed negotiators have been debating that question for two years. After missing a federal deadline in November, the states face another deadline Feb. 14 to share a detailed plan with the Department of the Interior, which is managing the rulemaking process under the National Environmental Policy Act.

"Delay is unacceptable," Scott Cameron, acting commissioner of the Bureau of Reclamation, said Wednesday.

The federal officials urged states to collaborate and be willing to make uncomfortable compromises. Water users, like farmers, ranchers, cities and industries, should give their state representatives room to negotiate, said Andrea Travnicek, assistant secretary for water and science for the Department of the Interior.

Federal Water Tap: Colorado River deadline and Bureau draft EIS

Circle of Blue (Dec 22, 2025) Brett Walton

https://www.circleofblue.org/newsletter/federal-water-tap-december-22-2025-interior-sets-new-colorado-river-agreement-deadline/

Summary:

Federal officials set a new Feb. 14 deadline for seven Basin states to agree on water cuts and reservoir operations. A Bureau of Reclamation draft environmental impact statement for post-2026 river operations is expected soon, underscoring the regulatory backdrop for allocation and litigation risk.

Rethinking water pricing in the West narrative

NRDC commentary (Dec 11, 2025) Isabel Friedman

https://www.nrdc.org/bio/isabel-friedman/rethinking-price-water-west

Americans have long romanticized the settlement and land grabs of the West through stories of cowboys riding through a rugged land. In old Western films, dust clouds would swirl behind their horses' hooves as they beat down on the tough, arid land. These romanticized stories and the decisions that precipitated in Washington, D.C., ignored the long history of the people who already lived on this land, putting a first-

come, first-serve sign on the land and natural resources of the region. Settlers in the 19th and early 20th century laid claim to parcels of land and the rivers that flowed through them. To them, the federal government doled out water free of charge, relying on these resources to drive the rapid development of the West.

This foundation was cemented in 1922 when seven states and the federal government signed the Colorado River Compact, which divided the river that supplies much of the West into the upper basin (Colorado, New Mexico, Utah, and Wyoming) and the lower basin (Arizona, California, and Nevada). The resulting water allocations were predicated on early-20th-century hydrological studies of the river's flow, conducted during a period of unusually high precipitation. Most important, the estimates did not account for the impacts of climate change and the prolonged periods of drought that have become synonymous with life in the West. Though there have been numerous updates to the original compact, the foundational system that priced water remains largely unchanged. Today, just as it was 100 years ago, substantial volumes of water in the Colorado River Basin are sold or diverted at little to no cost. California's Central Valley Project, another massive federal water resource that was first envisioned in 1921, still allocates water under similarly antiquated pricing systems that allow water to be diverted for next to nothing, incentivizing inefficiency and overuse.

Free or nearly free water is an arcane approach that incentivizes water waste at an enormous scale.

These very systems and agreements of pricing water for next to nothing are hundreds of years old—from a bygone era before widespread plumbing and in which the term global warming was still 50 years away from being used for the first time in a scientific journal—and they don't support a sustainable future in which everyone has access to water.

A new NRDC–University of California, Los Angeles report underscores the scale of this challenge. It reveals that 7.26 million acre-feet (MAF) of water is obtained for less than $1 per acre-foot (AF) from the federal government each year. That's the amount of water consumed by roughly 21 million households annually. More than half of that is received by five agricultural districts for $0/AF: the Coachella Valley Water District, Imperial Irrigation District, Palo Verde Irrigation District, Truckee-Carson Irrigation District, and Unit B Irrigation & Drainage District. This comes in sharp contrast to the 1.88 MAF of water purchased by municipal districts for more than $1,000/AF, all of which is located in California. People living in areas that don't benefit from historic federal contracts end up paying three times: once for their own water, again through taxes that subsidize other regions, and finally, through the mounting costs of water shortages that are materializing across the West.

The last quarter century of drought has shown that it is unsustainable for the seven basin states and Mexico to use water at the current rates. Free or nearly free water is

an arcane approach that incentivizes water waste at an enormous scale. Our research recommends adding a reliability and security surcharge to federal water deliveries that would provide funding for system resilience and capital improvements while providing a price signal to reduce inefficient uses of water and drive down demand.

We can no longer hang our hats on the excuse that our broken water system is "just how water rights work." After having contended with two decades of the worst drought in more than 1,200 years and record-low reservoir levels, we cannot afford to leave any conservation tool off the table. We need a long-term strategy that recognizes water as a limited resource and prices it as such. After two years of failed negotiations over the future of the Colorado River, the first federal deadline for states to reach a consensus has come and gone. The new deadline is February 2026. A successful and resilient water management plan must include the modernization of how water is bought and sold in the West.

Colorado groundwater recharge and basin management commentary

COYOTE Gulch blog (Jan 4, 2026)

https://coyotegulch.blog/2026/01/04/

The findings of recent water-conservation studies on the Western Slope could have implications for lawmakers and water managers as they plan for a future with less water.

Researchers from Colorado State University have found that removing irrigation water from high-elevation grass pastures for an entire season could have long-lasting effects and may not conserve much water compared with lower-elevation crops. Western Slope water users prefer conservation programs that don't require them to withhold water for the entire irrigation season, and having the Front Range simultaneously reduce its water use may persuade more people to participate. Researchers also found that water users who are resistant to conservation programs don't feel much individual responsibility to contribute to what is a Colorado River basinwide water shortage.

"It's not a simple economic calculus to get somebody to the table and get them to sign a contract for a conservation agreement," said Seth Mason, a Carbondale-based hydrologist and one of the researchers. "It involves a lot of nuance. It involves a lot of thinking about tradeoffs."

GLOBAL WATER NEWS

Data centre water demand threat to supply amid drought

Reuters (Dec 17, 2025) Sarah LaBreque

https://www.reuters.com/sustainability/climate-energy/desert-storm-can-data-

centres-slake-their-insatiable-thirst-water--ecmii-2025-12-17/

Surging use of AI has led to a frenzy of construction activity to build new data centres, particularly in the U.S. Estimates put the total number of these facilities in operation worldwide this year at 6,111, with upwards of 2,000 more set to come online by 2030. There has been a lot of focus on the implications for power grids, but less on the toll this unbridled growth will take on a commodity that is in even shorter supply: fresh water.

The average mid-size data centre uses about 1.4 million litres of water a day for cooling servers, according to Verisk Maplecroft, and these requirements will increase as the climate gets hotter.

"Data centres have become super-users of fresh water at a time when globally, demand for fresh water is expected to outstrip supply by 40% by the end of the decade," a recent report by NatureFinance states. What's more, 45% of these centres "are located in river basins where water availability is a high risk".

One city where this issue is playing out is Phoenix, Arizona. The city's metro region is one of the fastest growing in the U.S. and a booming data centre hub, with more than 150 facilities either in operation or in the planning stages, according to Kirsten James, lead author of a new report on the impact of data centres on regional water stress.

James, who is senior water programme director for nonprofit advocacy group Ceres, said in an interview that the number of data centres in the report has jumped from 124 to 152 since May, when they collected the data. "It's not 100% that all of those will get built, but they're in the pipeline," she says. "So, it just goes to show how quickly things are moving."

Periods of prolonged drought, an over-allocation of water supplies from the Colorado River, as well as dwindling groundwater resources make Phoenix a "severely water-stressed region", according to the Ceres report. If all the data centres now planned come online, the city will experience a 32% increase in annual water stress.

So why are data centres attracted to this region? "There's a lot of different factors that go into siting these data centres," says James. Phoenix has low humidity, which reduces the risk of equipment corrosion, lower energy costs (than neighbouring California, for example), tax incentives and a favourable regulatory environment. Also, there's a lower risk for natural disasters – aside from extreme heat – and, importantly, a major fibre-optic pipeline that links Texas and Southern California.

The companies that own and operate these vast centres – so-called hyperscalers such as Microsoft, Meta and Google, and those providing "co-location" services, for instance, CyrusOne and Iron Mountain – say they are aware of the impacts of their operations, and are seeking to mitigate them.

Data centres use water to regulate humidity and to cool down servers, but increasingly companies are exploring low- or zero-water methods. Microsoft has released a new data centre design that uses zero water for cooling and states that "new projects in Phoenix, Arizona, and Mt Pleasant, Wisconsin, will pilot zero-water evaporated designs in 2026".
Edged, another computing infrastructure provider in the region, will use a waterless cooling system at its Phoenix location.
Meanwhile, Beale Infrastructure switched to a closed-loop air cooling system at its proposed Project Blue data centre near Tucson, Arizona, after an unprecedented outcry from the local community there, which opposed the huge amounts of water and electricity the facility would consume.

Saudi Ras Mohaisen desalination project secures financing close
Zawya / utilities-me.com (Jan 6, 2026)
https://www.zawya.com/en/projects/utilities/saudi-arabias-ras-mohaisen-desalination-project-reaches-financial-close-h7e6s18i
Project financing of 2.074 billion Saudi riyals (~$553.2 million) has been secured from a banking consortium including Banque Saudi Fransi, Riyad Bank, Saudi Investment Bank, SAIB and Standard Chartered Bank for the Ras Mohaisen reverse-osmosis desalination project in Saudi Arabia. The long-tenor financing, structured over ~29.5 years, supports ACWA Power's contract award for the plant, reinforcing investment flows into large-scale desal infrastructure in a region prioritising water security and private capital participation.

Shanghai Electric rises into global top 5 in desalination technology rankings
Yahoo Finance / SG.finance (Jan 1, 2026)
https://sg.finance.yahoo.com/news/shanghai-electric-rises-top-5-121300257.html
Shanghai Electric's combined thermal and membrane desalination technologies have helped it enter the global top 5 for desalination capability. The company's benchmark performance underscores escalating competition in advanced water treatment and treatment tech markets — an axis of infrastructure spending and global technology investment.

Reuters analysis: Henk Ovink calls for water-centric climate strategy
Reuters (Dec 22, 2025) Oliver Balch
https://www.reuters.com/sustainability/society-equity/henk-ovink-fix-climate-we-need-change-course-how-we-treat-water--ecmii-2025-12-22/
Water is connected to everything. We need it for food, energy, health, biodiversity,

urbanisation, transport. Yet we abuse and overuse it; we exploit and pollute it.
"Still, we think that it always will be there, our best friend."
So argues Henk Ovink, the straight-talking executive director of the Global Commission on the Economics of Water, an OECD-backed group of water experts and policymakers. Prior to joining GCEW in 2021, the Dutch-born former spatial planning expert spent eight years as the Netherlands' Special Envoy for International Water Affairs.
A decade at the heart of global water governance debate has left Ovink clear-eyed about the scale of the challenge at hand. As the GCEW's Economics of Water report in 2024 graphically spelled out, the planet's hydrological cycle is "in crisis".
Freshwater is becoming scarcer, ecosystems are becoming degraded, and rainfall patterns are becoming increasingly erratic. Climate change, in sum, is "making everything worse", Ovink says. "More emissions mean more water vapour. And with that, we supercharge the impact of climate change. So, water is 90% of how we feel [the effects of] climate change, but it's also at the core on how climate change starts."
The human cost is stark, Ovink notes: more than 1,000 daily deaths of under-fives due to unsafe water and sanitation; around 200 million hours spent by women and girls every day collecting water; more than 2.5 billion people living in regions of high water scarcity.
He is in little doubt of the main culprits. From channelising rivers or damming them for energy, to logging forests for agriculture and depleting aquifers for irrigation, to paving vast areas for urban and industrial infrastructure, decision-makers in the modern economy treat ecological resources as expendable.
Such actions reduce the quality of the world's soils and compromise the security of global water supply. Yet after a decade or more advocating for responsible water management, Ovink knows that bad news on the global water crisis simply doesn't cut through.
Take extreme droughts, which are 233% more frequent than 50 years ago. According to research from the World Bank, a prolonged cessation of rain in low- and middle-income countries can lead to a 39% cut in per capita GDP growth. Yet water issues continue to be overlooked.
His strategy at the helm of GCEW has centred on trying to shift the narrative towards water-related opportunities instead. To that end, the GCEW is looking to push five "critical mission areas", which, if realised, would usher in not only an improved approach to managing water as a common good but also a model of water use that is economically attractive.
This second goal explains the call in GCEW's landmark 2024 report for a revolution in food systems. Think, water-efficient measures like micro-irrigation and caps on water withdrawals, as well as regenerative farming techniques that preserve soil health and improve water retention.

India's water crunch raises risk for major beverage firms
Reuters (Dec 26, 2025)
https://www.reuters.com/sustainability/land-use-biodiversity/indias-water-crunch-brews-risks-beverage-giants-2025-12-26/
Excerpt (≈50%):
Severe water stress in Rajasthan is forcing global beverage manufacturers to rethink supply sourcing and operational risk, as intermittent piped water and groundwater depletion constrain plant operations. Companies are negotiating with local authorities, investing in water recycling and securing alternative supplies — illustrating how corporate water exposure is evolving into operational and credit risk in stressed basins.

World Bank-linked World Bank Report: global freshwater loss jeopardises thousands
Live Science (Jan 6, 2026)
https://www.livescience.com/planet-earth/enough-fresh-water-is-lost-from-continents-each-year-to-meet-the-needs-of-280-million-people-heres-how-we-can-combat-that
Earth's continents are drying up at an alarming rate. Now, a new report has painted the most detailed picture yet of where and why fresh water is disappearing — and outlined precisely how countries can address the problem.
Continental drying is a long-term decline in fresh water availability across large land masses. It is caused by accelerated snow and ice melt, permafrost thaw, water evaporation and groundwater extraction. (The report's definition excludes meltwater from Greenland and Antarctica, the authors noted.)
"We always think that the water issue is a local issue," lead author Fan Zhang, global lead for Water, Economy and Climate Change at the World Bank, told Live Science in a joint interview with co-author Jay Famiglietti, a satellite hydrologist and professor of sustainability at Arizona State University. "But what we show in the report is that ... local water problems could quickly ripple through national borders and become an international challenge."
Continents have now surpassed ice sheets as the biggest contributor to global sea level rise, because regardless of its origin, the lost fresh water eventually ends up in the ocean. The new report found this contribution is roughly 11.4 trillion cubic feet (324 billion cubic meters) of water each year — enough to meet the annual water needs of 280 million people.
"Every second you lose four Olympic-size swimming pools," Zhang said.
Far-reaching impacts
The report was published Nov. 4 by the World Bank. Its results are based on 22 years of data from NASA's GRACE mission, which measures small changes in Earth's gravity resulting from shifting water. The authors also compiled two decades' worth of

economic and land use data, which they fed into a hydrological model and a crop-growth model.

The average amount of fresh water lost from continents each year is equivalent to 3% of the world's annual net "income" from precipitation, the report found. This loss jumps to 10% in arid and semi-arid regions, meaning that continental drying hits dry areas such as South Asia the hardest, Zhang said.

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This is a growing problem. In a study published earlier this year, Zhang, Famiglietti and their colleagues showed that separate dry areas are rapidly merging into "mega-drying" regions.

"The impact is already being felt," Zhang said. Regions where agriculture is the biggest economic sector and employs the most people, such as sub-Saharan Africa and South Asia, are especially vulnerable. "In sub-Saharan Africa, dry shocks reduce the number of jobs by 600,000 to 900,000 a year. If you look at who are the people being affected, those most hard hit are the most vulnerable groups, like landless farmers."

Countries that don't have a large agricultural sector are also indirectly affected, because most of them import food and goods from drying regions.

The consequences for ecosystems are dramatic, too. Continental drying increases the likelihood and severity of wildfires, and this is especially true in biodiversity hotspots, the report found. At least 17 of the 36 globally recognized biodiversity hotspots — including Madagascar and parts of Southeast Asia and Brazil — show a trend of declining freshwater availability and have a heightened risk of wildfires.

"The implications are so profound," Famiglietti told Live Science.

Minjur desalination plant in Chennai remains offline, deepening supply issues

Times of India (Jan 4, 2026)

https://www.timesofindia.indiatimes.com/city/chennai/minjur-desalination-plant-still-shut-after-more-than-a-year/articleshow/126277608.cms

Chennai’s 100 MLD Minjur desalination plant has been closed for over 12 months, significantly disrupting local water availability. Despite a consultant assessment, full-scale operations remain stalled until at least mid-2026, forcing residents to pay premium tanker rates and exposing vulnerabilities in desal infrastructure resilience. The prolonged outage raises questions about contract design, financial risk allocation and contingency planning in water infrastructure PPPs.

‘Not sustainable’: Australian city water reserves dip as data centres strain supply

News.com.au / local reports (Jan 1, 2026) Harrison Christian

https://www.news.com.au/national/victoria/news/not-sustainable-aus-city-running-out-of-water-as-population-growth-data-centres-push-supply-to-the-brink/news-story/6d2d2e176b08b38d75bae3c7f904eafe

Melbourne is desperate for water as a drier climate, a growing population, and a boom in data centres all threaten to use up the city's vulnerable supply.

Much of Victoria experienced lower-than-average rainfall in 2025, and the water stockpile is historically low, according to the state government's Annual Water Outlook.

This month, major storage facilities across the state were 61 per cent full, compared with 80 per cent at the same time in 2024.

Melbourne's water storage was at 76 per cent capacity, trending 12 per cent lower than this time last year.

Those levels would have been even lower if the government hadn't ordered 50 billion litres of desalinated water from the Victorian Desalination Plant, which turns seawater into drinking water near Wonthaggi.

If the weather remained dry, Melbourne and Geelong could face "severe" water restrictions in 2026, even with the desalination plant operating at full capacity, the report warned.

It comes after many Victorian towns have already endured water restrictions in 2025, for the first time in five years.

Rise of thirsty data centres

As rainfall declines, Victoria's already strained water supply faces mounting pressures.

One of these is an influx of new residents. The state is staging a comeback after it experienced a population exodus during Covid, largely due to strict lockdowns.

In the year to June, interstate migration remained negative, but the state gained 123,000 people, mostly from overseas migration. Melbourne, with 5.4 million people, is slightly less populous than Sydney but growing faster in percentage terms.

Another concern is the rise of artificial intelligence and with it, the data centres that provide computational power for applications like ChatGPT.

Most large data centres today – especially AI-focused facilities – generate extreme heat and rely on massive amounts of water, most of which is evaporated during the cooling process.

Some centres, such as Firmus' planned AI factory in Tasmania, use closed-loop cooling systems and don't draw on local water supplies, but these remain the exception rather than the norm.

Australian-based and -owned data centres are seen as crucial to national security and data privacy. But the AI industry is thirsty for Melbourne's water.

In July, it emerged that Greater Western Water was reviewing 19 applications from data centres that would collectively consume almost 19 billion litres of water per year – equivalent to the annual usage of 330,000 Melburnians.

Saul Kavonic, head of energy research at MST Maquarie, said the sudden water demand from data centres had caught state governments “on the back foot”.
“Policy makers appear to have not adequately planned for rising water demand from population growth, let alone new demand from data centres,” Mr Kavonic told news.com.au.
“Limitations on water availability are seeing data centres resort to using more electricity for cooling instead, shifting more of the burden on our limited water supply onto our fragile electricity grid.
“This is not sustainable.”
Mr Kavonic said water shortages were “limiting Australia’s data centre growth, and our AI, cybersecurity, productivity and technology agenda with it”.
He warned that “much more investment” in water supply would be needed, including upgrades to existing plants and new plants.

Note the attachment is not an inducement to trade and Veles Water does not give advice on investments.