

Water for All Texans
TODAY AND TOMORROW



2 0 2 0 A N N U A L R E P O R T

Texas Water Trade's mission is to unleash the power of markets and technological innovation to build a future of clean, flowing water for all Texans.



Cover Photo: Comanche Springs pool, Fort Stockton Water Carnival 2014. Photo by Sarah Wilson

LETTER FROM THE CEO

Greetings,



I am thrilled to present you with Texas Water Trade's first Annual Report. And what a year it's been! We've stepped up to the challenge as a young start-up, raising money and setting big goals. It's been rewarding to make plans with our partners on the ground across the state and deliver on our mission to bring clean, abundant and flowing water to all Texans.

Halfway through our first full year in existence, COVID-19 hit. Like all of you, the 2020 we had planned was very different from the year we experienced. One of the many lessons the year has taught us is the importance of clean, flowing water—for our mental and our physical health.

For many of us, water is where we go to find inspiration, solace and joy. When COVID closed us off from so much of the rest of our lives, our waters were still there. For me, our springs, rivers and bays were even more precious this year than ever before. That's why at Texas Water Trade, we're dedicated to building a future in which clean, flowing water is never a distant memory.

From Comanche Springs and the Pecos River in West Texas to the rivers of the Hill Country and all the way to the Texas Gulf Coast, we are there working with our conservation peers, government agencies, and communities to restore and protect the waters that make Texas home.

The global pandemic also forced us to see that water poverty remains a reality for many Texas households. Each time I washed my daughter's hands I was reminded of the tens of thousands of parents here in Texas who have no clean tap water for their own children.

Texas Water Trade is honored to bring attention and innovative ideas to help close the water gap. As we enter into 2021, I imagine our work to ensure clean, affordable water for all Texans will become no less pressing.

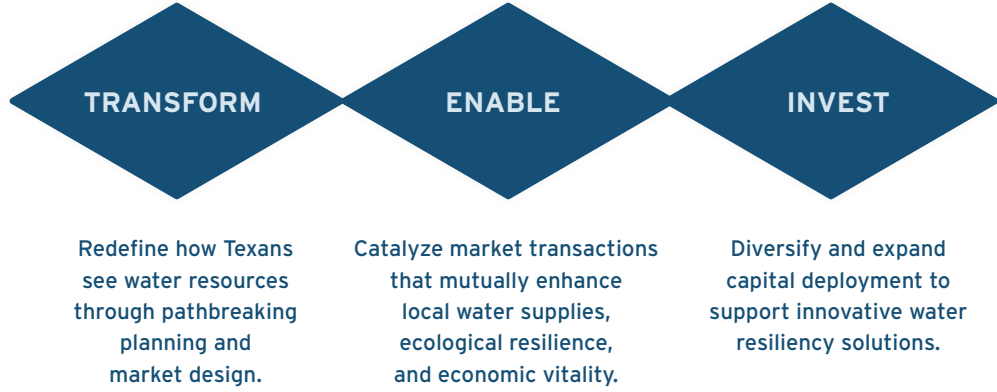
I hope you enjoy reading about the opportunities, challenges and progress we have made over the past year. The three water concepts on my mind these days—*water to drink, water for play, and water for nature*—are to me synonymous with *dignity, joy and hope*.

I extend all of my thanks to our partners and supporters for whatever it is that brings you to water. We would not be here without you.

All the best,

Sharlene Leurig
Chief Executive Officer

OUR PURPOSE



Over the next thirty years, Texas’s population is set to double, driving a projected 35 percent increase in municipal water demand.

Avoidance of a looming water crisis requires investments that transcend sectors. It also requires we work within our state’s pro-property rights culture for important reasons: 95 percent of Texas land is privately held; groundwater is the property of the landowner; and most of our reliable streamflows have been allocated by the state in the form of surface water rights.

Yet, there is good news. Texas is uniquely positioned to grow without depleting its water resources—if we invest in the right solutions.

Texas Water Trade (TWT) was formed in 2019, catalyzed by the Harte Charitable Foundation to significantly scale up market-based tools to protect our rivers, bays and springs and to enhance the state’s water resilience.

“Texas Water Trade has met and exceeded all the expectations we had when Harte Charitable Foundation helped get it started.”



CHRIS HARTE
Harte Charitable Foundation Board Member

OUR PROGRAMS

Texas Water Market Makers

One of the driving reasons Texas Water Trade was formed was to champion fellow conservation partners on the ground to develop thriving, voluntary, environmental water markets statewide. In May 2020, we launched one of our keystone programs, Texas Water Market Makers (Market Makers), as a competitive program that awards strategic guidance and technical resources to eligible conservation actors in priority geographic regions across the state.

We couldn’t have asked for better partners among our first cohort of Market Makers: Audubon Texas, Galveston Bay Foundation, and Wimberley Valley Watershed Association. Until 2022, TWT is providing these organizations with hands-on support for water-right permitting and valuation, hydrological modeling, and ecological monitoring critical to protecting environmental flows through water transactions. As our partners secure water rights through successful transactions, we will work with them to monitor the outcomes of those deals—ensuring water committed to instream flow is not diverted and assessing positive outcomes for birds, fish and other wildlife.

We are hard at work developing science-based market plans for Market Makers’ priority basins: the Pecos River, Galveston Bay, and the Blanco River. These basins represent the remarkable hydrological and ecological diversity of Texas and will set the framework for Texas Water Trade’s first decade of work.

By the end of 2021, we aim to restore or protect at least 10,000 acre-feet of water instream.



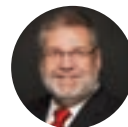
Texas Flows Fund

In the entire western water market, a full third of the water traded has been for the benefit of the environment. This phenomenal statistic is partly due to the steady funding sources that have been obligated for environmental flows in other western states. Texas has no such fund, which is why Texas Water Trade has developed a fund dedicated to environmental water trades.

The Texas Flows Fund, administered by Texas Water Trade, is available to nonprofits for environmental water trades anywhere in the state for hydrological and ecological benefits. We will be launching our first round of competitive funding in Fall 2020.

To date, we have secured \$800,050 for our Texas Flows Fund with a goal to raise \$900,000 by the end of 2021. Through this fund, we aspire to leverage an additional \$1million of state or federal resources for environmental flows.

“As Texans continue to seek innovative solutions for today’s and future water needs, for all uses, we at Texas Water Trade are honored to assist in identifying, incentivizing, undertaking and charting new paths forward to help pave the way.”



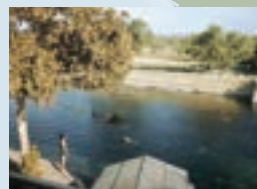
CARLOS RUBINSTEIN
Former Chairman,
Texas Water Development Board
and TWT Board Member

WHERE WE WORK

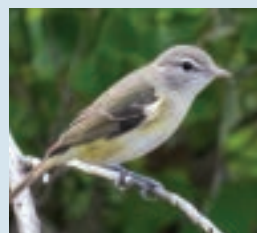
A

Pecos River Basin

Piloting groundwater leasing to restore Comanche Springs with The Meadows Center for Water and the Environment, Texan by Nature and Natural Resources Conservation Service



Cooperating with irrigators to restore instream flows and improve bird habitat on the Pecos mainstem with Audubon Texas



Paving the Pathway for Renewable Funding

To build a robust environmental water marketplace, we have to find renewable forms of funding to support water trades. We have designed our Texas Flows Fund to work in concert with other renewable funds like those administered through the federal Farm Bill, as well as traditional infrastructure funds administered by the Texas Water Development Board (TWDB).

Texas Water Trade is working with conservation partners to advance the use of the Clean Water State Revolving Fund (SRF), through which the TWDB lends more than half a billion dollars a year. These funds can be used for land protection and for water transactions that keep water instream.

In 2020, TWT worked with our partners at Hill Country Conservancy to enable Hays County—the fastest growing county in Texas—to apply for \$30 million in SRF funds to create the county’s Water Quality Protection Land Acquisition Fund.

Over the coming months, we look forward to continuing to support Hays County in securing these funds from TWDB. If finalized, **the \$30 million Hays County Water Quality Protection Land Acquisition Fund would be a 15-fold increase in SRF funding for land protection in Texas.** This would be a tremendous capital savings for Hays County taxpayers, as the SRF is currently lending at zero percent interest. And it would be a critical step forward in leveraging the state’s deep capital resources for natural infrastructure—a category in which we include protected land and flowing water.

“Texas Water Trade is a true innovator in the financing of watershed protection projects. Their sophisticated approach to complex water problems is critical to our collective mission.”



FRANK DAVIS
Chief Conservation Officer,
Hill Country Conservancy

The Nature Conservancy has been a leader in protecting land and water in Texas since 1964, and Texas Water Trade is honored to be a close partner and ally with them on building environmental water markets across the state.

B

Colorado River Basin

Deploying on-farm improvements to protect flows for freshwater mussels with Hill Country Conservancy, Hill Country Alliance and the Llano River Watershed Alliance



Developing regulatory and financial tools to enable Net Zero water development in Austin with the National Wildlife Federation



C

Blanco River Basin

Diversifying water supplies to safeguard Jacob’s Well with Wimberley Valley Watershed Association



Photo by KMaurel

D

Galveston Bay

Investing in coastal resilience by securing the freshwater needs of natural systems with the Galveston Bay Foundation



Comanche Springs

Once known as the Spring City of Texas, Fort Stockton’s 30-million-gallon-a-day spring has not flowed reliably since groundwater pumping accelerated in the 1950s. In recent years, however, the spring has flowed in the winter months—the result of more efficient agriculture and lower demand on the aquifer. The spring’s reawakening led us to ask the question of what it would take to restore Comanche to year-round flow.

Based upon actual spending by visitors at nearby Balmorhea State Park, restoring the springs at Fort Stockton’s historic bathhouse would bring \$4 million in non-local spending to Fort Stockton and create 72 permanent jobs, making the spring’s restoration an important economic development opportunity.

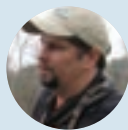
Texas Water Trade, partnering with The Meadows Center for Water and the Environment at Texas State University, has now completed a 24-month study of the feasibility of restoring Comanche Springs to perennial flow through voluntary market means. We are now embarking on a multi-year campaign to demonstrate the viability of restoring Comanche Springs to perennial flow in collaboration with groundwater owners and local stakeholders.

Texas Water Trade was selected for a \$2.6 million U.S.D.A. Natural Resources Conservation Service (NRCS) Regional Conservation Partnership Program for Comanche Springs. In this five-year partnership, we will work with NRCS to plan and implement water-saving projects with agricultural producers in Comanche Springs’ contributing zone. This is an important first step toward developing a voluntary groundwater-leasing market in the aquifer that feeds Comanche Springs.

With our feasibility study in-hand, and working collaboratively with the City of Fort Stockton, ag producers and NRCS, **TWT is poised to prove that Comanche Springs can be revived by realizing the diverse economic values of water.**



“The Nature Conservancy is proud of our partnership with Texas Water Trade in the development of science-based market strategies to restore and protect freshwater for the benefit of our Texas waterways and wildlife.”



RYAN SMITH
Freshwater Ecologist,
The Nature Conservancy of Texas
and TWT Advisory Council Member



Net Zero Water Solutions

The region of the Texas Hill Country between Austin and San Antonio is home to springs that add millions of gallons of water each day to two important Texas river systems, the Colorado and the Guadalupe-Blanco. These rivers are located in an area known as the I-35 Corridor that attracts more than 280 new inhabitants every day.

Satisfying this population growth is driving increased groundwater pumping at the risk of further depleting already-stretched water supplies. With escalating costs and steady population gains, many question how we will find dependable and affordable sources of water for the long haul.

Using an approach known as Net Zero, we believe new growth can be part of the water supply solution in Central Texas and throughout the state. The concept is taking hold in places like Austin, which recently adopted a 100-year water supply plan that TWT’s CEO provided leadership in developing. The plan envisions meeting the water needs of a population four times larger than today without importing water resources. Nearly a third of future additional supplies could be sourced by buildings that capture and treat their own water through such means as capture and reuse of onsite rainwater and air conditioning condensate.

TWT is playing a central role in shaping that vision into reality. We are participating on a local task force that is implementing Austin’s Water Forward plan, and, working with our partners at the National Wildlife Federation and The Meadows Center, we are supporting Austin Water in the passage of fundamental codes and ordinances in the City of Austin that will usher in a new era of the water-generating municipality.

In early 2021, Austin City Council is expected to vote on codes and ordinances that would require all new development of at least 250,000 square-feet to provide their own non-potable water from onsite water resources by 2023.

Clean Water for All Texans

Nearly 140,000 Texans lack access to clean water services, with millions more facing water quality challenges. The problem is pervasive across geographies, income levels and race, but communities of color are disproportionately affected. Texas’s growing population and the escalating price of water will exacerbate the situation. That is why Texas Water Trade has begun exploring how to respond to persistent water poverty in historically underserved communities across the state.

Recognizing the foundational right of every human being to have clean water is core to Texas Water Trade’s mission. Through a six-month effort with The University of Texas at El Paso, Columbia University’s Water Center, and Antelope Water Management, we designed a conceptual subsidiary capable of bringing clean, affordable drinking water to any Texas household. The subscription-based model relies on proven, commercially available, point-of-use treatment systems—the same systems that many of you already have in your homes—for a monthly fee that is less than what the lowest-income Texans pay today, to supplement their unsafe drinking water with bottled water.

In the coming year we will be working to recruit partners who can help us advance this conceptual design into reality, **because all Texans everywhere deserve clean water.**

OUR WORK, OUR PARTNERS

- Antelope Water Management
- Audubon Texas
- Columbia University Water Center
- Galveston Bay Foundation
- Hill Country Alliance
- Hill Country Conservancy
- Llano River Watershed Alliance
- The Meadows Center for Water and the Environment at Texas State University
- National Wildlife Federation
- Texan by Nature
- The Nature Conservancy of Texas
- The University of Texas at El Paso
- USDA Natural Resources Conservation Service
- Wimberley Valley Watershed Association

“Environmental water transactions are an important tool to preserve our rivers and bays, and Texas Water Trade has come to the table to ensure our waters are restored and protected.”



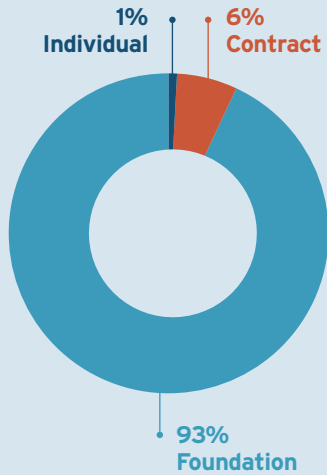
LORI TRAWEEK
CEO and General Manager
of Gulf Coast Authority
and TWT Board Member



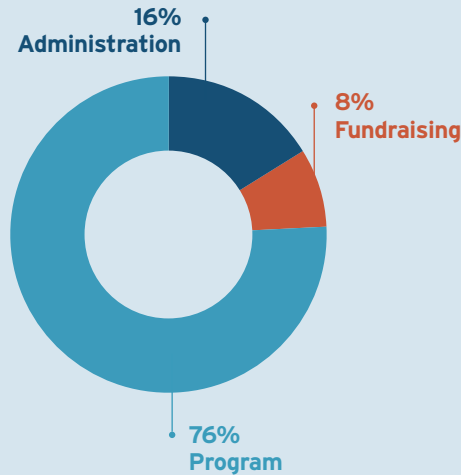
ORGANIZATIONAL FINANCIALS

July 1, 2019 - June 30, 2020

Commitment by Source
Total: \$1,775,718



Commitment by Category
Total: \$1,730,406



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*Includes all funders from June 1, 2019 – June 30, 2020

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Thank you!