

WATER ECONOMICS IN 2026: HOW WATER BECAME A STRATEGIC ASSET IN THE ERA OF ESG AND SUSTAINABILITY

Baxromova Indira Azizjon qizi

Alfraganus University, Faculty of Economics

2nd-year student, Economics major

baxromovaindira@gmail.com

Axmedov O'tkirjon Aloviddin o'g'li

Alfraganus University, Faculty of Economics

Lecturer, Department of Economics

ABSTRACT

Climate change has transformed water scarcity into a critical economic issue affecting global markets and production systems. This study examines how water resources have become a strategic asset in 2026, with a focus on the impact of water shortages on agricultural and industrial prices. Using qualitative analysis of secondary data, the research explores the transition of companies from water-neutral to water-positive practices within ESG frameworks. The findings show that water scarcity increases production costs, disrupts supply chains, and contributes to price volatility. At the same time, companies adopting water-positive strategies demonstrate greater resilience and sustainability. The study highlights the growing importance of water management in achieving long-term economic stability.

Keywords: Water economics; Water scarcity; ESG; Sustainability; Water-neutral; Water-positive; Agricultural prices; Industrial costs; Climate change

INTRODUCTION

Climate change is no longer solely an environmental concern; it has become a major economic risk. Among natural resources, water has emerged as one of the most valuable and limited assets in 2026. Increasing global temperatures, population growth, and industrial expansion have intensified pressure on water resources, leading to widespread scarcity.

Water plays a fundamental role in both agriculture and industry. In agriculture, it is essential for crop production, while in industry it is required for manufacturing, cooling, and processing. As water becomes scarcer, its economic value increases, influencing production costs and market prices.

Within the framework of Environmental, Social, and Governance (ESG) principles, companies are under growing pressure to manage water resources responsibly. This has led to a shift from water-neutral approaches—where companies

aim to balance water use—to water-positive strategies, where businesses actively contribute to restoring and improving water ecosystems.

This study aims to analyze the economic impact of water scarcity and examine how corporate water strategies are evolving in response to this challenge.

METHODS

This research is based on qualitative analysis using secondary data sources, including academic literature, industry reports, and ESG disclosures from 2020 to 2026.

The study focuses on three main areas:

Global trends in water scarcity

The relationship between water availability and price changes in agriculture and industry

Corporate strategies related to water management

A comparative approach is used to analyze differences between water-neutral and water-positive practices. The study synthesizes existing research to identify patterns and draw conclusions about economic impacts.

RESULTS

The analysis reveals that water scarcity has a significant impact on both agricultural and industrial sectors.

In agriculture, limited water supply reduces crop yields, particularly for water-intensive crops such as rice, cotton, and wheat. This leads to decreased supply and increased food prices. Additionally, farmers face higher costs due to investments in irrigation systems and water-saving technologies.

In industry, water shortages disrupt production processes and increase operational costs. Sectors such as textiles, food processing, and energy production are especially affected. These increased costs are often transferred to consumers, contributing to overall inflation.

Furthermore, companies adopting water-positive strategies show improved resilience. These companies invest in water recycling, efficiency improvements, and environmental restoration projects. As a result, they reduce long-term risks and enhance their sustainability performance.

DISCUSSION

The findings highlight that water scarcity functions as a major economic risk factor. It creates supply constraints, raises production costs, and increases price volatility in key sectors.

The transition from water-neutral to water-positive practices represents a significant shift in corporate sustainability strategies. While water-neutral approaches focus on minimizing harm, water-positive strategies aim to create a net positive impact on water resources.

This shift is driven by several factors, including stricter ESG regulations, investor expectations, and increasing awareness of climate-related risks. Companies that fail to adapt may face financial losses, reputational damage, and supply chain disruptions.

From an economic perspective, sustainable water management is becoming essential for long-term stability. Water-positive practices not only help mitigate risks but also create opportunities for innovation and competitive advantage.

CONCLUSION

In 2026, water has become a strategic economic asset due to increasing scarcity and its essential role in agriculture and industry. Water shortages significantly influence production costs and contribute to rising prices and economic instability.

To address these challenges, companies should move beyond water-neutral practices and adopt water-positive strategies by investing in water recycling, efficiency, and ecosystem restoration. Governments should strengthen regulations and promote sustainable water use through policies and incentives. Additionally, the adoption of advanced irrigation technologies in agriculture and increased public awareness can help reduce water waste.

Overall, effective water management is critical for ensuring long-term economic stability and sustainable development.

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