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S&P: How The Western States Plan Is Critical To Ratings As Colorado River Flows Slow To A Trickle

Key Takeaways

- Drought, aridification, and climate change are expected to reduce Colorado River water allocations to record lows for the foreseeable future, necessitating significant changes to how the western states use, store, and conserve water.
- Drought and water scarcity could pressure issuer financial margins, supply adequacy, rate affordability, and growth prospects if not properly managed.
- Stress testing suggests the sector is well positioned to weather the growing environmental risks related to drought cycles.
- We predict that issuers who are not already planning for severe water scarcity will face greater rating pressure.

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