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# Examining the potential for energy-positive bulk-water infrastructure to provide long-term urban water security: A systems approach

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## Abstract:

Urban centres are increasingly requiring more water than existing groundwater and surface water sources can supply. Water authorities must consider energy intensive supply alternatives such as recycling and desalination, leading to a water-energy-climate conundrum. In this study, a systems perspective of the water-energy-climate nexus is applied to South-East Queensland (SEQ), Australia. Under a changing climate, SEQ is predicted to experience reduced reservoir inflows and increased evaporation rates, which will consequently lead to reduced water availability. To exacerbate this issue, anticipated high population growth in SEQ will increase water demand, putting even more stress on the traditional water supply sources. Clearly, there is a strong incentive to pursue solutions that increase water security without contributing to anthropogenic climate change. Using a system dynamics model, the water balance of the bulk water supply system is evaluated over a 100-year life cycle. The outputs of the model are used to investigate potential management and infrastructure options available to SEQ for adapting to increased water scarcity. The historical rainfall patterns of SEQ requires significant contingency to be built into surface water capacity in order to mitigate low rainfall years, and provide adequate water security. In contrast, reverse osmosis (RO) desalination

36 plants do not require this excess capacity because they are rain-independent. However, RO has high  
37 energy consumption and associated greenhouse gas emissions when operating and their potential  
38 long periods of redundancy due to periods of sufficient surface water supplies remain unresolved  
39 issues. The model demonstrates that dual purpose pressure retarded osmosis desalination plants  
40 offer a potential solution, by providing water security at a lower cost than surface water reservoir  
41 augmentation, while offsetting energy use through renewable energy generation when RO plants  
42 would otherwise be sitting idle. Potentially this technology represents a future sustainable solution to  
43 overcome water security concerns.

44

45 **Keywords:** Desalination; renewable energy; water resource management; system dynamics; water  
46 supply and GHG; complex systems

47

## 48 1 INTRODUCTION

### 49 1.1 Global Context

50

51 Global demand for energy and water is ever increasing, yet an era is beginning where water and  
52 energy consumption must decrease to avoid worsening anthropogenic climate change, unless  
53 renewable energy sources comprise a greatly increased share of energy production. The impacts of  
54 climate change will be channelled primarily through the water cycle, with consequences that could be  
55 large and uneven across the globe (World Bank, 2016). Water-related climate risks cascade through  
56 food, energy, urban, and environmental systems (World Bank, 2016). Without a fundamental shift in  
57 production processes, a projected 55% more water (WWAP, 2014) and 40% more energy (IEA, 2014)  
58 would be required to support future food demands by 2050 (UNDESA, 2013).

59

60 Population and standard of living trends indicate that global energy demand will triple from 2011  
61 levels to approximately 1500 EJ in 2050 (Siirola, 2014). Similarly, global water demand is expected to  
62 approximately double by 2050, even with significant efficiency gains (Hejazi et al., 2014). Freshwater  
63 supply is already unable to meet demand for at least part of the year for more than 33% of the world  
64 (WWAP, 2015). Similarly, in its latest report, the World Bank predicts that, within the next three  
65 decades, demand for water from agriculture could increase by 50%, and for urban uses by between

66 50% and 70%. Meanwhile, water consumption of energy sector by 2035 is estimated to increase by  
67 85% (World Bank, 2016). While the world is expected to experience a surge in demand for water,  
68 under changing climate it will also face a less reliable water supply. Satisfying the concurrent  
69 increases in demand for water for food production, energy generation, urban growth, and ecosystem  
70 services would be impossible unless these sources are managed more effectively. Clearly, as water  
71 demand increases, it will likely become necessary to employ desalination in regions that currently  
72 derive most supply from natural sources, especially with current groundwater abstraction rates being  
73 unsustainable (UNESCO, 2012). Already there are more than 18,000 desalination plants installed  
74 worldwide, in over 150 countries, with more than 300 M people relying on desalination for their daily  
75 water needs (IDA, 2015). Reverse osmosis (RO) is the dominant technology for new installations  
76 (IDA, 2015). Water desalination with RO could significantly increase projected global energy demand  
77 beyond the aforementioned projections (Siirola, 2014); the energy intensity of removing soluble salts  
78 from water is a major issue (Elimelech and Phillip, 2011; Schallenberg-Rodríguez et al., 2014).  
79 However, the challenge of meeting future water demands whilst also dealing with, and reducing  
80 contributions to, climate change is very complex, akin to what has been described as a super wicked  
81 problem (Lazarus, 2009).

82  
83 It is imperative that water supply is increased in line with demand whilst also reducing the contribution  
84 of feedback pathways that exacerbate energy use and climate change. Under the existing water-  
85 energy-climate system, increased water extraction leads to “more greenhouse gas (GHG) emissions”.  
86 Conversely, the goals and targets of sustainable development broadly demand that more water  
87 means “no more GHG emissions”. Of the United Nations 17 Sustainable Development Goals, six  
88 relate directly to the water-energy-climate nexus (UN, 2015). New technology, policy and optimised  
89 infrastructure portfolios must be developed to meet these goals, which is the focus of this exploratory  
90 research. Consequently the aspiration of sustainability requires a transformation in system behaviour  
91 from one where increased water use currently drives energy use and climate change (reinforcing  
92 loop) to one that mitigates energy use and climate change (balancing loop).

93

## 94 **1.2 Australian Context**

95

96 Australia is characterised by climatic extremes. It is the driest inhabited continent and has the highest  
97 per capita surface water storage capacity of any country in the world (ABS, 2012). At a glance, it may  
98 appear to have ample water supply, only utilising roughly 5% of its total freshwater resources (OECD,  
99 2015a). However, due to its vast size and extensive expanses of desert, there is uneven spatial  
100 distribution of population, with high concentrations in coastal areas extracting more than 50% of total  
101 renewable supply annually (Hatton et al., 2011). Until recently, Australia's water supply relied solely  
102 on precipitation and surface runoff storage. However, possessing a large storage capacity that is  
103 dependent on rainfall patterns does not provide water security. This has been observed during recent  
104 droughts, such as the Millennium drought which shaved at least 1% off the country's GDP in  
105 2006/2007 (World Economic Forum Water Initiative, 2011). During this time, unprecedented water  
106 scarcity was experienced with inflows reduced by 70% (Pittock and Connell, 2010). In South-East  
107 Queensland (SEQ) in 2007, the result of six consecutive years of decline in the total storage level due  
108 to low rainfall caused the accessible volume in the region to fall below 40% of capacity. The primary  
109 supply reservoir for SEQ's capital city Brisbane fell to 15% capacity (SEQ Water, 2016).  
110 Subsequently, more than two M people in the region were subject to the highest level of water  
111 restrictions available, reducing residential consumption from approximately 450 L per person per day  
112 to 140 L per person per day in 2007 (QWC, 2010).

113

114 Pressure on water supply availability is expected to increase over time, led by a changing climate and  
115 high population and economic growth in Australia. Annual surface runoff, currently the main source of  
116 surface water storage systems, is expected to decrease in all Australian capital cities under an  
117 increase of 1°C in global average temperatures, which is expected to occur by 2030 (IPCC, 2014a). In  
118 SEQ, annual surface runoff is predicted to decrease by between 5 and 30% in this scenario,  
119 depending on location. Under 2°C global average warming, these decreases will approximately  
120 double (Post et al., 2011). In addition, open water evaporation is expected to increase in the SEQ  
121 region, reducing the availability of surface water. Evaporation rates from reservoirs are expected to be  
122 8% higher in 2040, and 15% higher in 2080 in comparison with the baseline long-term average  
123 evaporation rates observed in the SEQ region (Helfer et al., 2012). The main driver of these increases  
124 in evaporation is the increased air temperatures. Warmer air temperatures will also see an increase in

125 water demand. In SEQ it is well established that higher temperatures lead to increased household  
126 water demand (QWC, 2010, 2012; Willis et al., 2013).

127

128 With these factors considered, the Intergovernmental Panel on Climate Change (IPCC, 2014a) lists  
129 constraints on water resources in southern Australia as one of eight key risks facing Australasia due  
130 to climate change. However, it also lists this risk as one that 'can be reduced substantially by globally  
131 effective mitigation combined with adaptation' (IPCC, 2014a, 1375).

132

133 With the objective of achieving water security through water resources policy and management,  
134 adaptation began in earnest following the aforementioned drought affecting South-Eastern Australia.  
135 Water authorities have increasingly sought rain-independent supply alternatives such as large-scale  
136 recycling and seawater desalination for both base load supply and rapid drought response. SEQ was  
137 the second Australian region to invest in a reverse osmosis (RO) desalination plant, in 2009. There  
138 are now six large-scale RO desalination plants across Australia representing total capital costs in  
139 excess of A\$10 billion (Turner et al., 2016).

140 According to El Saliby et al. (2009), the predominant desalination technology in Australia is RO  
141 desalination (68%), followed by vapour compression distillation (23%) and by multi-stage flash  
142 distillation (7%). RO desalination is responsible for 90% of the desalinated water in Queensland – the  
143 state where this study was conducted. Even though RO desalination remains as an energy-intensive  
144 process with high installation and operation costs, through significant technological improvements in  
145 the last decade, the costs have been considerable. Factors that contributed to the reduced costs were  
146 the development of membranes that can operate for a longer duration, the use of renewable energy to  
147 supply part of the energy requirements, and the development of energy recovery devices to reduce  
148 power consumption (Wilf, 2014). The economics of seawater desalination and its potential application  
149 in Australia were studied by Winter et al. (2002), who found that RO is the most economical  
150 technology to be used in Australia due to its lower energy consumption, leading to lower unit water  
151 costs, when compared to the other desalination technologies.

152

153 While rain-independent bulk supply sources such as RO desalination significantly enhance the  
154 resilience of the SEQ water supply to higher climate variability, they also adversely contribute to the

155 GHG problem due to their high energy requirements, usually provided by fossil fuel sources  
156 (Elimelech and Phillip, 2011).

157

158 Australia has long been the largest emitter of greenhouse gases per capita in the world, with  
159 emissions estimated at 25 t per person per year for the last decade, double the OECD average  
160 (OECD, 2015b). Fossil fuels are the source for over 98% of energy production (primary energy  
161 produced before consumption or transformation) in the Australia economy (Department of Industry  
162 and Science, 2015). Yet, as outlined by the IPCC (2014b), Australia stands to lose more than most  
163 OECD countries with global warming. It is counterintuitive for the nation to achieve water security  
164 through methods such as desalination if this means exacerbating an already extreme level of GHG  
165 emissions and fossil fuel reliance.

166

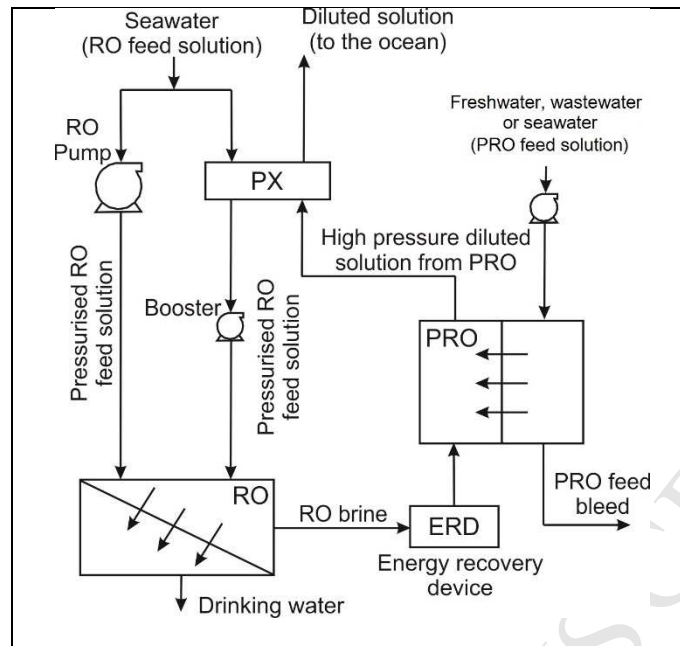
167

### 168 **1.3 Pressure retarded osmosis as a potential energy offset**

169

170 A potential means of addressing the high-energy intensity of traditional RO desalination plants is the  
171 use of pressure retarded osmosis (PRO) to generate renewable energy from salinity gradients, and  
172 hence offset part of the energy requirements of RO desalination plants. Osmotic power with PRO is  
173 induced by the pressure gradient created across a membrane separating solutions of different  
174 salinities. When seawater is desalinated, a significant quantity of brine is generated. According to  
175 Helfer and Lemckert (2015), the salinity gradient between this brine and freshwater, treated  
176 wastewater or seawater, is a potential source of renewable energy that could be explored via PRO to  
177 generate useful power for the desalination process. As such, PRO has the potential to indirectly  
178 reduce the environmental impact of the desalination process by reducing its reliance on fossil fuel  
179 consumption and consequently reduce the discharge of greenhouse gases into the atmosphere.  
180 Moreover, the use of PRO could significantly enhance community perceptions towards, and lower the  
181 life cycle costs of, desalinated water. A diagram of a PRO-assisted RO desalination plant is presented  
182 in Figure 1.

183



184

185 Figure 1. Schematics of a PRO-assisted RO desalination plant. In a conventional RO plant, the RO  
 186 brine existing in the RO module would flow straight through the pressure exchanger (PX) (instead of  
 187 entering the PRO module), where its energy would be transferred to the incoming RO feed solution  
 188 (seawater)

189

190 A problem facing government and water businesses in Australia is that in rainfall periods when  
 191 reservoir levels are full and potentially overflowing, their portfolio of desalination plants have limited  
 192 value and are put to standby mode. The use of the idle desalination infrastructure to generate osmotic  
 193 power from the mixing of seawater and freshwater would allow these desalination plants in standby  
 194 mode to generate electricity through PRO when they are not being used for potable water production  
 195 (Helfer et al., 2013).

196

197 Currently, desalination plants consume  $3\text{--}4 \text{ kWh m}^{-3}$  when producing freshwater from seawater  
 198 (Hoang et al., 2009). Thorsen and Holt (2009) reported that up to  $0.74 \text{ kWh m}^{-3}$  could be potentially  
 199 generated from the mixing of seawater and freshwater, providing an attractive figure for power offset  
 200 in desalination. As a reference point, Kenway et al. (2008) reported that water supplying Brisbane,  
 201 SEQ's major city, is pumped to homes and treated for consumption at an energy cost of  $0.67 \text{ kWh m}^{-3}$ .  
 202 For the Gold Coast, the second largest SEQ city, the figure is a lower  $0.22 \text{ kWh m}^{-3}$ , virtue of the  
 203 large gravity head between the Hinze Dam and simpler treatment requirements. In water supply and



204 wastewater treatment, (Kenway et al., 2008) found that 98% of the energy used was generated in  
205 coal-fired power stations, while the Gold Coast figure was virtually 100%.

206

207 The use of renewable energy sources to power RO desalination systems is growing considerably.  
208 The main sources used in Australia are solar and wind power (Rowlinson et al., 2012). The main  
209 drawback of these renewable energy sources, however, is the intermittent supply of power, which is  
210 undesired in RO desalination systems, in which a constant supply of power is preferable. This is the  
211 main reason why PRO is being widely suggested as a means to power RO desalination systems (e.g.  
212 Helfer and Lemckert (2015)). In addition to providing uninterrupted supply of power and offsetting  
213 GHG emissions, PRO offers an opportunity to minimise the negative impacts of the discharge of RO  
214 brine in the ocean, by diluting it to seawater concentration prior to discharge. A study conducted by  
215 Straub et al. (2016) has demonstrated that the RO-PRO system would theoretically be able to reduce  
216 the minimum specific energy consumption of RO desalination by one half if the feed solution was  
217 available at a significant quantity. Given that energy is the most important component of the  
218 operational costs of RO desalination systems, it is reasonable to assume that the energy reduction  
219 provided by PRO would translate into significant savings in the desalination process. It is important to  
220 note, however, that although the PRO technology is being widely suggested in the literature, its use in  
221 RO desalination systems has been rarely studied in practice, and therefore, the costs of a large-scale  
222 PRO-RO plant are difficult to estimate at this stage. As a rough estimate, investigations conducted by  
223 Loeb (2001) found that a PRO plant at the Great Salt Lake could produce 66 MW at a capital cost of  
224 US\$ 9000 and an energy unit cost of 0.09 US\$/kWh. This cost includes the capital amortisation  
225 (0.058 US\$/kWh), membrane replacement (0.008 US\$/kWh), labour (0.008 US\$/kWh), and operation  
226 and maintenance cost (0.017 US\$/kWh). This cost, as reported by Achilli and Childress (2010), is  
227 comparable to the average retail electricity price in the United States at that time (0.067 US\$/kWh).

228

#### 229 **1.4 Water-energy-climate nexus conundrum for sustainable urban water supply**

230

231 Without sufficient rainfall, existing reservoirs supplying water to large urban areas are ineffective.  
232 Given the inherent uncertainty of climate variability and change, and the changing temporal and  
233 spatial patterns of rainfall, a key question is: *What can be done to reduce the impact of uncertainty*

234 *and provide the long-term water security required to cope with the water scarcity problems caused by*  
235 *a changing climate and population growth?* Rain-independent options such as RO desalination  
236 process have issues of their own, owing to their energy intensive nature, leading to problematic  
237 energy, climate and cost implications.

238

239 This water-energy-climate nexus is evidently complex and requires a planning process that accounts  
240 for the interdependencies, feedbacks and non-linear relationships between the relevant water, energy  
241 and climate variables. Adapting the bulk water supply portfolio so that large urban centres can reliably  
242 handle future projections of rapid population growth, economic growth, reduced rainfall reliability,  
243 increased air temperatures and lower reservoir inflow, while concurrently mitigating GHG impacts of  
244 rain-independent supply sources via integration with renewable energies, will have significant cost  
245 implications that need to be considered by policymakers and communicated clearly to the public.

246

247 In this context, by using the SEQ case, this paper focuses on evaluating the water balance of the bulk  
248 water supply system for a number of future water supply source scenarios over a 100 year time  
249 horizon. The primary goal is to examine and compare potential infrastructure and management  
250 solutions for the water-energy-climate conundrum faced by SEQ, including the implementation of dual  
251 purpose PRO equipped RO desalination plants.

252

## 253 **2 APPROACH**

254

### 255 **2.1 Systems Approach and System Dynamics Modelling**

256

257 In this research, system dynamics (SD) modelling is applied to investigate the water system in SEQ.  
258 The attributes of SD, specifically its ability to accommodate feedbacks, interdependencies, and non-  
259 linear relations, align strongly with the objectives of this paper of assessing the water-energy-climate  
260 change nexus for SEQ.

261

262 SD is a powerful methodology and computer simulation modelling approach, which emerged from the  
263 management and engineering sciences (Forrester, 1961). Gradually, the SD approach has evolved

264 and spread into other fields to simulate complex systems behaviour such as energy and the  
265 environment (Fiddaman, 1997); policy and strategy analysis (Sterman, 2000); assessment of coastal  
266 vulnerability and the adaptation alternatives (Sahin and Mohamed, 2013); long term planning of water  
267 supply augmentation decisions (Scarborough et al., 2015); and exploring the potential for hydropower  
268 as a co-benefit in an operating regime for a water reservoir (Sahin et al., 2016b).

269

## 270 **2.2 Model Development**

271

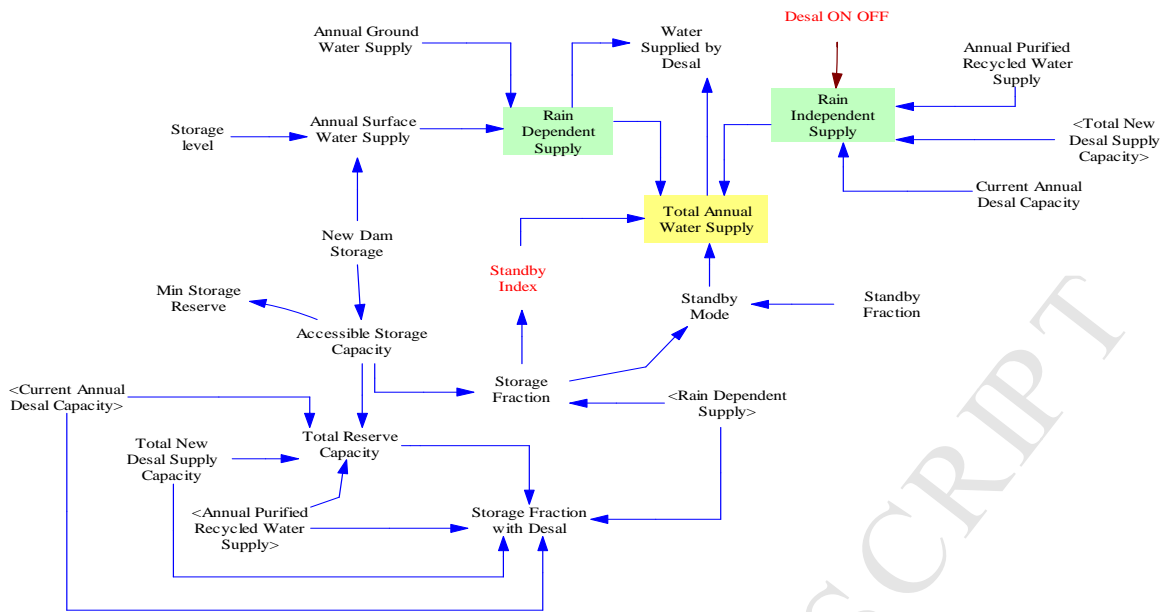
272 System diagrams are qualitative models that are important and powerful tools used in systems  
273 analysis. They help define the main components of a system by separating endogenous (within the  
274 system) and exogenous (external to the system) variables and identifying the resolution of the model.  
275 They also help link the structure of a system to its behaviour (e.g. for highlighting why increased water  
276 extraction causes increased energy demand and GHG emissions) and facilitate the development of  
277 quantitative SD models.

278

279 A system diagram represents cause-effect relations between elements or sub-systems of the overall  
280 system (Loucks and van Beek, 2005). These cause-effect relations form the building blocks of  
281 feedback loops that are responsible for explaining the behaviour of the overall system. Feedback is a  
282 process whereby an initial cause ripples through a chain of causation, ultimately to re-affect itself  
283 (Roberts, 1983). These feedback loops can interact with other feedback loops leading to complex  
284 behaviour of the system. Importantly, the interactions between multiple loops within a system is not  
285 linear and an identical change in one component may not always cause the same system behaviour  
286 as there may be a change in the state of the system, over time. A sample system diagram used in this  
287 project for analysing water resources problems is presented in Figure 2.

288

289 Essential variables for model operation were identified by reviewing locally based literature for region  
290 specific inputs and examining world literature for more generic variables and their behaviour. System  
291 norms and rules were informed by the SEQ Water Strategy Reports in combination with other  
292 literature (QWC, 2010, 2012).



293

294 **Figure 3** A SD sub-model representing a water supply system

295

296 The SD model presented in this paper represents ongoing model development and refinement of  
 297 earlier versions. The SD model was first developed for desalination and applied to SEQ to explore  
 298 scarcity pricing (Sahin et al., 2015) and to analyse the potential for pressure retarded osmosis (PRO)  
 299 technology to generate electricity (Sahin et al., 2016a). This model was subsequently modified for  
 300 Melbourne (Porter et al., 2014; Scarborough et al., 2015) to explore rain independent desalination  
 301 versus more traditional rain dependent dams in long-term planning. For further details of these  
 302 models, the reader is referred to the publications cited above..

303

304 Based on these previous studies, the SD model has been customised for simulating the long-term  
 305 water supply planning in SEQ under a range of scenarios by considering the changing climate,  
 306 population growth, and the GHG emissions generated by manufactured water. The SD model, using  
 307 the Vensim® DSS (Ventana Systems, 2016), was built using the following steps: (1) identifying key  
 308 variables, (2) assuming relationships between these variables and (3) parameterising these  
 309 relationships. In building the SD model, a participatory modelling approach was employed.  
 310 Participatory model development can focus on portraying system structure, while model simulations  
 311 reveal system behaviour, which is less intuitive and often a source of confusion (Vennix et al., 1996;  
 312 Hovmand, 2014).

313

314 The SD model framework focuses on demand, supply, climate change, population growth, and the  
315 resulting water balance when adding a range of future rain-dependent and rain-independent bulk  
316 supply sources in the region over a 100 year modelling horizon. This time span was selected in order  
317 to undertake long term planning of water supply augmentation decisions by considering energy use  
318 and climate adaptation, and understanding the long-term implications of management decisions made  
319 by policy-makers. The dynamic nature of the system means that it is important that the system has  
320 sufficient time to evolve; shorter time frames might give inaccurate information about future  
321 trajectories. It must be acknowledged that during such a long time span, possible policy reforms,  
322 social developments and changes in economic and environmental conditions are likely to occur.  
323 Therefore, the 100 years is seen as a time bound and the results are presented in a continuous form  
324 where changes in the key variables during the time period and at intervening times can be analysed.  
325 Further, the water infrastructure investments are capital intensive with a long life span. For a  
326 meaningful cost comparison analyses, lower discount rates were used over longer time horizons. This  
327 is in line with the literature (Tientenberg and Lewis, 2012).

328

329 In summary, this paper encompasses the following steps:

330

331 Step 1: Perform a literature review and expert consultations to benchmark the current state of  
332 knowledge in modelling parameters relevant to this project; obtain model input data, such as per  
333 capita water use, annual water supply capacity of existing water resources, population, historical  
334 rainfall data, climate change projections, the parameters of bulk supply source options (i.e. reservoirs,  
335 desalination, bulk recycled, etc.), construction and operation costs of different bulk supply  
336 alternatives, and their energy-intensity and GHG implications.

337

338 Step 2: Build an SD model using the software platform VENSIM® (Ventana Systems, 2016) to  
339 simulate the water balance, future bulk supply infrastructure portfolio, life cycle cost and GHG  
340 implications for a particular future SEQ bulk supply portfolio.

341

342 Step 3: Analyse the current and future conditions (0-100 years) under a range of scenarios (e.g.  
 343 different number of new desalination/recycling plants and reservoirs, changes in precipitation due to  
 344 climate change, increases in water demand, population growth rate, energy supply source, etc.).

345

346 Step 4: Examine the GHG implications of resilient bulk water supply portfolios. This is based on the  
 347 modelled future bulk water supply infrastructure requirements and projections of the needs for future  
 348 energy intensive rain-independent bulk water supply sources (e.g. desalination) required for the  
 349 region.

350

351 Step 5: Perform an economic analysis to determine the present value of capital and operation costs (\$  
 352  $m^{-3}$ ) of the rain-dependent and rain-independent supply sources that provide sufficient climate  
 353 resilience for the SEQ region.

354

### 355 2.3 Baseline Assumptions and Scenarios

356

357 System boundaries are essential in identifying the main variables of the SD model. These main  
 358 variables required in the SD model were identified through a comprehensive literature review and  
 359 workshops involving expert consultants, water utilities and researchers (Table 1).

360

361 Table 1 The key model input variables and range of values for SEQ water supply-demand system

Input Variables	Baseline Assumptions
Current population (Persons) <sup>#1</sup>	$3.2 \times 10^6$
Population growth rate (%) <sup>#1</sup>	1.5 (Ranging from -2.5 to 2.5)
Water use per capita ( $L d^{-1}$ ) <sup>#2, #6, #7</sup>	300 (Ranging from 200 to 450)
Existing reservoir capacity ( $hm^3$ ) <sup>#2</sup>	2,220
Existing desalination capacity ( $hm^3 y^{-1}$ ) <sup>#2</sup>	46
Desalination capital costs (\$ Billion) <sup>#3, #8</sup>	1.2 (Ranging from 1.2 to 5)
Desalination operation cost ( $\$ m^{-3}$ ) <sup>#3</sup>	0.95 (Ranging from 0.75 to 2.5)
Reservoir capital cost (\$) <sup>4</sup>	1.7 (Varying from 1 to 5)
Reservoir operation cost ( $\$ m^{-3}$ ) <sup>#4</sup>	0.15 (Ranging from 0.1-0.3)

Modelling time horizon (y)	100
Time interval of simulation (y)	0.25
Water security index <sup>#5</sup>	6 (Ranging from 1 to 6)
Discount rate (%)	3.5 (Ranging from 1.5 to 5.5)
Size of new desalination to be constructed (hm <sup>3</sup> y <sup>-1</sup> )	50 (Ranging from 50 to 150)
Size of new reservoir to be constructed (hm <sup>3</sup> )	100 (Ranging from 50 to 150)

## Notes:

<sup>#1</sup> Queensland Office of Economic and Statistical Research (2011);

<sup>#2</sup> QWC (2012); <sup>#3</sup> Stewart (2011); <sup>#4</sup> Moran (2008);

<sup>#5</sup> The water security index is the annual water demand divided by the accessible storage capacity;

<sup>#6</sup> Per capita consumption includes residential and non-residential components;

<sup>#7</sup> 300 means an efficient 300 L d<sup>-1</sup> (200 L d<sup>-1</sup> residential + 100 L d<sup>-1</sup> non-residential plus system losses) demand in present;

<sup>#8</sup> Australian dollars (0.740 USD = 1.0 AUD average for 2016 prices)

362

363 The SD model assumes that the volume and character of water use is mainly determined by five key  
 364 drivers with varying effects. These are: Population growth; Desalination plants; Traditional water  
 365 resources; Climate change and variability; and Changes in water use pattern and demand. Spatial  
 366 boundaries of the SD model comply with the boundaries of the grid connecting the SEQ bulk water  
 367 supply system. The stock levels and asset values, such as reservoir volumes and capital values are  
 368 determined from the modelled and assumed flows and investments per period. The time horizon of  
 369 the model was selected as 100 years in order to consider the historical long-term cycles of rainfall  
 370 patterns.

371

372 To test whether using desalination is a feasible option, as a way of providing water security during the  
 373 drought and generating energy during the wet season to offset carbon emission, a range of scenarios  
 374 have been explored for the next 100 years using the SD model. Three plausible future scenarios of  
 375 per capita water demand in the SEQ region were used: (1) low demand (300 L d<sup>-1</sup>); (2) pre-drought  
 376 demand (450 L d<sup>-1</sup>); and (3) the SEQ Level of Service objectives level (375 L d<sup>-1</sup>). Scenarios to  
 377 compare the energy requirements, CO<sub>2</sub> output and monetary cost of different infrastructure options  
 378 were developed through varying the level of water security maintained by the system (as expressed  
 379 through the water security index detailed in Section 3.3) and discount rates of 1.5%, 3.5% and 5.5%.

380 The baseline parameters for desalination capex in Table 1 are reflective of the existing desalination  
 381 capacity in the SEQ region. For example, cost of building a desalination plant with a capacity of 46  
 382  $\text{hm}^3 \text{y}^{-1}$  is \$1.2 billion, which is the lower end of the range presented in Table 1.

383

### 384 **3 RESULTS**

385

386 The process of model development is further described as part of the Results, reflecting the outcomes  
 387 of the steps outlined in the previous section.

388

#### 389 **3.1 Water Supply and Demand Simulation**

390

391 Annual water demand is a function of the Population and Per Capita Water Demand. Therefore, the  
 392 first step in forecasting annual water demand is estimating the size and future growth of the  
 393 population in SEQ. The projected annual growth rate averaged over the 45 year period 2011 to 2056  
 394 is 1.5 % (Queensland Treasury, 2011). Using this growth rate, the population of the SEQ region was  
 395 projected to grow from about 3 M to 6.5 M over the next 50 years, and to 13.7 M over the hundred  
 396 year projection period.

397

398 Two variables, Annual Water Demand ( $\text{ML year}^{-1}$ ) and Population (Persons) were computed using the  
 399 following equations:

$$400 \quad AWD = P \times WDpc \quad (1)$$

$$401 \quad P = \int PCh \, dt + Pi \quad (2)$$

402

403 Where: *AWD*: Annual Water Demand; *P*: Population; *PCh* : Population Change; *Pi*: Initial  
 404 Population; and *WDpc*: Per Capita Water Demand.

405

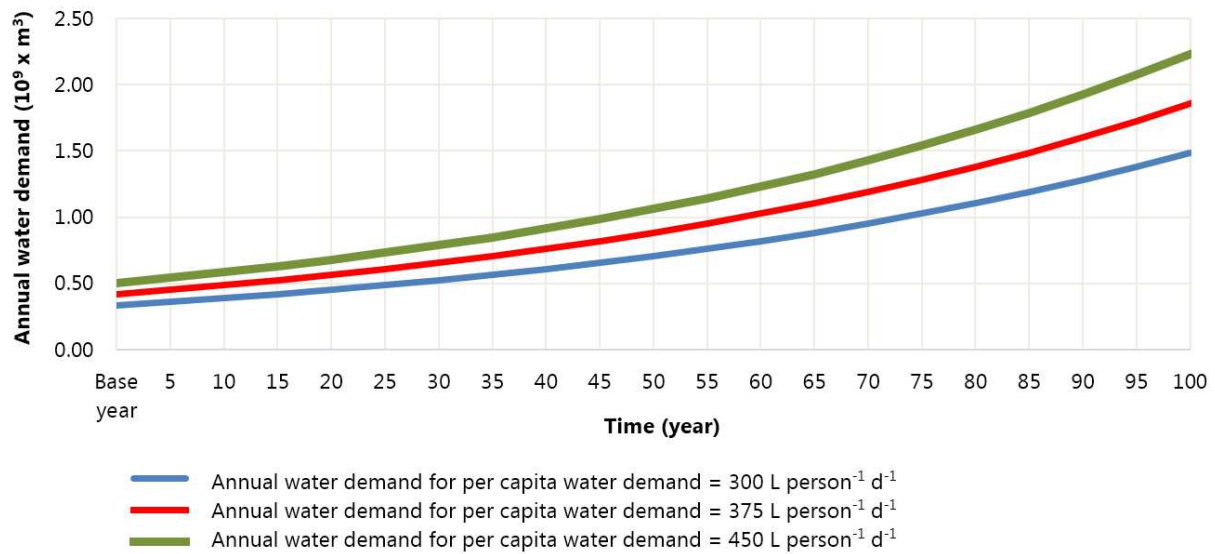
#### 406 **3.2 Desalination Plants and GHG implications: Role of PRO Technology**

407

408 Under the three chosen water demand scenarios, Water Demand at the end of 100-year period  
 409 ranges from about  $1.5 \text{ hm}^3 \text{ year}^{-1}$  to  $2.26 \text{ hm}^3 \text{ year}^{-1}$ , as shown in Figure 3.



410



411

412 **Figure 3** Annual water demand projections under three scenarios of Per Capita Water Demand

413

414 As introduced in Section 1.3, PRO technology has the potential to offset the energy requirements of  
 415 RO desalination plants. With this in mind, the utilisation of RO desalination plants equipped with a  
 416 seawater-to-freshwater PRO facility to generate osmotic power was incorporated in the model. The  
 417 use of desalination plants is controlled by a logic relationship, mirroring the actions of a water  
 418 governance body (QWC, 2010). It would be counterintuitive to utilise desalination plants to generate  
 419 electricity in times of water shortage, as this would further contribute to water scarcity. When reservoir  
 420 levels are in excess of 80% capacity, desalination plants are used for energy production with PRO.  
 421 The model reveals that over the 100 year simulation period RO desalination accounts for 25 % of the  
 422 total possible utilisation available, while PRO accounts for a higher 66 %. The remaining times of non-  
 423 utilisation (i.e. 9%) occur in years where only a portion of full plant capacity is required for RO  
 424 desalination to augment water supply.

425

426 It is important to note that despite the significant advancements in membrane development observed  
 427 since the turn of the century, when membrane prices began to fall and membranes started to be  
 428 improved for PRO applications, the generation of power with PRO were still hindered by the low flux  
 429 and low resistance of the current membranes (Koroneos et al., 2007; Helfer and Lemckert, 2015).  
 430 Thus the desalination scenarios proposed in this study, which use the existing desalination

431 infrastructure to generate energy via PRO, do not compose a realistic scenario in the present-day  
 432 context since they are predicated to the maturation of PRO technology.

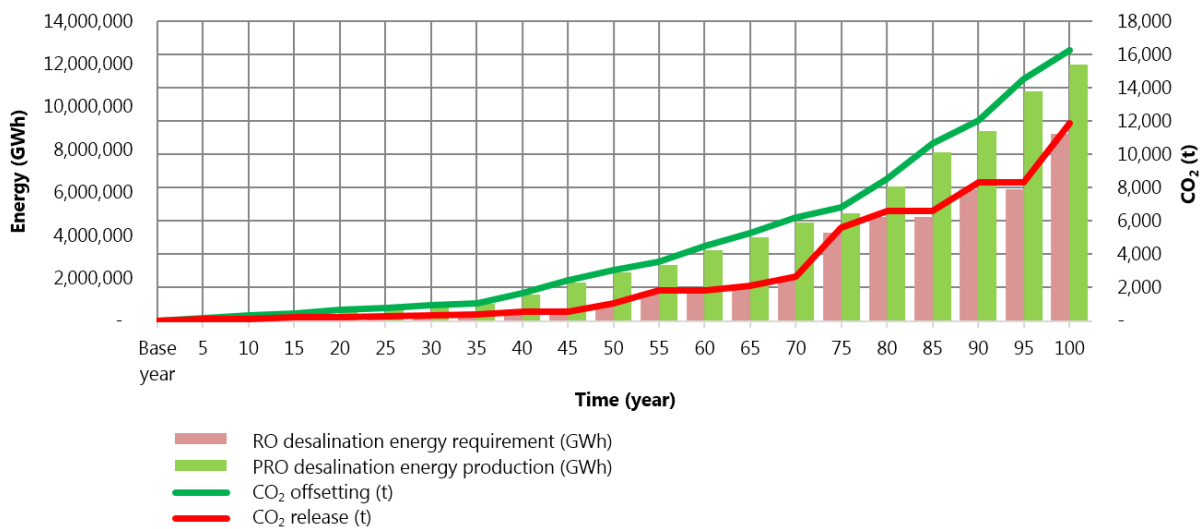
433

434 Emission factors for calculating direct emissions are generally expressed in the form of a quantity of a  
 435 given GHG emitted per unit of energy. CommLaw (2013) defines indirect emissions (Scope 2) as the  
 436 emissions which are physically produced by the burning of fuels (coal, natural gas, etc.) at the power  
 437 station, and projects the *Indirect Emissions Factors* for Queensland as  $0.82 \text{ kg CO}_2\text{e kWh}^{-1}$  (Note:  
 438  $\text{CO}_2\text{e}$  = carbon dioxide equivalent). Indirect emission factors were used to calculate  $\text{CO}_2$  emissions  
 439 from the generation of the electricity, or consumed by desalination as t of  $\text{CO}_2\text{e}$  per GWh of electricity  
 440 used, or generated.

441

442 The simulation results (Figure 4) show that at the end of 100 year simulation period, the use of PRO  
 443 has the potential to generate enough energy (15,400 GWh) to counterbalance the energy used for  
 444 water production (11,300 GWh), and offset 100% of the  $\text{CO}_2$  generated during freshwater production.

445



446

447 **Figure 4** Energy and CO<sub>2</sub> used and offset by Desalination through PRO technology

448

### 449 3.3 Comparison of Water Supply Options

450

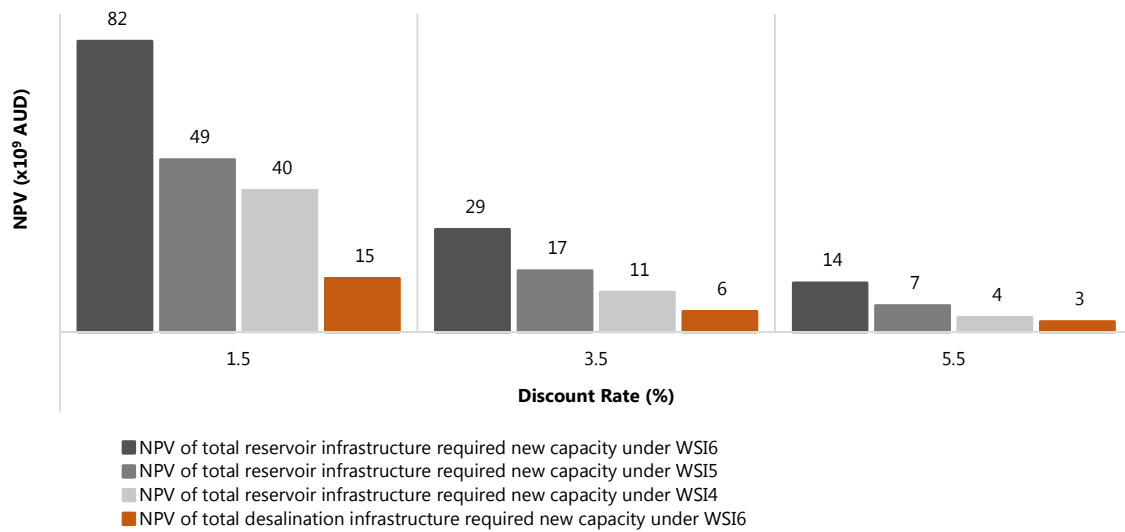
451 Using the SD model, additional storage capacity to maintain current water security level in the region  
 452 was calculated. Since the accessible volume of water at any given time is one of the most important

453 factors affecting water security, an indicator of water supply security used in this research is the water  
454 security index (WSI). This index reflects the ratio of water storage to annual demand, and therefore,  
455 storage buffer required against low rainfall years. Marsden and Pickering (2006) reported that the  
456 ratio of storage to annual usage in SEQ is six. Given this baseline value, required new infrastructure  
457 investments for desalination plants and reservoirs were calculated over the simulation period. The  
458 results show the need for long term planning to meet the challenges of likely water shortfalls between  
459 demand and supply. As SEQ's population increases from the current 3.2 M to a projected 13.6 M, the  
460 total additional water supply required over the projected 100 year period could increase by 5,000 GL  
461 for the low demand scenario. Total additional water supply required under a WSI of 5 and 4 were also  
462 simulated, a higher risk management approach, as a point of comparison. Finally, Net Present Values  
463 (NPV) of the rain-dependent and independent supply options by considering capital and operation  
464 costs were calculated to compare the economic viability of these two options.

465

466 The impact of social discount rates of 1.5%, 3.5% and 5.5% have been explored. The Australian  
467 government recommends a social discount rate of 7% with sensitivity analysis at 3% and 11%  
468 (Scarborough et al., 2015). However, lower rates have been used in the sensitivity analysis in line  
469 with the literature which suggests that lower discount rates are more appropriate over longer time  
470 horizons (Weitzman, 1998; Harrison, 2010; Weitzman, 2013). There is also literature to suggest that  
471 lower social discount rates are more appropriate for public projects given the lower risk and diversity  
472 of risk profile associated with public sector investments (Tientenberg and Lewis, 2012).

473



474

475

476 **Figure 5** NPV comparisons of rain-dependent and independent supply options under varying discount  
 477 rates and WSI

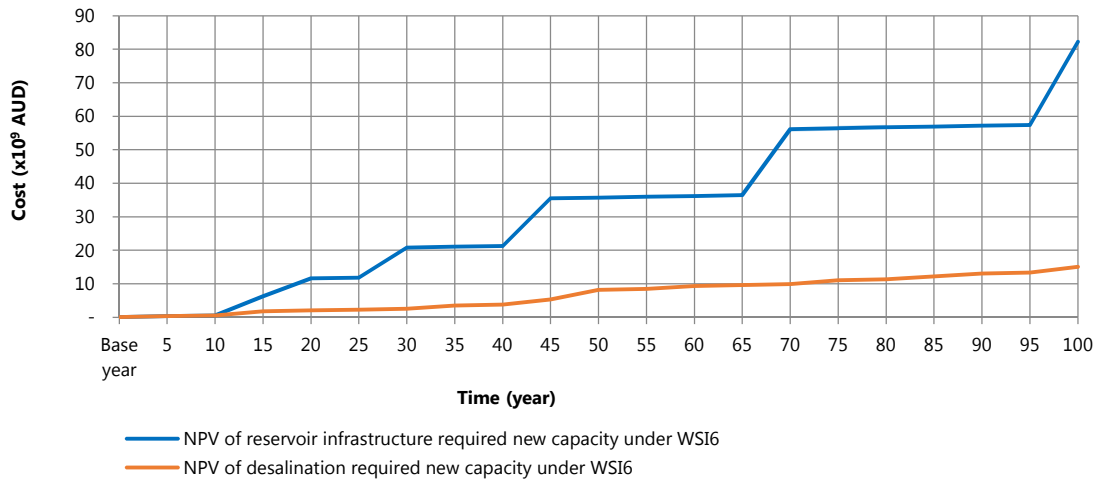
478

479 Figure 5 shows the sensitivity of the results of the comparison of water supply augmentation costs  
 480 between reservoir construction and investing in desalination capacity (including both operating and  
 481 capital investment costs).

482

483 As illustrated in Figure 5, under a WSI of 6 and a 1.5% discount rate, the NPV of new reservoir  
 484 infrastructures would be approximately 82 billion Australian dollars, about five times larger than the  
 485 NPV of the desalination plants infrastructure. This ratio is maintained across the other discount rate  
 486 scenarios. Even when the WSI is reduced to 4, the NPV of RO desalination plant cost is less than  
 487 reservoir cost.

488



489

490 **Figure 6** NPV comparison of rain-dependent and independent supply options under WSI 6 with a  
 491 discount rate of 1.5%

492

493 Figure 6 shows how the rain-dependent and independent supply costs develop over the simulation  
 494 period. In the first 10 years costs are very similar. After 10 years the cost of desalination investment in  
 495 water supply augmentation is considerably lower than the cost of reservoir construction. Noticeably,  
 496 over the longer time horizon, the cost comparison changes to become greatly in favour of  
 497 desalination. While the rain-independent nature of desalination plants means that a lower NPV than  
 498 surface water can be achieved in the SEQ region, current RO technology is energy intensive and  
 499 contributes negatively to climate change. Potentially, PRO-technology enabled desalination plants  
 500 provide an opportunity to sustainably provide lowest cost water security infrastructure that offsets its  
 501 carbon emissions.

502

503

#### 504 **4 DISCUSSION**

505

506 The development of an SD model built to explore the behaviour of the SEQ water resource system  
 507 over the next 100 years under systemic change brought about by climate change and population  
 508 growth has been detailed. The model includes the management option to adopt a portfolio approach,  
 509 mixing desalination and reservoir infrastructure to meet growing demand over the simulation period. A

510 portfolio approach requires consideration of both water energy nexus in terms of risks and costs of  
511 each water supply option.

512

513 In order for reservoir infrastructure to provide water security, a high ratio of capacity relative to annual  
514 demand is required, as represented by the WSI. This becomes increasingly expensive, and as shown  
515 in SEQ, could become prohibitively expensive under anticipated demand increases. Therefore, rain-  
516 independent supply options must be considered in comparison.

517

518 Through SD modelling, it has been demonstrated that desalination plants may be a useful insurance  
519 policy to deal with uncertainty surrounding water supply resources due to high rainfall variability.  
520 However, like any insurance policy, standard RO desalination plants would be forced to sit idle for  
521 great lengths of time, only called into action intermittently. Moreover, due to the type of technology  
522 used in the desalination process, the energy intensity of current Australian desalination plants is up to  
523 10 times greater than the energy presently consumed in supplying bulk water in SEQ (Kenway et al.,  
524 2008; Hoang et al., 2009; White, 2009). These factors raise two significant arguments against their  
525 implementation in the country: utilisation efficiency of desalination plants and high energy needs.

526

527 In this context, the continuing advent of PRO technology could greatly nullify these problems and  
528 provide other supplementary benefits. For existing desalination plants, a conjugated PRO facility to  
529 generate power could be an option, as suggested by (Helfer et al., 2014). The technical similarities  
530 between desalination and osmotic power could easily justify the investment on PRO plants. Even  
531 better, provided technical issues are overcome in membrane development, another option could be  
532 replacing existing single-purpose RO membranes with dual-purpose membranes (i.e. membranes  
533 able to work under RO and PRO conditions), thereby transforming RO desalination plants into dual-  
534 purpose water supply and renewable energy production facilities. Additional power generation  
535 capacity would also decrease the need for fossil fuel exploitation, or the development of other  
536 renewable power supply plants.

537

538 Clearly, there are numerous potential benefits of integrating the PRO technology into the operation of  
539 water resource systems that utilise desalination as one of the supply alternatives, such as the SEQ

540 region's water system. Bulk water portfolio diversification would increase security of supply despite  
541 drought. Economic and environmental risk both fall with a mix of desalination and surface water.  
542 Evidently, there will be costs due to desalinated water due to its relative energy intensity. However,  
543 when the mix of water supply is costed over a century of rainfall cycles as presented in this paper, it  
544 becomes clear that reliable long-term contracts for water supply will probably be cheaper and more  
545 secure with less new dams and more desalination.

546

547 The SD model applied in this study indicates that under predicted future SEQ climatic conditions,  
548 desalination plants will be inactive for sufficient periods of time to allow generation of nearly half the  
549 energy consumed in manufacturing water. Thus, depending on capital costs (which are difficult to  
550 estimate at this stage due to the inexistence of large-scale PRO-assisted RO plants from which real  
551 costs could be derived), the investment in PRO technology in the future could be worthwhile in SEQ.

552

553 It has been demonstrated that the SD framework allows rapid evaluation of the effects of a range of  
554 management scenarios through providing realistic visualisation of how water supplies and demands  
555 could change over time. Therefore, the framework would improve decision makers' ability to develop  
556 sustainable water resource management and planning strategies, and thus respond to water scarcity  
557 in a timely manner to optimise supplies given the various constraints.

558

559

## 560 **5 CONCLUSIONS**

561

562 A key conclusion emerging from this study is that a systems approach is an effective methodology for  
563 understanding system behavior because it accounts explicitly for the feedback paths,  
564 interdependencies and non-linearities that characterise these and many other types of systems. Most  
565 other common methodological approaches cannot sufficiently account for the characteristics of the  
566 urban water system and effectively evaluate the utility of a portfolio approach across a range of  
567 indicators (i.e. GHG emissions, energy use, water demand) and over an extended period of time (100  
568 years).

569

570 Another key conclusion from this analysis of the SEQ bulk water supply system rainfall, investment,  
571 population, CO<sub>2</sub> offsetting and PRO technology options is that desalination can theoretically deliver  
572 lower long-term average costs than a reliance on reservoirs while delaying the investment (or need)  
573 for large scale reservoirs. Moreover, that an emerging PRO technology may help to overcome many  
574 of the drawbacks of traditional RO desalination plants, by making them more sustainable in terms of  
575 energy consumption and effective plant utilisation. Water demand and security needs can be met as  
576 the population and economy expand by considering rainfall volatility and drought. These are  
577 surmountable challenges, which can be managed through a portfolio approach to water supply.

578  
579 The context of the paper's water security assessment is not unique to SEQ, or Australia. Therefore,  
580 owing to the use of a system dynamics approach, the model detailed in this study can provide a  
581 framework for assessing water security for many situations where a water-energy-climate nexus  
582 conundrum exists.

583

584

## 585 **5.1 Limitations**

586

587 The following limitations should be considered when utilising the findings of this study:

588

- 589 • There is no consideration given to decision making processes of government and water  
590 management bodies and the political practicalities of the infrastructure portfolio in the  
591 modelled scenarios;
- 592 • PRO is not a mature technology and is only at the early stages of its development. To this  
593 end, significant technological advancement is required before a large scale hybrid PRO-RO  
594 plant can be built like those included in the modelled scenarios of this study. However,  
595 research such as the current study (in conjunction with the technological research and  
596 development) is a necessary step in advancing PRO towards large scale deployment;
- 597 • The modelling parameters relating to PRO reflect the best available data from laboratory  
598 studies conducted to date. It is likely that as the technology is further developed and



599 economies of scale are achieved, the power generation rates from PRO will increase and in  
600 this case, simulations should be re-conducted with updated parameters;

601 • There are other desalination technologies that could have been considered in this study.  
602 However, the predominant desalination technology in Australia is RO desalination (68%),  
603 which is also the fastest growing desalination technology in the world. In Queensland, where  
604 this study was undertaken, RO desalination is responsible for 90% of the desalinated water.  
605 Therefore, only RO was considered in this study.

606 • The available population growth projection by the Queensland government covers only the  
607 next 45 years starting from 2011. In this research, a 100-year time horizon was used for  
608 simulation. Therefore, in order to cover the remaining period, it was assumed that the  
609 population growth rate would remain the same.

610

611

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613

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619

620

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**Highlights:**

- Water-energy-climate nexus conundrum for sustainable urban water supply
- Examining and comparing potential water infrastructure and management solutions
- Portfolio approach by mixing desalination and reservoir infrastructure for water demand
- Pressure retarded osmosis technology integration into the rain-independent component of water supply networks to decrease climate related feedbacks caused by reverse osmosis desalination