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# Waste & Water: Going with the Flow of Transition?

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## Summary

Essential to modern societies, the Waste and Water sector also contributes to climate change, accounting for more than 5% of global greenhouse gas emissions, driven mainly by methane emissions linked to waste and wastewater treatments. Companies in this sector are therefore exposed to climate transition risks. This exposure is intensifying with urbanisation, population growth, and the westernisation of lifestyles, in a context where water resources are becoming scarcer due to disruptions in the water cycle. To respond to these multiple pressures, the sector must adapt and mitigate its impact on the climate. Nevertheless, waste and water companies have an opportunity: they can leverage the flows they treat to contribute to the low-carbon transition.

In the waste management sector, various treatment methods are available to recover waste: recycling, methanisation, composting, or incineration with energy recovery – whose suitability depends on waste type. Yet globally, these solutions account for only 38% of the waste management sector. Due to inadequate infrastructure in developing countries, 33% of waste is still dumped in open landfills and 25% is buried. Reducing these practices remains crucial to limiting methane emissions. As part of this study, 23 companies were analysed using the Carbon Impact Analytics (CIA) methodology. The sample mainly covers companies listed on financial markets and located in developed countries. Consequently, waste recovery challenges are well understood by companies in the sample.

In the water sector, wastewater treatment companies must reduce their methane emissions from sewage sludge decomposition, which is the final by-product of filtration processes. However, the sector's lack of maturity and transparency on this issue means that avoided emissions remain limited. In the drinking water production and distribution sector, the main lever for decarbonisation – reducing networks leaks – appears to be under-exploited by companies in the sector.

Significant geographical disparities persist in addressing these challenges, driven primarily by different regulatory and cultural practices. For example, wastewater treatment activities are better regulated in the United Kingdom, which improves the transparency and performance of these companies. As a result, the

structural factors, rather than by proactive company initiatives. This observation highlights the need for companies in the sector to adopt more ambitious climate strategies, going beyond regulatory constraints.

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