Cadiz, Inc.

January 2025 Corporate Update Call

January 22, 2025

CORPORATE PARTICIPANTS

Susan Kennedy, *Chief Executive Officer and Executive Chairman*

Courtney Degener, *Vice President, Investor Relations*

Stan Speer, *Chief Financial Officer*

PRESENTATION

Operator

Greetings, ladies and gentlemen, and welcome to the Cadiz January 2025 Corporate Update Investor Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation.

I will now turn the conference over to Courtney Degener, Vice President, Investor Relations of Cadiz. Thank you. You may begin.

Courtney Degener

Thank you and welcome everyone to Cadiz's January 2025 Corporate Update Investor Call. We will focus on reviewing the Company's 2024 milestone achievements and outline our objectives for 2025. The call will be led by our Chairman of the Board and CEO, Susan Kennedy, and she will be joined by our CFO Stan Speer.

During the conference call today, the Company will be making forward-looking statements regarding expectations for future performance and business prospects. Forward-looking information involves risks and uncertainties, and the stated expectations could differ materially from actual results or performance. The Company advises you to read and consider the Company's SEC filings including our third quarter 2024 Form 10-Q and 2023 Annual Report on Form 10-K for a detailed discussion of risk factors inherent to the business and the Company. The Company undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances that occur after the call.

Now, I am pleased to introduce our Chairman and CEO, Susan Kennedy. Susan, over to you.

Susan Kennedy

Thank you. Welcome everybody. Thanks for being here today.

Some investors have known Cadiz for many years and are up to speed on the changes in the Company, our projects and our services, and most importantly the impact that climate change has had on the water industry and what it means for Cadiz and our position in this dramatically changing market. Some of you are also new to the Cadiz story so I'm going to start with a very brief recap.

Cadiz owns major land, water, pipeline and treatment technology assets in Southern California in the high desert, in San Bernardino county. We're near the borders of California, Nevada and Arizona at the center of the water infrastructure network that serves the Southwestern U.S. We sit at the base of a 2,000 square mile watershed. That 2,000 square miles is half the size of Los Angeles County.

These assets were acquired and developed over several decades: 45,000 acres of land, fully entitled land; millions of acres of new water supply; 500-plus miles of pipeline assets including 220 miles of existing pipeline that's already in the ground today; 180 miles of steel pipe and 40-plus miles of rights-of-way secured for new construction. We also have a water filtration technology that I believe is the most cost-effective technology on the market. This unique combination of assets gives us a suite of products and services that allows us to address water supply issues across a broad market in the Southwest.

Cadiz has been around for a long time. Three things are different about Cadiz today than from the company that many of you knew about 20 years ago. First of all, we now have 20 years of data that proves there's more water in storage at Cadiz today than there is in our nation's largest reservoirs, Lake Mead and Lake Powell, combined. While 20 years ago no one seemed to need water supply, today we're the most valuable new water resource in the Southwest.

Cadiz is not a single water project today. Our unique combination of assets – new water supply, storage, conveyance and treatment technology – allows us to integrate products and services into other projects being developed by water agencies across the Southwest.

We're maximizing our land and water resources today, unlocking additional value from these assets for investors. In addition to agricultural operations, water supply and storage projects, we're creating partnerships to develop hydrogen and solar at Cadiz Ranch. We're generating revenues from land leases and creating synergies that could lower our operating costs for our water projects and potentially provide clean energy to other projects in the region.

As we develop these project companies and partnerships, you'll see Cadiz move to a structure in which we'll receive revenue from four different segments: Cadiz Ranch, which would be revenues from land leases, energy partnership, the agriculture at Cadiz Ranch; ATEC Water Systems with revenues from water treatment products and services; Fenner Gap Mutual Water Company – 100% of the revenues from the sale of water supply and 49% of revenues from the sale of water storage to water agencies across the Southwest; and then revenues from a NewCo., the newly-formed LLC that we're creating for financing construction and operations of the Mojave groundwater storage bank. NewCo LLC will receive 51% of the cash flows from the sale of storage and fees paid by water agencies for use of the pipeline. As managing member of the LLC, Cadiz will also receive revenues and profit-sharing from the storage and banking operations through the LLC.

2024 was a pivotal year for Cadiz. When we started the year we had three goals: sign enough water supply agreements with water agencies to support construction of the Northern Pipeline; establish the financing vehicles and the project company for construction of the groundwater bank on a very aggressive schedule that would allow us to begin delivering water in 2026 and bring the banking project online as early as 2027; and third, to expand our footprint in the water treatment market with our wholly-owned subsidiary ATEC Water Systems.

We met these goals, and we also had a couple of surprises: We signed five water supply agreements for 85% of the Northern Pipeline; we established an LLC partnership structure where project investors, which will include Native American tribes, will provide up to $400 million in equity capital for construction and support application for up to $500 million in grant funding, and we designed a new filter system to address PFAS removal which I'll talk about in a second. I'm going to walk through each of these in a bit more detail so that you understand what they mean in terms of future cashflows and revenue generation to the Company.

Regarding the five water supply agreements representing 85% of the capacity of the Northern Pipeline. That's a little more than 21,000 acre-feet per year, and these are contracts with AAA credit water agencies and investor-owned utilities. These are mostly 40-year contracts.

When the Northern Pipeline is operational, these agreements are expected to generate gross cash flows of between $25 million and $30 million per year with an inflator baked in up to about 5% per year. The cash flows from these contracts with the water agencies include three components: revenue paid to Cadiz for water supply; fees paid to the LLC for CapEx costs including wheeling, and fees paid to the operating company for O&M.

The agreements we signed in 2024 are for the Northern Pipeline only; we expect to negotiate similar contracts for the supply from the Southern Pipeline later this year.

We established the LLC partnership structure for development of the groundwater storage project. This is where investors will provide up to $400 million in equity capital for construction of the pipeline, power and pumping stations and the other facilities for operation of the groundwater bank in exchange for 51% share of the cash flows from the storage sales and banking operation, and 100% ownership of the pipeline infrastructure.

Cadiz will contribute the pipeline assets to the LLC in exchange for a minority interest as managing member and a share of the LLC profits from storage and banking operation above specified returns to investors.

We expect Native American tribes will be majority investors in the LLC, and because of that, the project will be eligible for as much as $500 million in grant funding, most of which will come from state bond measures that have already been passed in California and will be available over the next two to three years.

We have signed Letters of Intent so far for up to $250 million of the $400 million in equity capital we plan to raise toward total project costs being around $850 million. We're now in discussions with several other potential investors, both tribal and nontribal, for the remainder of the equity capital. We are in diligence now with our lead investors, one tribal and one nontribal, and we anticipate executing term sheets over the next 60 to 90 days.

On the ATEC side, we saw a significant increase in demand in 2024 and continue to be very bullish on the growth potential for the ATEC business. We signed about two dozen sales contracts in the last 24 months, ranging in size from $50,000 to $4 million, mostly for iron, manganese, arsenic and Chromium 6. But the fact that stood out the most to me is that out of 24 contracts that we bid on in the last two years, we only lost one. It's very powerful evidence of just how cost-effective our filter platform is compared to others in this space. And one new development that I'm really excited about is that we designed a new filter system for the removal of PFAS, also known as forever chemicals from groundwater.

We weren't sure that we would be very competitive in this space, but our team over at ATEC designed a filter system using a modified clay medium and we believe that the combination of this medium and our innovative system design makes this an extremely cost-effective treatment for PFAS, which many of you are aware is an enormously expensive problem for municipal water systems everywhere. So, our focus in 2025 will be on expanding our manufacturing capabilities and making a very solid entry into the PFAS market.

We jumped on a few unexpected opportunities last year. First, having Native American tribes come to us as potential investors in the groundwater bank was a major turning point for the Company. Tribes are the perfect public partners for this project. They have all the power of public agencies and are very sophisticated investors. This will be the first major water infrastructure project majority-owned by Native American tribes in U.S. history.

Second, we were approached by a Spanish company, RIC Energy, to build a hydrogen production facility at Cadiz Ranch. This wasn't the first time we've been approached about supplying water for hydrogen production, but it was the first in terms of an approach building the production facility at Cadiz. Hydrogen makes a ton of sense at Cadiz. We've got the only reliable new water supply, all the space you could possibly need for solar, two rail lines, two major rail lines to transport liquid hydrogen, and direct access to all the major Southwest gas network to deliver a blended product to Southern California markets.

Under the agreement, RIC will lease 3,000 acres of land at Cadiz for a green hydrogen production facility, including 1,000 acres of land for solar that can also be used along with the hydrogen to power our wellfield and other project facilities.

Third, we were offered the chance to purchase unused steel from the abandoned Keystone XL pipeline project. After several months of diligence and negotiation, we signed an option agreement to purchase up to 180 miles of new 36-inch steel pipe, locking in a price for steel that allows us to significantly reduce capital costs and reduce supply chain risk. More importantly, though, the Keystone steel also allowed us to value engineer the design of the Southern Pipeline that will connect us to the Colorado River Aqueduct, allowing us to move more water more frequently in two directions at the same time if needed, and what that translates into is the ability to generate more revenues from the water in our groundwater bank.

Our focus in 2025 is on execution. We made three key hires in 2024, all on the operational side: Cathryn Rivera, our Chief Operating Officer at Cadiz; Steve Green, Chief Commercial Officer at ATEC Water Systems; and Don Bunts, General Manager of Fenner Gap Mutual Water Company. Fenner Gap is the project company that will oversee construction and operation of the water project.

There's a lot of moving parts with a lot of integration required. Many of those things overlap and they must be sequenced and integrated in order to complete construction and begin generating revenues from the water pipeline and the asset.

I'm often asked, "what's the best way to track success at Cadiz?" The best way to answer that question is to give you our roadmap so you can track project development and the development of these four business segments. Progress on these development activities correlates to the timelines of being able to generate revenues from these assets.

Our goals in 2025 are to complete construction of the wellfield and energy infrastructure needed to support the water supply, storage, hydrogen, solar and agricultural operations at Cadiz Ranch; assist RIC Energy in the permit process for development of a hydrogen facility, and I'd like to attract another developer to build a second green hydrogen facility at Cadiz. I believe there are real synergies in developing more than one hydrogen facility and we intend to pursue every opportunity.

For ATEC, our goals for 2025 are to increase our production capacity to meet growing demand; demonstrate our capability to remove PFAS cost effectively and make a very solid entry into that market.

On the water supply and groundwater banking, our focus in Q1 is to standup the NewCo and the LLC, all the financing entities and project companies, and execute commercial agreements and EPC contracts for construction and operation of the Mojave groundwater bank. Second, we want to secure the capital for the construction of the groundwater bank through the LLC and through a joint financing authority with our public agency partners. We want to work with our tribal and community partners to apply for grant funding – that's a time-sensitive issue starting this year – and ultimately, we want to break ground on conversion of the Northern Pipeline this year to meet our target date of beginning water deliveries on the Northern Pipeline in 2026.

Finally, I'm going to say a word about the recent fires in Los Angeles.

Many investors have asked me how this disaster will impact policies on water supply, infrastructure and Cadiz. First of all, we found a way to help with the fires by scrambling a fleet of trucks to deploy at CalFire staging areas ahead of the extremely dangerous wind event. This kind of extreme weather fueling incredible fire danger is part of a new normal in the Southwest, and to the extent Cadiz can help by marshalling private sector resources for deployment of mobile water supplies to help first responders, we will continue to do so. We established a non-profit entity called Cadiz Fire Response Fund that can be found on the Cadiz website for investors and partner companies who are willing to help with financial resources to fund that effort.

People have also asked me if the fires will force a shift in policy priority to fund water infrastructure. My answer is that the policy priority had already shifted dramatically after the last major drought. The recent drought changed everything about the politics between the haves and the have-nots in the Southwest. California, in particular, put a major focus on repairing and rebuilding—and building new water supply and storage infrastructure, backed up by billions of dollars in bond funding that will be available over the next two or three years. Look at Proposition 1 from 2014 and Proposition 4, which just passed on the 2024 ballot.

What this fire disaster did is bring into stark relief that we don't have a water supply problem; we have a water infrastructure problem. All this talk of water scarcity, wells going dry during drought, hydrants going dry during fires, it's not about water supply. The earth has the same amount of water today as it did 4 billion years ago; it's the hydrology that has changed because of an increase in temperatures, less snow, more rain, less snowpack in the north, more atmospheric rivers in the south. Virtually all of our water infrastructure was designed to capture, store and transport snow melt and direct flood waters to the ocean. It will take many hundreds of billions of dollars to build new water infrastructure where it is needed to address the new hydrology, and the door is open to private sector investment and critical infrastructure as it has never been before.

My philosophy has been to partner with the have-nots, the underserved communities that don't have access to this infrastructure. We've been investing in the infrastructure that can serve these communities for a decade now because we knew this day would come, and that day is here. Because we leaned in to investing in the infrastructure, we are in the right place at the right time to be a major part of the solution.

I'm going to turn the call over to Stan Speer, our CFO, to give a brief financial update and then open it up to questions.

Stan Speer

Thank you, Susan.

Susan noted that towards the end of the year in November 2024, we completed an equity financing that netted the Company approximately $21.9 million in cash. When added with existing cash it provided the runway for us to continue project development as we establish the new LLC.

The net proceeds are being utilized with a $5 million option payment for the Keystone steel pipe and approximately $6 million in capital costs to advance project facility construction on the current timeline. The balance is being used for working capital.

At the end of our fiscal year on 12/31, we had approximately $17.4 million in cash on-hand. We will report our 12/31 GAAP financials in March 2025.

We do expect that the $11 million in capital costs that I mentioned will be reimbursed to Cadiz by the LLC when that is fully up and funded.

On the debt side, based upon our latest published financials as of 9/30/2024, we had $41.7 million in senior secured debt; $21.2 million of that is not convertible and pays interest at 7% per annum; $20.5 million is currently convertible into common stock at a price of $5.14, and accrues interest on PIK basis at 7% per annum. We also have an unsecured convertible tranche totaling $16.6 million, which is convertible into common stock at $4.80 and also accrues interest on a PIK basis at 7% per annum. We have no debt due until June 2027 when these three tranches mature.

That concludes my summary report, and I'll turn it back over to the operator for the Q&A portion of the call.

Operator

Thank you. At this time, we'll conduct a question-and-answer session. We will begin the question-and-answer session by answering, first previously submitted questions. Live questions may be submitted by using the Q&A icon at the bottom of your screen.

I will now turn the call back over to Courtney to moderate the Q&A portion of the call. Courtney, please proceed.

Courtney Degener

Thank you. We have allocated about 20 minutes for questions, and we'll take some that were submitted previously and then I'll switch over to the Q&A at the bottom.

First one.

Susan, did I understand you to say you're in discussions with investors to raise the entire $400 million in equity capital needed for construction of the groundwater banking project?

Susan Kennedy

Yes. We've signed LOIs with two lead investors for about $250 million and we have been in discussion with about six or seven for the last couple of months. I believe that we will be oversubscribed for the LLC.

Courtney Degener

Great. Next question we have here: Does the change in federal administration help or hurt? President Trump signed several executive orders yesterday. Any benefit to Cadiz?

Susan Kennedy

Good question. There are two answers to that. The first is we're so far along in our permitting process and our development process that the change in administration, nobody can really help or hurt us at this point in terms of the development of the project because we're so far along. It could possibly speed up some of the processes we have. We have two environmental studies that need to be done; it could maybe speed it up a little bit more, but I think we're pretty far along.

The executive orders on water are interesting. What he can do for Southern California in the short term is kind of unclear because like I said, it's not a water supply problem, it's a water infrastructure problem. So, any loosening up of environmental restrictions on pumping water south is not really going to be helpful immediately and they're not helpful in the long term because we need places to put water, to hold water, right? We need water in the next drought, so I don't think that has much of a big effect.

But we are expecting that the Colorado River negotiations are coming up, and we are hearing rumors that the administration may just roll over the existing Colorado River framework that's in place instead of putting in new rules as was tempted to do, and that could be really good for us in terms of the value of our water supply goes up. We are the largest new water resource in the Southwest. We are the only new water supply in the Colorado River Basin, and to the extent that we are able to supply water; reliable, affordable water supply in this area, like the Inland Empire, that means more water is going to be available from other parts of the state to go to Los Angeles. It means that more water will be available in parts of the Southwest. So, our water supply becomes more valuable to all the players in the Southwest.

So, I think we'll see what happens.

Courtney Degener

There was a related follow-up question about the executive order that froze funding for climate programs under the IRA. Do you see any impact from that?

Susan Kennedy

No, we knew that—the election did shake things up a bit and one of our first LOIs was with a nonprofit investment fund with funding through the EPA, through the Inflation Reduction Act. That funding was actually received last year by them and so we've been told that those funds have already been allocated in a way that makes it not easy to pull back those funds. As soon as the election happened and we knew that any of the funding could be in question, we were not taking any chances. We immediately started talking to other potential investors that could come in and that's why we're now in discussions with a number of investors, so that we're not dependent on any one source of funds. That's why I also believe that we will be oversubscribed.

Courtney Degener

We received several questions about the fires in LA, and you've addressed most of that I think in your remarks. One nuanced was how do you get water to LA from the Cadiz project? And did the fires alter your strategy?

Susan Kennedy

Not altered our strategy; it just really highlights the fact that the areas that we live in in the Southwest, they are pumping water, these major communities are pumping water all the way from the state water project, over the Tehachapis to fill groundwater basins up in the Mojave River Basin, and these areas in the Inland Empire dependent upon water from hundreds of miles away in the Colorado River. To the extent that our water resources become available to those communities, it means more water can stay closer to its origin. That means more water can go to that part of the east branch of the Metropolitan Water District that was really impacted heavily by those fires. Water doesn't want to travel hundreds of miles uphill, right? It wants to stay local. So, by providing cost-effective water supply where we are located, it frees up water resources in other areas that are desperately impacted by the fires.

Courtney Degener

Okay, changing up a bit. How does the recently announced hydrogen land lease fall into the overall business? Is it part of the water project or a separate development like ATEC?

Susan Kennedy

It's separate but overlapping because energy is the single greatest cost of water. Moving water. So, the ability to build production facilities at Cadiz and integrate some technology, perhaps some fuel cells that can utilize hydrogen—and it is green hydrogen because it's using our water—there's some synergy there that would lower our costs to be able to tap into those resources.

The same with solar. If we are collocating, or if we just overbuild the solar infrastructure so that we can absorb some of that energy, it definitely could lower our costs. We're looking for those synergies and the communities we're working with like Barstow, in that area that go to the major rail station up there, all those communities up in Victor Valley, in fact there's a lot of investment in water infrastructure up there that we're a part of, and they all need energy. So, I see the opportunity for a clean energy corridor to be developing out in this part of San Bernardino County, and the county itself is foursquare behind the development of these resources and there's a ton of bonds funding available for these resources. I see synergies that lower our costs in the water project.

Courtney Degener

Okay. Related to the NewCo LLC structure, where are you on the LOIs that had been entered into for construction finance?

Susan Kennedy

We are in diligence. We are deep in diligence looking at the engineering, independent reports, hydrology expert reports, putting together the design engineering to the point where we can have some confidence in a construction schedule. All of that, we're deep into the diligence in terms of being able to finance what is essentially close to a billion-dollar project. I'm hoping those can translate into term sheets in the near future.

Courtney Degener

Okay. Can you provide a high-level timeline for connection of the Southern pipeline to the Colorado River Aqueduct?

Susan Kennedy

We're working backwards from a goal of wanting to be able to have the bank fully operational by the end of 2027. That's aggressive, okay. This is a new build, so I know that's aggressive. But we wanted to come in when the Colorado River negotiations were at their peak because the value of our asset is going to be top of mind while the lower basin states are negotiating the future of the Colorado River.

In order to be operational on that timeframe, we have to be in construction in 2026. As a new build, that's 24-36 months of construction time depending on the lead time for ordering equipment. Our goal is to get everything in place, get the financing structure in place and be in construction in 2026 on the Southern Pipeline.

Courtney Degener

How much additional water outside of what has been currently contracted can you sell annually without depleting the reservoir?

Susan Kennedy

The groundwater basin has, we now know, between 30 million and 50 million acre-feet of water. It is larger than Lake Mead times 2, and every drop of water in the groundwater basin has one exit point and that goes across our wellfield at Cadiz Ranch. It is a closed basin, so the top of the watershed is 7,500 feet in the New York Mountains, and the bottom of the watershed is, where Fenner Gap is, is at 900 feet, so it's all that water has one place to go across there. We know that its natural recharge rate is somewhere in the 40,000-plus range, 35,000 and 45,000 acre-feet per year plus range. The project is designed to be able to capture that water before it turns into brine and evaporates, and create hydraulic control of the water flow down to the dry lake so that we can import surface water and hold it without leaving it to evaporation.

Our current permit with the county allows us to export 2.5 million acre-feet over a 50-year period. That's export capability. We can use as much water on the farm as we want as long as we don't drop the water table more than 80 feet. We couldn't drop the water table if we wanted to because of the angle of the aquifer and how much water is in there, so there's a ton of additional resources available and I expect—most of our contracts, they're 40-year take-or-pay contracts instead of 50-year. So, we have surplus water under our current permit, about 0.5 million acre-feet of water that's not going to be permitted, that's not going to be contracted under, with the water agency, so that's the water that we started donating to the disadvantaged communities that we're working with. That's in exchange for them joining the financing authority and applying for the grants to pay for the infrastructure.

When we're finished with designing the Southern Pipeline and the water storage bank, I believe we'll be able to get flexibility in the permit that will allow us to access more water resources. How much, I can't tell you. I can just tell you that I've seen the data that shows that there's a lot more water you can access from that watershed as the water is leaving the watershed without causing any adverse environmental impact. So, I expect there will be more water resources available in the future.

Courtney Degener

Just a reminder for our guests, we have about 10 minutes left for questions, and I've moved to the Q&A submitted questions in the portal, so if you have any questions place them in there and we'll try and get through as many as we can.

This question is related to the talk of the Trump administration executive orders on green energy, but the question has a nuance on, can any of those grants be made up at the state level with the state level grant picture?

Susan Kennedy

A lot of the federal programs are going to be up in the air. Some of them are federal tax credits that were in place, and we don't expect them to be moved. Some programs that were in place long before the Inflation Reduction Act, so there will be some federal grant programs that we think will remain available, but the bulk of the grant funding for infrastructure comes at the state level. California made a huge investment in water infrastructure starting more than 10 years ago. Proposition 1 was passed in 2014. It had several billion dollars for water storage, including most of the storage projects are up north and there's some funds that are left over from projects that didn't make it through their process, or they dropped out. So, there's several hundred million dollars from Prop 1 that will have to be reallocated. We're uniquely eligible for those funds. It will be legislatively appropriated to other props that we'll apply for.

Prop 4 that passed on the November ballot, the $10 billion climate bond, and there's about $3 billion in that that is specifically aimed at clean water infrastructure and we're uniquely eligible for that. That's not only our groundwater bank but also the regional project that we're intercepting with, so we think that's the bulk of the funds for us will come from those two pots of money.

The governor has indicated they're going to try to take as much of the funding from the climate bond to help LA recover from the fires. There's $7 billion or $8 billion in there that's related to climate resiliency that I think will be the first dollars steered. I don't think there will be that much competition for the water infrastructure projects in that climate bond, but there could be. There's a lot of money. We think we're the only major water storage project that's going to come online in the next five years, 10 years in Southern California, so we think we're uniquely eligible.

Courtney Degener

Okay. Switching to an ATEC related question, can you talk through a little more of the PFAS filtration system you mentioned? How does it work? Is there a potential revenue stream there? How much does it cost?

Susan Kennedy

Our system is a filter system, so it's hardware, right? The platform is the filter itself and the balance of plant that actually goes into the water filtration system. What you use in that is a medium that uses different chemicals and different—different chemistries and designs that pulls contaminants out of the water. There's a filter designed for iron and manganese. We designed a filter for Chromium 6. We've been using it at the Ranch. We have a little bit of elevated Chromium 6 in our water. We designed one for arsenic that we are pulling out of water, particularly in like the Eastern Coachella Valley and some areas of naturally occurring arsenic.

What the guys at ATEC did was design—they're using this relatively new medium of clay absorption, a particular type of clay, and we signed a partnership with the producer of that material, those minerals, to be able to use that medium in our filter system. Because of the unique design of our filtration system, which is the smaller vertical tanks, we're coming in at half the cost of some of the bigger projects, so our margins are really good. We can process the same amount of water as the big guys at a significantly lower capital cost and a low operating cost as well. That's why we're so competitive in the market.

It's this combination of a medium that is effective at removing PFAS and our innovative system that makes this a really powerful product we can put on the market. We're expecting the ATEC segment to—we bought the assets for $2 million three years ago and we were generating $15 million, $16 million, $17 million in gross revenue two years later. EBITDA to us between $3 million and $4 million two years later, and this is a super, really good investment for us, and we see scalability in this model.

And for the investors that don't know us, the fact that we have a unique combination of assets, we can now pair water treatment with water supply. We can pair water storage and treatment. We're delivering water into other systems at a higher quality than the water that's in there; there are monetary benefits to that. So, we can pair all these different water assets including treatment, which is accretive to the value of all the water products that we can sell. In addition to being standalone business segments where we're selling filters all across the western United States and North America.

Courtney Degener

Okay. We have a related question about selling the filtration business. Is there any opportunity to divest it? Have you considered that at all?

Susan Kennedy

Haven't thought about it yet, but I think we've got a lot of opportunities in front of us as we grow this business.

Courtney Degener

One question, can you describe the strategic position for water banking and treating between locations? How do you envision that operating?

Susan Kennedy

I think that's the biggest opportunity that we bring to the table and it's not something that I think a traditional utility business model could do. It opens up value that this company couldn't even envision 10 years ago.

We've got, call it 30 million acre-feet of water already in storage at our groundwater bank. That means that water that's stored at Lake Mead by, say, Metropolitan, a major agency, could be traded for water that's stored at Cadiz. Our water is more valuable. It doesn't evaporate. Every other location you lose 20% to evaporation just by storing it at an open-air reservoir or transporting it via open-air canals, and there are monetary penalties for that. There's a leave-behind of 10% to 20%, right? And so, we could trade water stored at Cadiz at a premium for water that's stored in other storage banks. We could be the exchange agent between water rights holders in the Colorado system with water rights holders in the state water project system, literally swapping water that's currently stored in different reservoirs because water is generally traded on paper, right? There's arbitrage value. There's exchange value and there's storage value. So, we could advance water and then replace it with water from Lake Mead later one. So, there's tons of opportunity.

So, our bank will be the largest and first really functioning water bank, almost in a financial sense with water as the currency, that is in the Southwest.

Courtney Degener

A related question to that: Does the credit still exist for creating water on the Colorado River system?

Susan Kennedy

It is in the current rules, and if the new administration just rolls over the existing rules, that means what's called the Incrementally Created Surplus Credit would likely roll over as well. I always believed there would be a future for that, but the fact that if it rolls over it's a very valuable credit to us because our water—every drop of water that we extract is water that would otherwise evaporate, which means it's new water. That's why it's a new water supply, and that qualifies as incrementally created surplus non-tributary to the Colorado River. So that has a several hundred dollar an acre-foot value in the system when our water is traded. So, yes, we think ICS credit is something that's very valuable and we hope sticks around if they roll over the rules.

Courtney Degener

I think we have time for one or two more questions. You mentioned $25 million to $30 million in cash flow for water supply. Is that for Cadiz or the projects where we're minority owner?

Susan Kennedy

That is the gross water supply—that's the gross cash flow from a water contract. So, illustratively, the Northern Pipeline is on average about $1,600 per acre-foot is the cap that we are—that's the contract we're operating under. There are three components to that. What comes to Cadiz is approximately $850 per acre-foot per year over the life of a contract, call it 40 years, with an escalator. Then on top of that, from that $1,600 per acre-foot, a certain portion would go to the NewCo to pay for the capital cost, for financing, and a certain portion would be to cover the operating costs including wheeling fees and just the O&M. So, there's three components to that. What comes to Cadiz is the commodity price for the water. And the same will be true for the Southern pipeline as well.

Courtney Degener

Okay. Outside of water contracts and ATEC and the NewCo, are there other possible revenue sources that might accrue to Cadiz in the future?

Susan Kennedy

Well, I'm very bullish on hydrogen, number one. I do believe that we can develop more than one hydrogen facility there because we have so much land, we have so much water and there are real synergies. There are some plans on the drawing board to build what's called the Angeles Link by SoCal Gas, which would be a dedicated hydrogen pipeline system. We're not involved in the process, we're just aware of it. We have multiple hydrogen facilities out there. I think it's a really good opportunity for us to develop our land resources like that, number one.

I think we're not just one project anymore, so, our pipeline system, when it's fully operational is more than 300 miles in length spanning between the Colorado system and the state water project system and intercepting with other pipelines, so there are projects all along the route that we can participate in. I think there's project after project that we are parallel projects that we can actually get into which I think generates new revenue streams to Cadiz. We're working on the first project. We're working on right now getting our own water bank and the pipelines up and running, but there are some tremendous opportunities for additional pipelines and additional projects.

Susan Kennedy

Appreciate everyone's time. We're really excited about where we're at and the future of the Company, and we're very appreciative of all the investors who have stayed with us for so long and for the new investors who are just now giving us the rocket fuel to take it to the next level. Thank you everybody.

Courtney Degener

Thank you. Operator, you can conclude the call.

Operator

Thank you. That concludes today's conference. We will now close the call. Enjoy the rest of your day.