

# Experiences and key messages from the assessment of the WFD on cost recovery - and beyond



Eduard Interwies



# Content

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- Reminder of Art. 9 content
- What are the experiences with Art. 9 implementation so far
- What additional issues are of importance?
- The future

# Why am I here?

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- Involved in WFD-economics understanding and implementation since 2000 (part of the WATECO-group)
- Various projects on the issue for DG ENV (including the assessment of the Art.5 economic analysis & the RBMPs), national water administrations, NGOs etc.
- Speaking solely as an independent expert, no „official positions“

# WFD: reminder of Art.9

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- Member States shall take account of the principle of recovery of the costs of water services, including **environmental and resource costs** [...] and in accordance in particular with the **polluter pays principle**.
- Member States shall ensure by 2010:
  - that water pricing policies provide **adequate incentives** for users to use water resources efficiently, and thereby contribute to the environmental objectives of this Directive

# WFD: reminder of Art.9

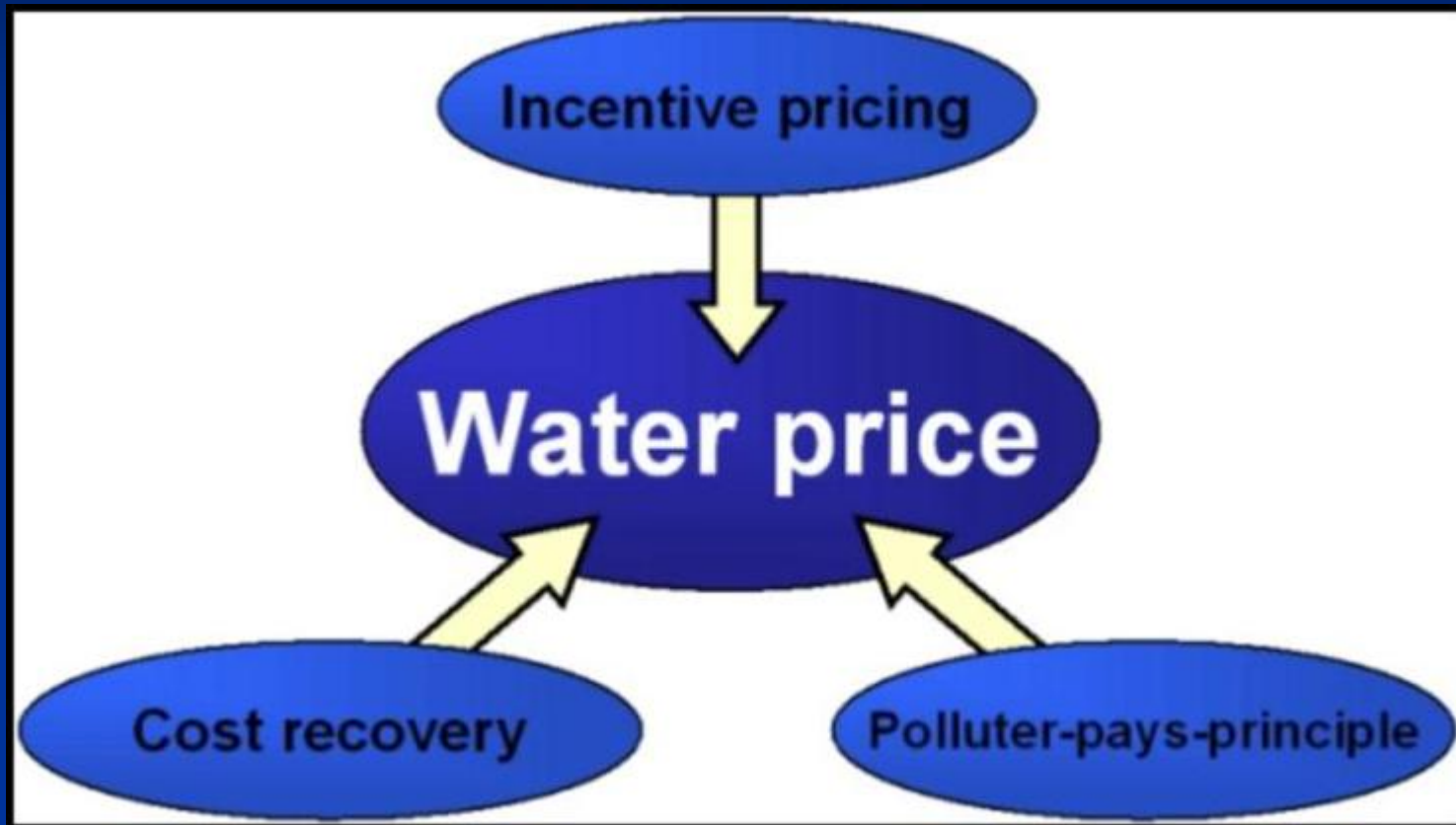
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- Member States shall ensure by 2010:
  - an **adequate contribution** of the different water uses, disaggregated into at least industry, households and agriculture, to the recovery of the costs of water services [...]“ (Art. 9 (1)).
- “Member States may in so doing **have regard to** the social, environmental and economic effects of the recovery as well as the geographic and climatic conditions of the region or regions affected” (Art. 9 (1)).



# WFD: reminder of Art.9



# Where do we stand?

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- Art. 5 economic analysis: should form the basis for Art. 9-implementation. DG Env analyzed the 2004-Art. 5 MS reports and concluded that „significant gaps“ are evident;
- (Most) MS RBMPs have been submitted; no official assessment results, but various analyses done (e.g. by NGOs) and ongoing
- Workshop regarding the future of WFD-economics took place in Oct 2010 (Liege), see:  
[http://circa.europa.eu/Public/irc/env/wfd/library?l=/framework\\_directive/implementation\\_convention/workshop\\_economics](http://circa.europa.eu/Public/irc/env/wfd/library?l=/framework_directive/implementation_convention/workshop_economics)

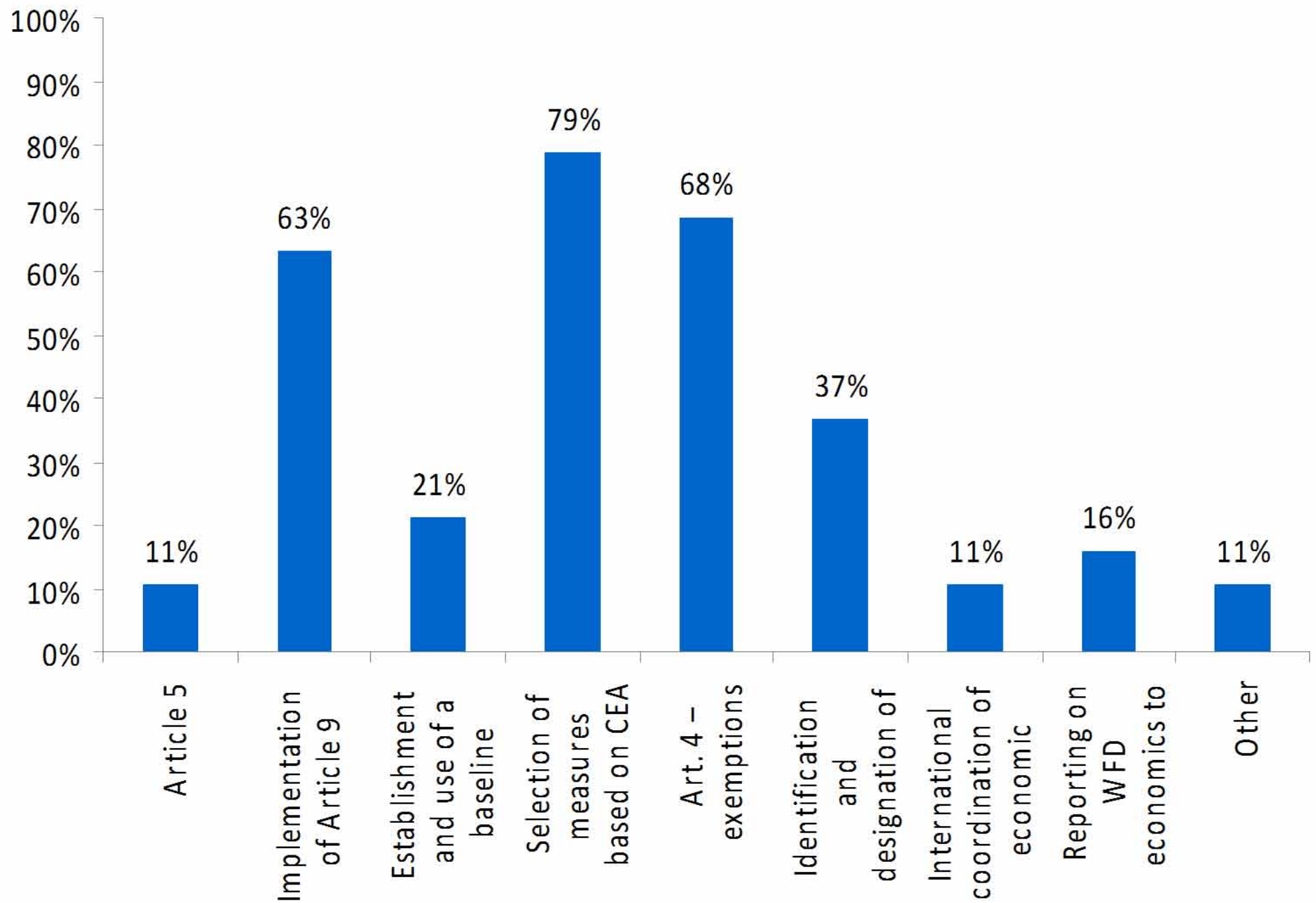
# Where do we stand?

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- As preparation to the Liege workshop: study to gather views on the experience of the implementation of the economic aspects of the Directive (CIS/SCG – questionnaire and interview study)
- Is Art.9 implementation a key challenging issue? Clearly yes! Results regarding the „3 key challenges of WFD-economics“:





# Incentives & Polluter-pays

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- Linked to cost recovery – but go beyond (not „only“ regarding w. services);
- Incentive pricing: some reporting by MS (esp. regarding households), but not all – and not systematically. Key open issue: agriculture (see on content the DG Env study on „agricultural water pricing“ and related conference, Sept 2011);
- Polluter/user pays: similar situation as for incentive pricing...

# Cost recovery – of what?

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Water services, but: definition in WFD not clear;

- For sure: water supply and wastewater collection / treatment (“narrow” definition); most MS chose this specification of w. services;
  - BUT: ”broader“ definition including other activities as w. services (hydropower, navigation etc.)
- infringement procedure for MS with the ”narrow“ approach, still pending

# Cost recovery – of what?

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In RBMPs:

- Cost recovery of water supply for households/industry often calculated; gaps regarding water supply for agriculture;
- Two „basic“ w. services sometime treated together;
- Even in MS where the „broader“ definition of w. services was used, very little done beyond the two „basic“ services

# Which costs considered?

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- Financial costs (including capital costs, O&M costs, administrative costs etc – see WATECO for more details):
  - diverging methodologies/ information detail/transparency on „what was considered“ in the RBMPs
  - Consideration of subsidies/cross-subsidies: also here, differences on what was done in the RBMPs



# Which costs considered?

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- **Environmental and Resource costs:**
  - Methodological and data/information difficulties!
  - Most MS provided limited results on primary estimation of E&R costs in the RBMPs – for many, no „future work“ in this field identified
  - Often, explanation given that fees/charges are in place that internalise the E&R costs – „exactly right“...

# Who to contribute?

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- Different w. uses to contribute adequately:
  - Definition and consideration of w. uses to contribute to the costs of w. services vary in the RBMPs;
  - Very often, contributions of households identified, while the (critical) issue of contribution of agriculture to the costs of water supply considered to a limited extent;
  - Overall, more transparency advisable...(PS: no full cost recovery required!)

# Cooperation on Art.9?

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- Even within some MS, the way how Art.9 is implemented/reported differs;
- At a transboundary level, limited and not too successful efforts for coordination / common approaches (needed for Art. 9? What about „level playing field“?)

# Additional issues – beyond Art. 9

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- Exemptions (Art.4)/disproportionate costs (but not only: „technical feasibility“ etc.): „exemptions are the rule“ for the first RBMP: very political, esp. the issue of affordability in times of financial crisis
- Cost-effectiveness of measures: esp. of relevance in the transboundary context – did we do enough in the first RBMP?
- Using the ecosystem service approach: interesting approach both for estimating E&R costs, but also for „payments for ecosystem services“ as a possible measure;
- Reminder: the scenario approach (see WATECO – but not only socioeconomics relevant!): basically no systematic „view of the future“ developed in the first RBMP – crucial e.g. in „Climate Change times“ – biofuels etc. etc.

# The future...

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On content: various issues that can and should be improved! But how?

- „Carrot and stick“: the role of EU-COM („Blueprint“ + cooperative CIS-work vs. infringements...)
- Most economic analysis / data collection undertaken by non-economists, therefore any further work to involve them! May help to improve integration of economic analysis into WFD decision-making...



# The future...

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Liege-workshop: options for type of future work on the EU-level re WFD-economics identified:

- creation of an expert network for communication to provide a 'home' for WFD economics work within the CIS-process;
- follow-up workshops on specific themes (e.g. practical case study examples) to facilitate an 'intensive' information exchange;

# The future...

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Liege-workshop: options for type of future work on the EU-level re WFD-economics identified:

- establishing a “policy think tank group” in relevant research projects;
- practical training of administrations regarding WFD-economics;
- group of experts at EU-level working on specific issues to develop definite answers: different formats of working on a specific targeted problem to deliver solutions or a definitive statement of the evidence.

# The future...exchange?

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Liege-workshop: some form of experience exchange at EU-level was welcomed by almost all. But, diverging views regarding what this work should be & the best way to organise it:

- Clarification of implementation issues up to now: develop common definitions, methodologies (e.g. environment and resource costs) etc.
- Answering specific questions (as far as possible) for second cycle: identification of specific questions and developing common answers
- Limited support for new guidance

# ...lastly, the hope:

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„Water is not a commercial product like any other but, rather, a heritage which must be protected, defended and treated as such.“

[Recital 1, WFD]



Thank you for listening!



Eduard Interwies

Contact: [Interwies@intersus.eu](mailto:Interwies@intersus.eu)