



**CEPS TASK FORCE ON**

**WHICH ECONOMIC MODEL FOR A WATER-EFFICIENT  
EUROPE?**

**A CONTRIBUTION TO THE BLUEPRINT FOR EUROPE'S WATERS**

Chair: **Richard Seeber**, Member of the European Parliament, EPP,  
Member of the EP ENVI Committee & President of the EP  
Water Group

Rapporteurs: **Christian Egenhofer**, Senior Research Fellow, CEPS  
**Monica Alessi**, Research Fellow and Programme Manager,  
CEPS

**First meeting: 5 March 2012 (from 10:30-17:00)**

Second meeting: 27 March

Third meeting: 23 April

Meeting venue:  
Centre for European Policy Studies (CEPS)  
Place du Congrès 1, 1000 Brussels

For regularly updated information about this CEPS Task Force, please visit:

[www.ceps.eu/panel4](http://www.ceps.eu/panel4)

## 1. Introduction

With the adoption of the Water Framework Directive in 2000, EU water policy has moved towards an integrated approach to water on the basis of the concept of river basin management aimed at achieving good status of all EU waters by 2015. Achieving this objective will almost certainly require a comprehensive policy response at EU and member state level, notably as regards implementation measures and more generally, water management.

The essential element of the response to ‘ensure good quality water in sufficient quantities for all legitimate uses’ is the ‘Blueprint to safeguard Europe’s Water’ that is currently being prepared by the European Commission to be ready by November 2012. While the ‘Blueprint’ is an initiative in its own right, it is also closely related to the EU 2020 (economic growth) Strategy and, in particular, to the planned Resource Efficiency Roadmap and the EU Climate Policy. The Blueprint will be the water milestone on that Roadmap. Moreover even if the horizon for policy making will be the 2020, the analysis prepared for the Blueprint is likely to be relevant for a far longer period.

In a nutshell, the Blueprint represents the central EU policy response to address implementation issues related to the existing policy framework while at the same time taking stock to tackle in particular water availability and water quantity challenges. According to the European Commission, the Blueprint will

- Identify gaps and shortcomings of the current policy with a view of finding solutions;
- Assess the evolving vulnerability of the water environment to pinpoint suitable instruments;
- Examine the balance between water demand and supply, taking into account the needs of both human activity and eco-systems
- Inform about data and scientific technological development.

In operational terms this will involve a ‘Fitness check’ for EU water policy instruments, an analysis of sustainability and vulnerability of EU water resources as well as a discussion of policy options. *For all three areas water*

*pricing including external costs will play a major role* to bring into balance a declining resource with a sometimes deteriorating quality while demand for fresh water is rising. A core element of the Blueprint will therefore be the design and the eventual application of economic instruments as a means to create an efficient water management framework in Europe.

## 2. European water management

To date the management of water resources has been the responsibility of local and national authorities. The result is a varied plethora of water management practices and pricing structures in the EU. This, in addition to insufficient use of appropriate water lifecycle data in management practices, has resulted in – what most consider to be – an unsustainable use of water resources.

The EU Water Framework Directive (WFD)<sup>1</sup> has limited provisions on water management in terms of resource sustainability. It does not have specific provisions on the economics of water management beyond the polluter pays principle and a requirement for the member states to reflect the costs of water use through their pricing system by 2010.

However, ‘appropriate’ pricing policies are increasingly considered by policy makers, analysts or industry as critical precondition for or even a driver to the appropriate management of water resources. Unsustainable practices, especially in the industry and agricultural sectors that persist today can be traced to the continuing lack of appropriate water management tools and pricing policies.

The Water Framework Directive was accompanied by a Communication,<sup>2</sup> which in addition to the need to implement the polluter pays principle, specified that pricing policies must reflect the following costs:

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<sup>1</sup> "Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for the Community action in the field of water policy

<sup>2</sup> Summary of Communication from the Commission to the Council, European Parliament and Economic and Social Committee: Pricing and sustainable management of water resources [COM(2000) 477, available on: [http://europa.eu/legislation\\_summaries/environment/water\\_protection\\_management/128112\\_en.htm](http://europa.eu/legislation_summaries/environment/water_protection_management/128112_en.htm)

- “Financial costs: direct costs embracing the costs of supply and administration, operation and maintenance, and also capital costs.
- Environmental costs: cost of the waste caused by water use on the ecosystem, for example: salination or degradation of productive soils).
- Resource costs: cost of resource depletion leading to the disappearance of certain options for other users.”

It also notes that pricing decisions should take into accounts the following factors:

- “The demand for water which, in agriculture, for example, is still not well understood. Measuring methods (meters, use of satellite scanning ...) must be developed.
- The elasticity of the demand for water as compared with its price.
- The financial cost of water supplies.
- The environmental cost of the resource.”

### 3. Focus and objective of the Task Force

Although the final decision on the terms of reference of the Task Force is up to its members under the leadership of the Chairperson, CEPS suggests concentrating on the water management issues with a view of developing an efficient and equitable framework that ultimately is capable of ensuring the sustainability of Europe’s water resources.

This will include issues such as

- Understanding the challenges for the sustainable management of European water resources
- Improve water use through financial and economic instruments
- Water use in agriculture and industry: Economic incentives for resource efficiency
- Investment and finance: water treatment and sanitation (infrastructure), water use, remediation, restoration, eco-services payments, desalination etc.
- Instruments for efficient water pricing: tariffs, taxes, transfers

This Task Force will review the role of pricing of water resources. It will analyse present practices in Europe and identify the key elements of a full cost pricing methodology, taking into account policy considerations, such as territorial economic disparities and social equity considerations.

### 4. Format

The Task Force constitutes a unique forum of representatives from the different DGs of the European Commission, representatives from member states, European Parliament, business and industry, International Organisations, NGOs and other stakeholders to facilitate an in-depth discussion and provide background research.

The new CEPS Task Force will meet **three times between early March and April 2012**.

It will be chaired by **Richard Seeber**, Member of the European Parliament, EPP, Member of the EP ENVI Committee, President EP Water Group.

Rapporteurs will be Christian Egenhofer, Senior Research Fellow and Monica Alessi, Research Fellow, as well as other researchers from the energy and climate team.

At the end of the Task Force, CEPS will **publish** and circulate among EU and member state policy circles policy recommendations together with a **CEPS Task Force Report**, which will also be formally published in the CEPS Task Force Report publication series.<sup>3</sup> This report will be based on discussions in the meetings supplemented by research carried out by the rapporteurs. The Draft Task Force Report will be circulated before the third meeting (in April 2012) to be discussed and approved by the Task Force.

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<sup>3</sup> For further information, please visit [www.ceps.eu](http://www.ceps.eu) or contact Christian Egenhofer at [Christian.egenhofer@ceps.eu](mailto:Christian.egenhofer@ceps.eu) .

## **Annex 1. The CEPS Task Force: organisation and governance in detail**

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### **Meetings:**

- Three task force meetings arranged over March and April 2012. The first meeting will be held on **5 March 2012** from 10:h30-17h:00 and the second on **27 March 2012** from 10:h30 to 17:h00. The third and final one will be held on **23 April 2012**. (Although not foreseen at the moment, the need of a fourth meeting might arise.) All meetings will be held at the offices of the Centre for European Policy Studies (CEPS, 1 Place du Congrès, Brussels).
- Ahead of the third meeting, CEPS will circulate the Draft Task Force Report including draft recommendations. The Task Force will discuss, amend and approve the final report. This report will be based on discussions in the meetings supplemented by research carried out by the rapporteurs.
- The final Task Force report, complete with recommendations will be presented on different occasions including for example in the European Parliament, in Brussels events or in member states. The Report will also be published and circulated among EU, member state and international policy makers

### **Key staff**

The task force will be chaired by **Richard Seeber**, MEP, EPP, Member of the EP ENVI Committee and President of the EP Water Group.

Rapporteurs of the Task Force will be **Christian Egenhofer**, Head of the energy and climate programme, **Monica Alessi**, Research Fellow & Programme Manager, CEPS.

Outreach activities will be led by **Monica Alessi**, Research Fellow & Programme Manager and in charge of outreach for climate change and energy at CEPS.

## **Annex 2. Why a CEPS Task Force and how does it work?**

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The CEPS Task Force will constitute a unique forum of representatives from the European Commission, Members of the European Parliament, officials from member states, business and industry, NGOs and other stakeholders to discuss highly topical issues in a multi-stakeholder setting. The objective of a task force is i) to create a process where issues can be analysed in open but structured discussion and ii) to publish an authoritative analysis leading to policy recommendations. CEPS will produce an (operational) synthesis report for each meeting. At the end of the Task Force, CEPS will publish and circulate among EU and member state policy circles policy recommendations together with a background report, which will be also formally published in the CEPS Task Force Report publication Series. The Background Report will be based on discussion in the meetings supplemented by research carried out by the rapporteurs.

Potential members of the Task Force are MEPs, Representatives from the European Commission, member states, other EU institutions, NGOs, academia and key stakeholders from business and industry.

CEPS has a track record of having run over 50 task forces.

See: <http://www.ceps.eu/panel4>

### **Conditions for participation**

The CEPS Task Force is primarily designed for CEPS Corporate Members but participation is open to non-members as well, albeit at a higher fee.

The fee covers participation in all workshops, documentation, lunches and three copies of all reports produced. Upon request by participants, CEPS will mail additional copies of the final CEPS Task Force Report to persons identified by participants.

#### **Participation fees:**

€ 1.000 for CEPS Corporate Members<sup>4</sup>

€ 7.000 for non-members

Officials from governments can attend free of charge.

A registration form is provided at the end of this prospectus.

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<sup>4</sup> Regarding information on CEPS Corporate Membership, please contact Staffan Jerneck, Deputy Director and Director for Corporate Relations (staffan.jerneck@ceps.eu) at +32 2 229 3910 or +32 475 903 924.

## ANNEX 3. INDICATIVE AGENDA OF MEETINGS

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### **Which Economic Model For A Water-Efficient Europe? A contribution to the Blueprint for Europe's waters**

Venue of all meetings:

CEPS, Conference Room, Place du Congrès 1, 1000 Brussels; tel.: +32 2 229 3911 ; www.ceps.eu

Objective of the Task Force is to contribute to the discussions of the 'Blueprint to safeguard EU waters' with a special focus on: ii Implementing sustainable water resource management (both in terms of quantity and of quality) and preserving the ecological balance, ii) investment, iii) water pricing, iv) economic instruments for efficiency and equity, v) EU transfers.

#### **1<sup>st</sup> meeting: 5 March 2012**

##### Draft Agenda

- Understanding the challenges for a sustainable management of European water resources
- How to improve efficient water management (consumption, investment, water services, eco-services etc. ) through the use of financial and economic instruments

09:00-09:30 Registration and welcome

09:30-09:35 **Welcome by CEPS**  
**Staffan Jerneck**, Director, CEPS

09:35-09:50 **Chairman's Introduction**  
**Richard Seeber**, Member of the European Parliament, EPP, Member of the EP ENVI Committee, President EP Water Group

09:50-10:05 **Short introduction to the Task Force: objectives, scope and proposed timelines**  
**Christian Egenhofer**, Head of the Energy and Climate Change Programme, CEPS

10:05-10:20 **Status of the 'Blueprint' discussion**  
**Peter Gammeltoft**, DG ENV, European Commission  
*Discussion*

10:20-10:35 **Understanding European water lifecycle and management challenges**  
**Giovanni Bidoglio**, Head of Unit, Rural Water and Ecosystems Resources, JRC, European Commission (tbc)

10:35-10:55 Break

10:35-11:15 **Comments:**

- **Water accounts: Jacques Delsalle**, DG ENVI, European Commission
- Topic and speaker to be identified

- 11:15-12:00 Discussion
- 12:00-12:15 **Water use in agriculture and industry – what experience with water efficiency and pricing**  
Sarah Bogaert, ARCADIS Belgium NV (tbc)
- Comments:**  
**Member State view(s)**, Representative(s) from Member States  
**A view from Industry**, Representative of Industry
- 12:35-13:20 Discussion
- 13:20-14:20 **Light lunch at CEPS**
- 14:20-14:35 **Understanding the role of economic instruments in water management**  
Xavier Leflaive, Environment Directorate, OECD
- Comments: 2 discussants
- 14:55-15:50 Discussion
- 15:50-16:10 Break
- 16:10-17:00 **Wrap-up of meeting and agreement on the terms of reference for further work**

### **Indicative programme 2<sup>nd</sup> meeting (27 March 2012)**

#### Morning session:

#### **Who should pay for what? Paying for water use and financing water treatment and sanitation, but also restoration, desalination and eco-services**

The objective of this session is to explore the economic instruments for water use, treatment and sanitation, restoration, desalination and eco-services. It will also discuss the overall water infrastructure needs in the EU member states, as well as the potential contribution of economic and financial instruments at national and EU level to cover cost for water management.

#### Afternoon session:

#### **Who pays for what? The role of water management in the restoration of ecosystems and how it can be financed with a view to economic instruments**

The lifecycle of water resources is closely linked to ecosystems, which depend on it and also protect it. Land use practices in particular can impact water quality and availability, and water management policies need as a result to include ecosystem protection (e.g. land remediation, land desalinisation, ecosystems protection and restoration). This practices need to be financed, and the objective of this session is to develop the principles and instruments which should guide water management in Europe, in order to define a common ground including the economic and fiscal instruments that are available to create the right incentives and raise the necessary funds.

### **3<sup>rd</sup> meeting: 23 April 2012**

#### **Discussion and agreement of final report**



## REGISTRATION FORM

### Which economic model for a water-efficient Europe?

#### Person attending the meetings

Salutation: First name: Last name:

Job title:

E-mail: Telephone:

#### Company

Company name:

Postal address:

Postcode

City

Country

Contact Person:

E-mail: Telephone:

#### Billing information

Tax register number (VAT for Europe):

Your reference, Customer Purchase Order No. or Cost Code N:

Department:

Postal address:

Postcode

City

Country

Contact person:

Telephone: Fax:

E-mail: Other:

#### CEPS members - (+21% VAT if applicable)

CEPS Corporate Member | EUR 1,000

#### Non-members - (+21% VAT if applicable)

Full Fee | EUR 7,000  Interested in becoming a member of CEPS

Date:

Signature:

**Return to:** Isabelle TENAERTS at [isabelle.tenaerts@ceps.eu](mailto:isabelle.tenaerts@ceps.eu) | Tel: +32 229 39 56 | CEPS | 1 Place du Congrès | 1000 Brussels

**More information:** If you would like to become a member or need more information, please contact Staffan Jerneck at [staffan.jerneck@ceps.eu](mailto:staffan.jerneck@ceps.eu) +32 2 229 3910 or +32 475 903 924. Discounted fees for this Task Force will be considered for non-members if they decide to become member of CEPS.