



Economic aspects of the River Basin Management Plans

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Economic aspects of the WFD

- **Article 4 Environmental objectives :**
 - Applying exemptions from achieving the objectives justified by disproportionate costs
- **Article 5 / Annex II&III : Economic analysis**
 - Economic assessment of water use
- **Article 9 : Water Pricing policies**
 - Economic instruments for sustainable water use
- **Article 11 / Annex III / Annex VI Part B : Programme of measures**
 - Article 9 & Cost-effectiveness of the programme of measures
 - Supplementary measures – financial incentives
- **Article 13 / Annex VII : River Basin Management Plans**
- **Commission statement - Cost-benefit assessment of the WFD**



Implementation progress – lessons learnt !

- **Article 5 Reports**
 - **2004 – deadline for finalisation**
 - **2007 1st WFD implementation report issued**
 - **2008 Indepth analysis of economic aspects**
- **2007 : Water Scarcity & Droughts Communciation**
- **Draft River Basin Management Plans**
 - **2009 -2nd European Water Conference – a 1st informal assessment**
- **Commission statement - Cost-benefit assessment of the WFD : 2007 study on costs and benefits of WFD implenetation issued**
- **Guidance documents :Economics + Environmental objectives & Exemptions +Reporting**



Article 5 reports : Economic analysis of water use



Starting point – economic analysis of water use

- 2004 deadline – reporting in 2005
- Basis for the next steps on monitoring networks, plans and of course economics
- Annex III sets out requirements
- Links between Annex II on pressures and impact assessment
- Commission assessment in the 1st Implementation report in 2007



Annex III Economic Analysis

The economic analysis shall contain **enough information in sufficient detail** (taking account of the costs associated with collection of the relevant data) **in order to:**

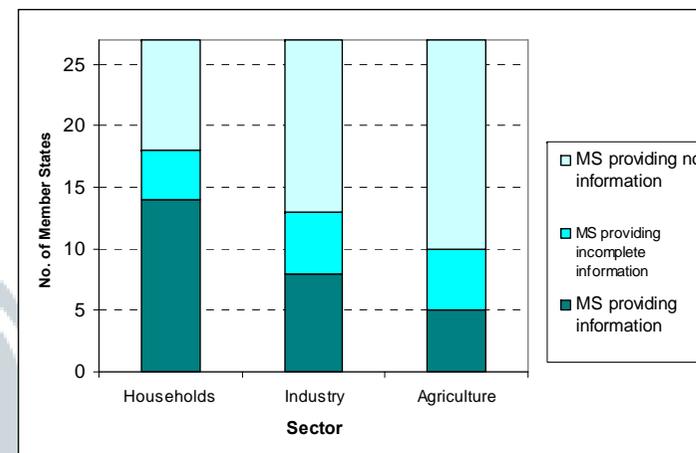
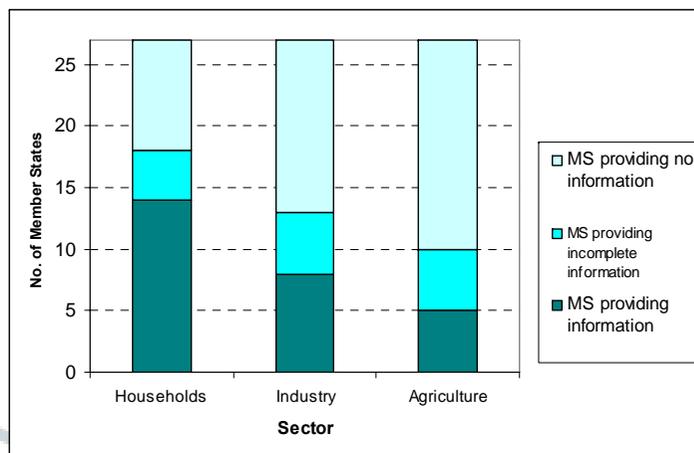
- (a) make the **relevant calculations necessary for taking into account under Article 9 the principle of recovery of the costs of water services**, taking account of **long term forecasts of supply and demand for water** in the river basin district and, where necessary:
 - estimates of the **volume, prices and costs associated with water services**, and
 - estimates of relevant investment including forecasts of such **investments**;
- (b) make judgements about the most **cost-effective combination of measures in respect of water uses** to be included in the programme of measures under Article 11 based on estimates of the potential costs of such measures.

IS THIS WHAT WE HAVE FOUND?



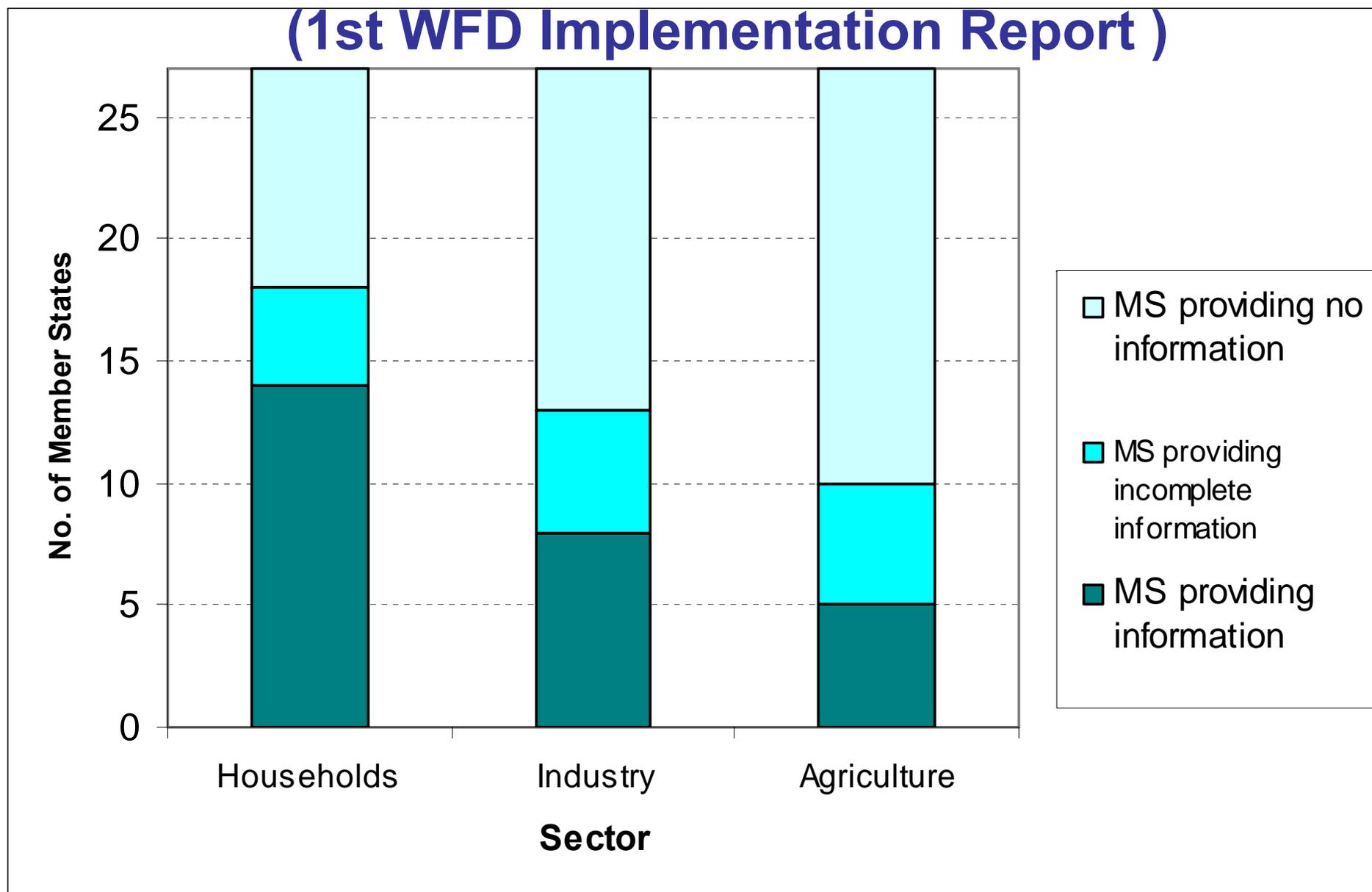
Results: economic analysis (1st WFD Implementation Report)

- **Low level of information available. When available, cost recovery level vary significantly between :**
 - 1-100% for agriculture
 - 40-100% for industries
 - 70-100% for households
- **Few considerations of environmental and resource costs or baseline scenarios**



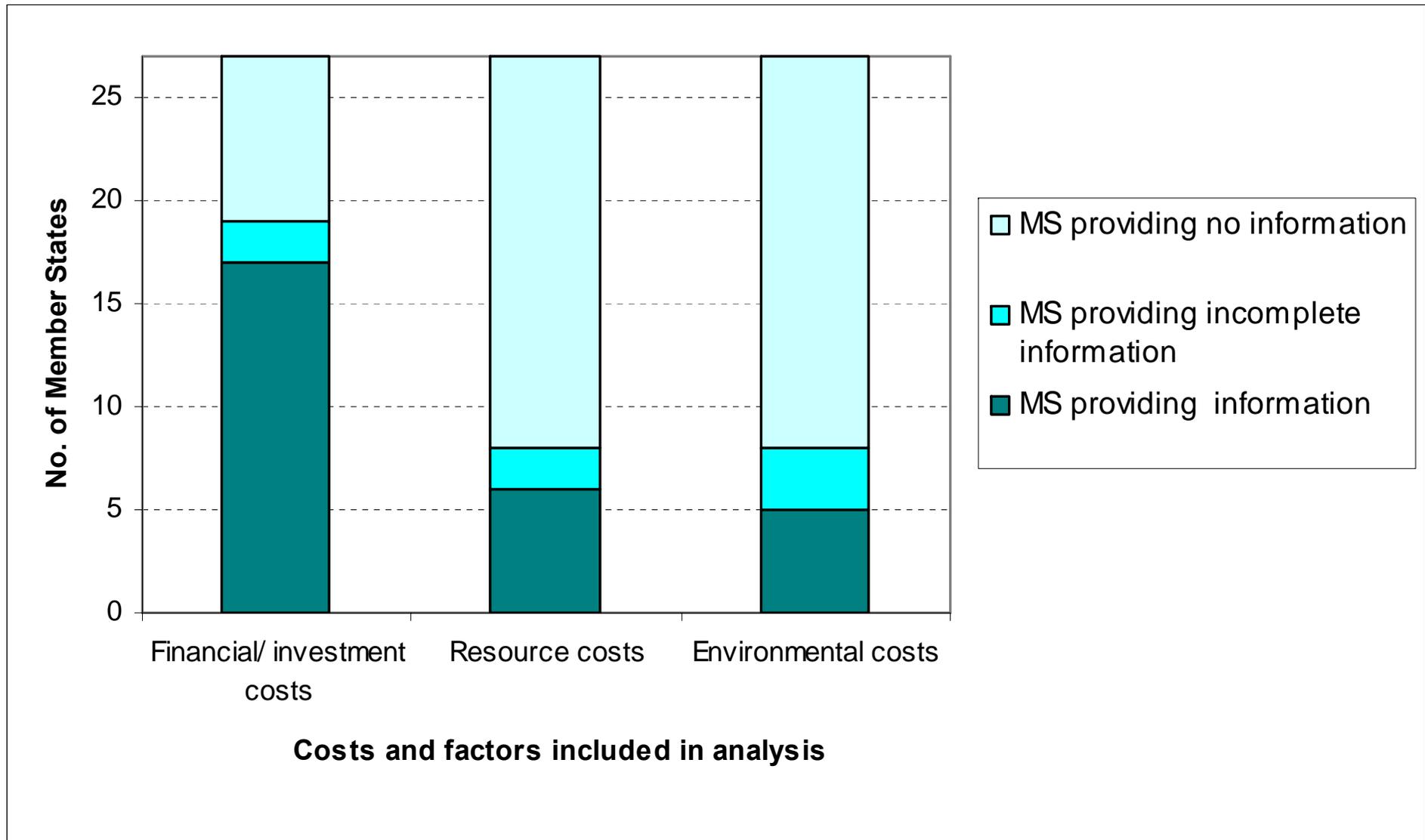
Information available on cost recovery

(1st WFD Implementation Report)



Costs considered for cost recovery

(1st WFD Implementation Report)



In-depth assessment

- **To follow up on issues identified in 2007 WFD Implementation report**
- **Inform the development of the reporting format for first RBMPs**
- **Provide information on how to improve implementation of economic tools in WFD**
- **Inform the development of compliance checking approach**
- **Looked as water service and use definitions, cost recovery, base-line and cost-effectiveness...**



Findings and concerns

(In-depth assessment)

- **These analyses focused mainly on:**
 - Presenting the economic importance (today, 2015) of the main water uses
 - Assessing financial cost-recovery for « classical » water services (public drinking water & sewage services)
- **Limited attention was given to:**
 - The assessment of environment and resource costs
 - Whether the *polluter-pays principle* is made operational in practice
 - Whether existing pricing provides an incentive for a wiser use of water resources
 - Cost-effectiveness of measures (about half)
- **Concern :**
 - Information often always unclear and incomplete (e.g. financial costs, cost-recovery,)
 - 2010 (the deadline for Article 9) is not very far ahead...



River Basin Management Plans and Programmes of Measures



River Basin Management Plans

- Summary of pressures and impacts
- List of environmental objectives, and identification of instances where use has ben made of exemptions
- Summary of the economic analysis
- Summary programme of measures :
 - Including art 9, supplementary measures...
 - Operational 2012, but 2010 for water pricing
- Report of the practical steps and measures taken to apply the principle of recovery of the costs of water use in accordance with art. 9



Cost-effectiveness of the programme of measures

- Ultimately responsibility of the Member States to carry out a CEA
- Strong link to disproportionate costs.
- Report on CEA (2005) – no specific methodology recommended
- Article indepth assessment found that only half of the Member States had included some information on cost-effectiveness – reflected the 2004 situation.



Exemptions & disproportionate costs

- Environmental objectives of good ecological, chemical and quantitative status to be achieved in 2015 – by water body
- Exemptions – delayed achievement, or lowered objectives require thorough justifications :
- Guidance disproportionate costs:
 - Political judgement informed by cost-benefits of measures
 - Starting point CEA of PoM
 - Margin of costs over benefits,
 - Qualitative and quantitative assessment
 - Costs for existing legislation cannot be considered



Cost-benefit assessment (2007 Study)

- Commission statement at the time of adoption of the WFD
- Report issues in 2007
- Full cost-benefit assessment only in a few countries (NL, UK, FR)
- Many methodological shortcomings,
 - Benefit assessments
 - Consistent cost assessments
 - At the time of the report, PoM not available, making the assessments difficult
- No full EU wide Cost-benefit assessment possible due to lack of data.



Draft River Basin Management Plans

(2nd European water conference document)

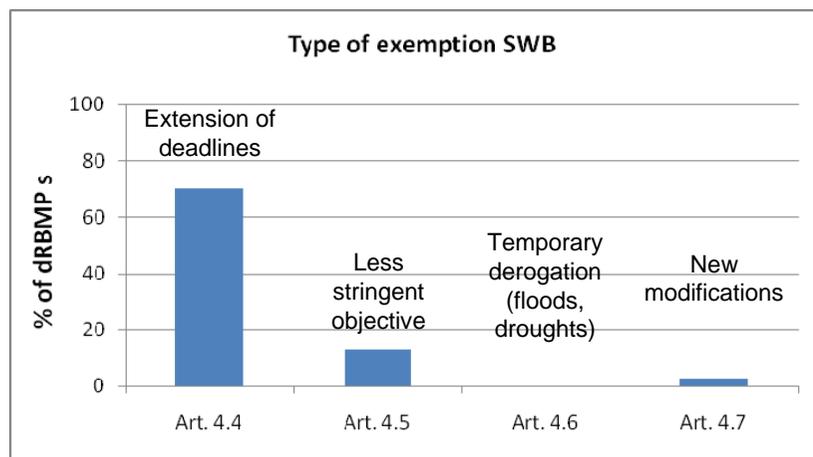
- **First completeness check :**
 - **Economic analysis** included in most plans but several economic assessments still ongoing
 - POMs : Many draft plans **do not include** (or do not explicitly refer) to a **cost-effectiveness analysis** of measures

- **Some RBMPs include also:**
 - A detailed evaluation of the distribution of the costs of the PoM between geographic areas and sectors
 - A discussion on the level of cost disproportionality to justify exemptions is also included.

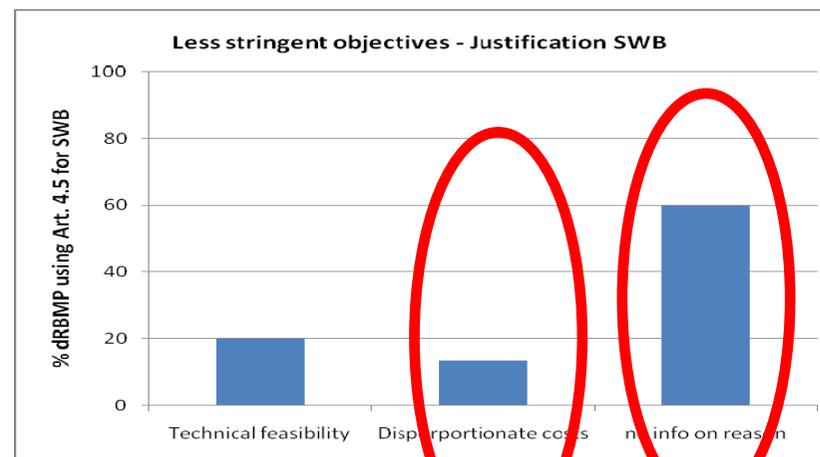


Draft River Basin Management Plans

(2nd European water conference document)



- Insignificant use of the exemption for new modifications
- Seems in contradiction with e.g. expansion of hydropower
- Reasons not clear

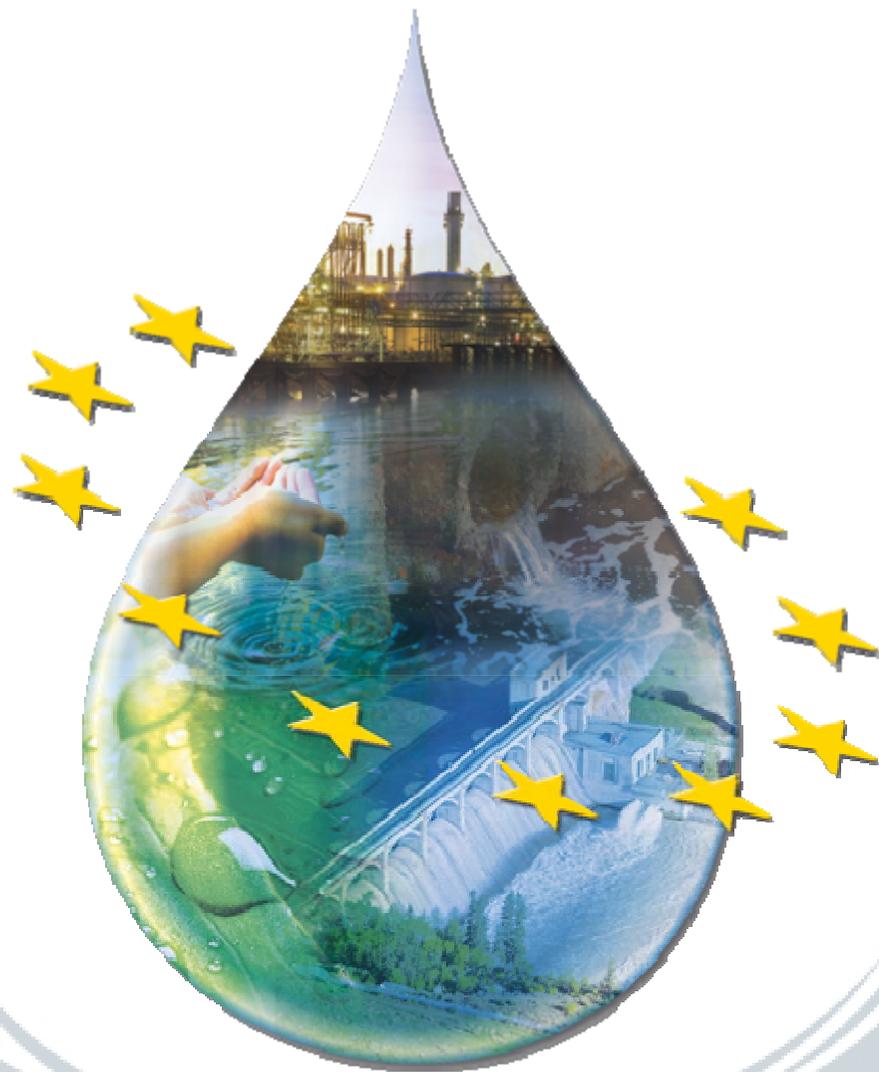


- In most cases justification for less stringent objective not found or not clear
- That's not what the WFD requires and that's not what we agreed with Member States in the CIS process!

Transparency key - use of exemptions



Water pricing



Economic instruments for sustainable water use – article 9

- Water pricing policies to be established in 2010, for water services
- Full cost-recovery, including environmental and resource costs
- Adequate contributions of water users
- Prices to give incentives to sustainable water use
- Regional, climate, socio-economic issues can be taken into account



Draft RBMP on water pricing

(2nd European water conference document)

- **Water pricing is referred to in only 60% of the RBMPs**
 - The limited attention given to water pricing is unclear and rarely explained in a sound manner.
- **In accordance with Annex III (economic analysis) of the WFD, this analysis includes estimates of:**
 - Volume, prices and costs associated with water services (85% of the cases)
 - Relevant investments (two third of the cases)
- **No attention is given to « incentiveness »**
- **The focus is on agriculture/industry (water pricing being already common for households)**
- **References to water pricing are highly diverse!**
 - Justifying the *status quo*, lack of new measures...



Reporting



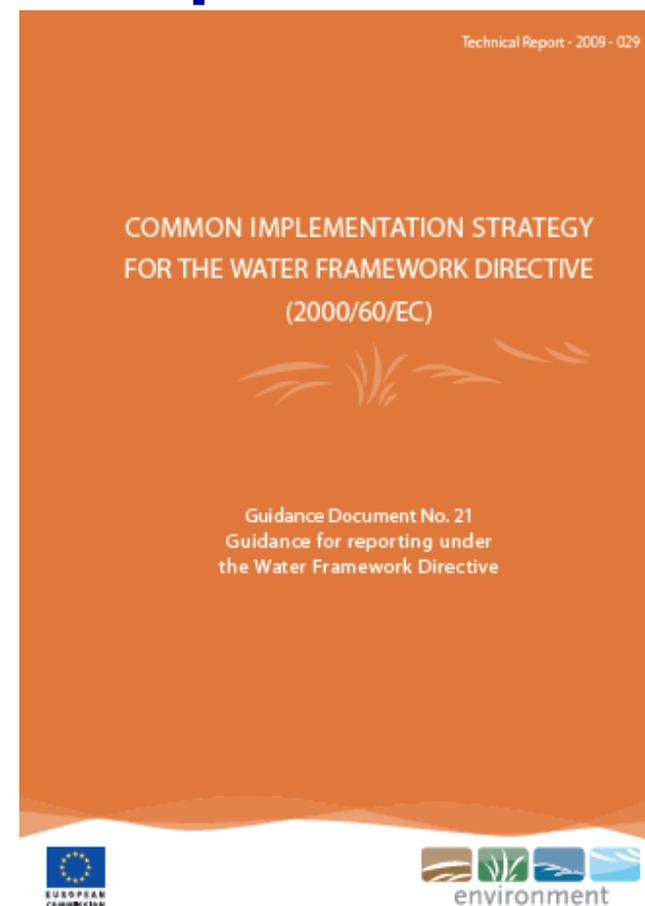
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Reporting of economic aspects

- Reporting sheets published in Guidance document n° 21 agreed end 2008
- Reporting sheets ≠ River Basin Management Plans
- Methodological questions – to help Commission understand HOW economic aspects have been dealt with
- Compliance indicators



Meeting of European RBD Authorities, Stockholm (SW) 21-8.2009



Compliance indicators (examples)

- **Have Member States prepared a comprehensive economic analyses including all elements of and being consistent with the Directive?**
- **Where necessary, have estimates of the volume, prices and costs associated with water services been provided;**
- **Where necessary, have estimates of the relevant investment including forecasts of such investments been provided;**
- **How has long term forecasts of water supply and water demand been taken into account in the principle of the recovery of the costs of water services;**
- **Have approaches been identified showing that the economic analysis was used to assist in judging cost effectiveness;**



Compliance indicators (examples)

- **Have Member States have ensured that the measures to implement Article 9 address all three main elements of Art 9: i) incentive pricing; ii) adequate contribution to cost-recovery including environment and resource costs, iii) polluter pays principle.**
- **How has the definition of water services and uses been implemented in practice;**
- **How water pricing policies provide adequate incentives for users to use water resources efficiently;**
- **Which approach was taken to ensure that water uses are providing an adequate contribution to the recovery of the costs of water services;**





Next steps on economics in the Common Implementation Strategy

Future activity on Economics Common Implementation Strategy 2010-2012

- **Water Directors requested a renewed focus on economic issues in future CIS work.**
- **Need to follow-up on recent assessments of implementation of the economic elements of the WFD.**
- **Workshop on WFD economic issues 2010 with the aim of identifying possible future work on economics :**
 - **Ex-post evaluation of 2003 WATECO guidance**
 - **Prepare for Art.5 economic analysis in 2013**
 - **Further discussions on technical WFD implementation issues and economics (e.g. enhancing integration between economics and other areas).**
 - **Link research projects/pilot projects to EU policy level**
 - **Information sharing on economic methodologies developed and applied by MS (CEA, CBA, ...)**





Thank you for your attention

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