Making economics work for the environment

Survey of the economic elements of the Article 5 report of the EU Water Framework Directive

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Who pays the WFD bill?
WFD: Far Reaching Objective

- Aquatic ecosystems deviate only slightly from a natural state
- A milestone towards
  - Safeguarding Europe’s biodiversity
  - Secure and fair water supply
  - Increasing resilience against climate change impacts
WFD: Far Reaching Objections

- “The end of agriculture”
- “Who pays the billions for restoration”
- “Years of discussions on how to apply exemptions, rather then on how to achieve the objective”

⇒ Eco-efficiency needed

- Technological measures insufficient
- WFD offers a framework
  - Work with the public and
  - Use new instruments: territorial planning, economic instruments
Environmental integration

• Time to make it happen (Energy, Transport, Agriculture)
  – The costs of not doing it?
    • *Falling water levels, eutrophication, biodiversity declines, security of supply at stake*...

• Who is doing it?
  – Who pays for what in water management?
  – ARTICLE 5 REPORTS!
Survey of Art. 5 Reports

- Aimed at reviewing the economic aspects
  - Does the definition of “water services”, the analysis of cost recovery and water pricing
    - Ensure transparency,
    - Implement of polluter pays and recovery of environmental costs principles
    - Link to results of pressures&impacts assessment and to selection of cost-effective measures

- Will the reports encourage use of economic instruments to achieve objectives?
- Is it a basis for environmental integration?
Scope of survey
- 20 Countries
- 25 River Basin Districts

Methodology
- Questionnaire
- Consistency and verification
Setting the scene

- Findings from pressures & impacts assessments
  - Around half of surface and ground water bodies fail to achieve good status
  - 30% of surface waters preliminarily identified as heavily modified
  - 18 of 25 reports identify hydromorphology as main environmental problem
  - Most often mentioned sectors related to hydromorphological pressures are agriculture, navigation and hydropower
Findings on “Water Services”

- Not always properly defined
- Mostly very narrow definition – drinking water and sewerage
- In 6 reports definition includes
  - Irrigation infrastructure and drainage
  - Dams for power
  - Infrastructure for navigation
- Sometimes services explicitly excluded without justification
  - i.e. infrastructures for hydropower, navigation and flood control in Germany and Austria
Findings on “Cost Recovery Analysis”

- Not done for all identified water services and in general restricted to drinking water and sewage
- Financial costs – yes
- Environmental costs only in 8 of 25 cases
- Only 2 reports made an effort to assess infrastructure serving hydropower and navigation (FR, LV)
- Low transparency, lacking justifications
- In only 7 case appropriate public participation reported
Findings on “Water Pricing Analysis”

• Mostly done and environmental taxes/charges or subsidies investigated – but no coherence in approaches
• No link to environmental pressures & impacts
• Very limited investigation of effectiveness

⇒ Do governments take economic instruments serious at all?
Conclusions

- Economic analysis
  - Lacks transparency
  - Fails to support environmental principles and to integrate environmental concerns
  - Risks ineffective measures and unfair burden sharing
- **Do it again and better** – get the water service definition right!
- Can save billions and avoid the loss of a healthy environment
Report can be downloaded at www.eeb.org