



European Environmental Bureau

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 than on how to achieve the objective"*

⇒ **Eco-efficiency needed**

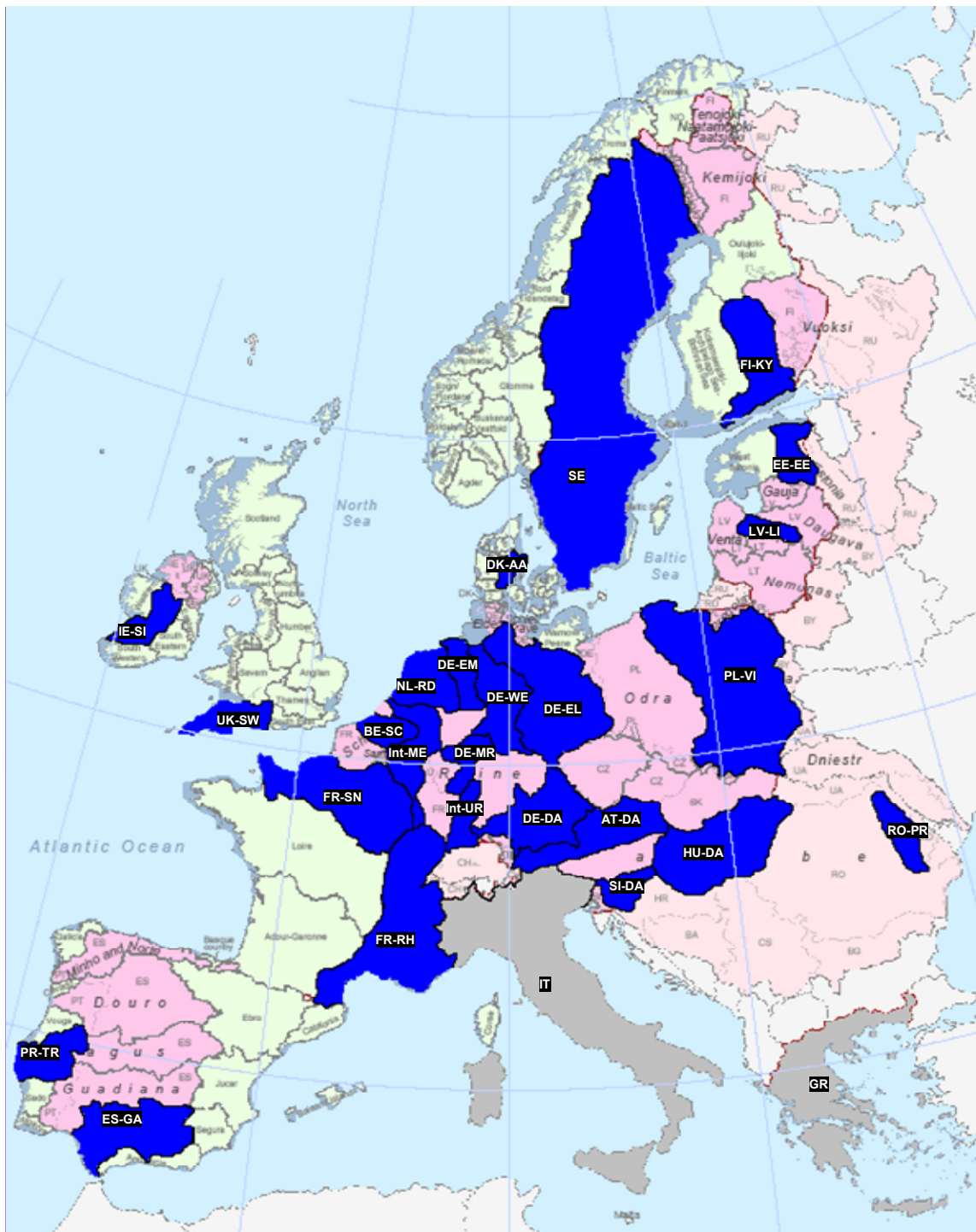
- Technological measures insufficient
- WFD offers a framework
 - *Work with the public and*
 - *Use new instruments: territorial planning, economic instruments*

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