



C e n t r e
E m i l e
B e r n h e i m

Setting the scene - theoretical considerations

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WATER AFFORDABILITY IN EUROPE

Challenges, Approaches, Solutions

Panel Session II: Reconciling cost recovery, sustainability and affordability

Content

1. Article 9 - Principle of the costs recovery of water services
2. Articles 4 -11 – Environmental objectives - Programme of Measures
3. How to reconcile cost recovery? Environmental, Economic and Social considerations
4. Disproportionality
 - Environmental Costs and Benefits
 - Affordability
 - Exemptions
5. Conclusions

- Article 9 - Principle of the costs recovery of water service

“Member States shall take account of the principle of recovery of the costs of water services, including environmental and resource costs...”

Water (...) *“Water is not a commercial product like any other but, rather, a heritage which must be protected, defended and treated as such”.* (1) DCE Intro


- Principle of recovery of the costs
- Water services including environmental and resource costs
- Polluter pays principle (internalisation)

- Articles 4 -11
- Environmental objectives -> Good Status (GS) water bodies (2015)
- Programme of Measures (PoMs) (...*“the most cost cost-effective combination“*...)
- Costly

- How to reconcile cost recovery? Environmental, Economic and Social considerations
 - Exemption: Article 4.4 (time extension GS, ->2021->2027), ..
 - Natural, technical and economic reasons
- Disproportionality
- A cost-benefit appraisal


“The margin by which costs exceed benefits should be appreciable and have a high level of confidence“. CIS Guidance N°1
- An affordability appraisal

“... the decision-maker may also want to take into consideration the ability to pay of those affected by the measures and some information on this may be required“. CIS Guidance N°1

- Costs and Benefits appraisal
- Costs (Article 9, Article 11)
- Benefits: water quality improvement, PoMs improvement -> C 
- Monetary values: use (direct, indirect), non-use (bequest, existence,..)
- Assessment
 - use values: available market prices, costs based approach (restoration costs,.. as proxy), revealed preference (hedonic pricing, ..), stated preference (contingent valuation, ..)
 - Non-use value: stated preference (contingent valuation, ..)
 - Benefit transfer: meta-analysis

- Applications in practice
- use values: low availability of market prices, costs-based approach cannot be used as proxy for cost-benefit ratio, revealed preference is limited to housing/recreational activities, stated preference lacks of credibility among scientists (WTP -> Affordability)
- Non-use value: stated preference lacks of credibility among scientists (WTP -> Affordability)
- Benefit transfer: lacks of credibility among scientists
- As a result too much applications with stated preference methodologies meaning positive cost-benefit margin and uncertainties (Total value)

- Affordability
- “... the decision-maker may also want to take into consideration the ability to pay of those affected by the measures and some information on this may be required.” CIS Guidance N°1
 - Links with Art. 9
 - Water Pricing: Equity Vulnerable groups/ **incentives** for efficiently using water resources.
- Disproportionality – Exemptions
 - Costs – Benefits margin and Affordability: weighting - trade-off
 - Political decision: democratic process (sustainability criteria)

- Conclusions
- Reconciliation issues: while waiting for the revision of the Directive
 - Improving transparency and reducing complexity: information asymmetry
 - Improving credibility and reducing uncertainties : methodological weaknesses “*high level of confidence*” 
 - Improving transparency in decision making: rules for methodological choice (*competition between Member States*)
- Environmental objectives

“... only what is rare is valuable and water, which is the best of all things , is also the cheapest ...” Plato

Thank You