

How can economics best support water policy decision making ?



Debrecen – June 6 to 9, 2007

An aerial photograph of a village nestled in a valley. A river flows through the valley, curving around a green hillside. The village consists of several buildings, including a large white building and a church with a red roof. The surrounding hills are covered in green trees and fields.

Economics and WFD : lessons from the Rochehaut Summit

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The Rochehaut summit : who, where, when and why ?

- 20 experts (economists) from the river basin authorities having a cooperation agreement with Artois-Picardie river basin : Bulgaria, Romania, Latvia, Moldova and Malta were invited
- the 4 days seminar took place in Rochehaut (Belgium Ardennes) from 16 to 20 April 2007
- the objectives was :
 - to review the current development of economic activities linked with the implementation of the Water Framework Directive
 - to identify good practices, difficulties, solutions
 - to develop a short document with illustrations and recommendations (to be disseminate)

The Water Framework Directive and its economic elements

- The EU Water Framework Directive set environmental objective (good ecological status) for all the water bodies (surface water, groundwater, coastal water). These objectives have to be achieved by 2015
- to meet these objectives, the MS have to develop in each district a programme of measures (i.e. actions) included in a river basin management plan for which the public will be consulted
- economic analysis play an important role in this process : cost-effectiveness analysis for selecting the measures, cost-recovery analysis and implementation of an incentive pricing policy, justification for the derogation to good status objective

Main issues identified with regards to assessment for derogation

The focus – the central focus of derogation is on environmental improvement and on the optimum speed of implementation of measures (time derogation) and level of environmental protection/water status (objective derogation) that account for both ecology and financial aspects/economics.

- Derogation does not apply to basic measures. They are only relevant to supplementary measures and to “all practical measures” identified in the context of the heavily modified water body designation.
- It is important that the assessments/methods proposed for justifying derogation do not lead to a systematic exclusion of supplementary measures – as some of these might be highly (cost)effective and in some cases pre-condition to achieving good water status (e.g. some measures on morphology).
- Time derogation has to be considered in priority – prior to envisaging objective derogation and lower ambitions in the programme of measures and implementation of the WFD.

Main issues identified with regards to assessment for derogation

The wider policy context – It is important to put the issues of derogation into the wider context of “who will pay at the end for the costs of reaching good water status” – thus in relation to Article 9 and cost-recovery.

- What are today's financing and cost-recovery mechanisms in place? What will be the implications of implementing the programme of measures to the different sectors/water uses?
- With regards to industry, the assessment need to account for potential negative impacts on competitiveness that might lead to delocalisation – although the relative share of water costs in total production costs is marginal for most of the industrial sectors.

Main issues identified with regards to assessment for derogation

Indicators – a diversity of factors and variables can be considered for capturing the issues of cost-disproportionality.

• Possible indicators and factors that can be investigated include comparing:

- (i) Total costs of the programme of measures versus total benefits;
- (ii) Total costs of the programme of measures versus actual costs for protection of the aquatic environment (increment in environmental protection);
- (iii) Total costs of supplementary measures versus total costs of basic measures (not necessarily of the same order of magnitude as actual costs);
- (iv) Total costs of the programme of measures as compared to GDP;
- (v) total costs of the programme of measures versus financing capacity (including private and public financial resources);
- (vi) Relative share of water bill in total disposable income (households);
- (vii) Relative share of water bill/costs of measures in % of total production costs/total value added (for industry/economic sectors).

Main issues identified with regards to assessment for derogation

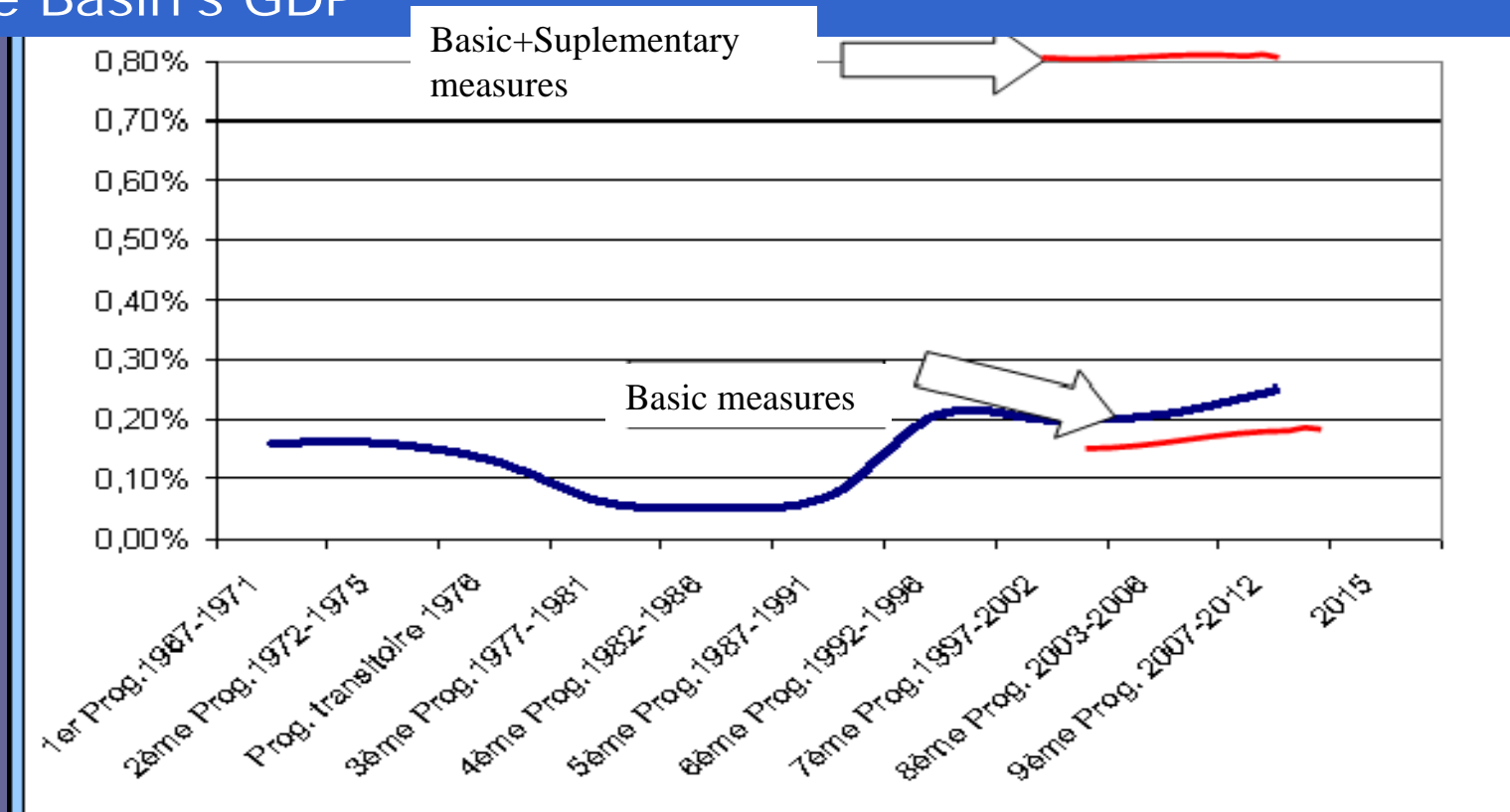
Draft #1 of the Programme of measures
(cost in million euros)

	Total	Per year
Basic measures	879	146
Supplementary measures	3 929	655

Illustration from the Artois-Picardie River Basin

Main issues identified with regards to assessment for derogation

Evolution (1967-2012) of the economic weight of the works financed by the Water Agency Artois-Picardie compared to the Basin's GDP



Main issues identified with regards to assessment for derogation

Uncertainty – every cost and benefit will be estimated with a certain level of bias, error, uncertainty.... The approaches that might be proposed to tackle uncertainty in the disproportionate cost assessment (e.g. the requirement to provide a range of costs and benefits instead of central/single values) needs to be identified and compared.

Main issues identified with regards to assessment for derogation

Defining the assessment steps – the different steps to be followed for assessing the relevance of derogation needs to be well specified in the context of the overall river basin management planning process.

The process - the importance to interact with stakeholders when deciding on derogation/disproportionate cost issues has been stressed by all participants in the workshop.

Some more outputs and conclusions from the Rochehaut Summit

The development of Programme of Measures in Bulgaria – a draft document has been produced during the summit regarding the situation of Bulgaria where the process of PoM is just beginning. This document provided a proposed approach for identify measures (through the development of a national catalogue of measures) and assessing these measures (cost and effectiveness) through a process involving stakeholders. This document will be presented during a TAIEX seminar in Plovdiv (28 & 29 June).

The need for such events involving economist in charge of the implementation of the WFD.

Main issues identified with regards to assessment for derogation

The synthesis from Rochehaut summit on :

www.eau-artois-picardie.fr

www.twinbasin.org