Which role for economics in the implementation of the EU Water Framework Directive ?

Arnaud Courtecuisse

Artois-Picardie Water Agency

Miedzyzdroje, 23 April 2002

The WFD gives to economics a key role to play :

- by the use of economic instruments as potential measures for achieving environmental objectives
- by the use of economic analysis all along the process

The WFD gives to economics a key role to play but :

- it does not mean that making economic analysis is the objective of the WFD
- economic analysis needs to be integrated into a multidisciplinary approach, be output delivering more than data demanding…

..the development of a guidance document by WATECO Working group

The WATECO group in a nutshell

Members: Member states, CEE experts, REC, candidate countries, stakeholders

Activities

5 meetings

Workshops with stakeholders (Bruxelles), candidate countries (Budapest)

scooping and testing activities

2 meetings/workshops with HMWB,

contacts with IMPRESS and BESTPRACT

A practical and pragmatic approach

- A mixed group of experts
- With commitment & input from Member States, candidate countries, stakeholders
- Interaction with other working groups (HMWB, IMPRESS, BESTPRACT)
- 2004, 2006 and 2009 requirements identification

A practical and pragmatic approach

Draft guidance (General approach and toolbox)

Pilot case studies (DE, SE, EL, ES, UK, FR, PT ..., Scheldt)

Lille 3

- WATECO 6 : final draft guidance
- managers workshop
- Water directors meeting (June)

The guidance document for economic analysis

- The economic elements of the WFD
- Implementing the economic analysis

The 3 steps approach

- The toolbox: making key elements of the approach operational

Annexes (illustrations, scooping and testing, …)

Economics in the WFD

Article 5, Annex III

Estimates volume , prices and costs of water services,

Estimates present and forecast investments

Cost effectiveness analysis of measures

Article 9 :

Taking into account the principle of cost recovery

Support development of incentive pricing

Economics in the WFD

Designating HMWB (*Art. 4.3*)

Extending deadlines for meeting the objectives (*Art. 4.4*)

Establishing less stringent objectives (*Art. 4.5*)

Justifying failure to achieve good status as a result of new modifications or new sustainable human development activities (*Art. 4.7*)

Identify cost effective and proportionate product and process controls (*Art. 16*)

Set level of penalties (*Art. 23*)

The guidance document for economic analysis

The three steps approach

1-The initial status and the baseline scenario (for 2004)

2 - meet the objectives / failing to achieve good status (for 2006)

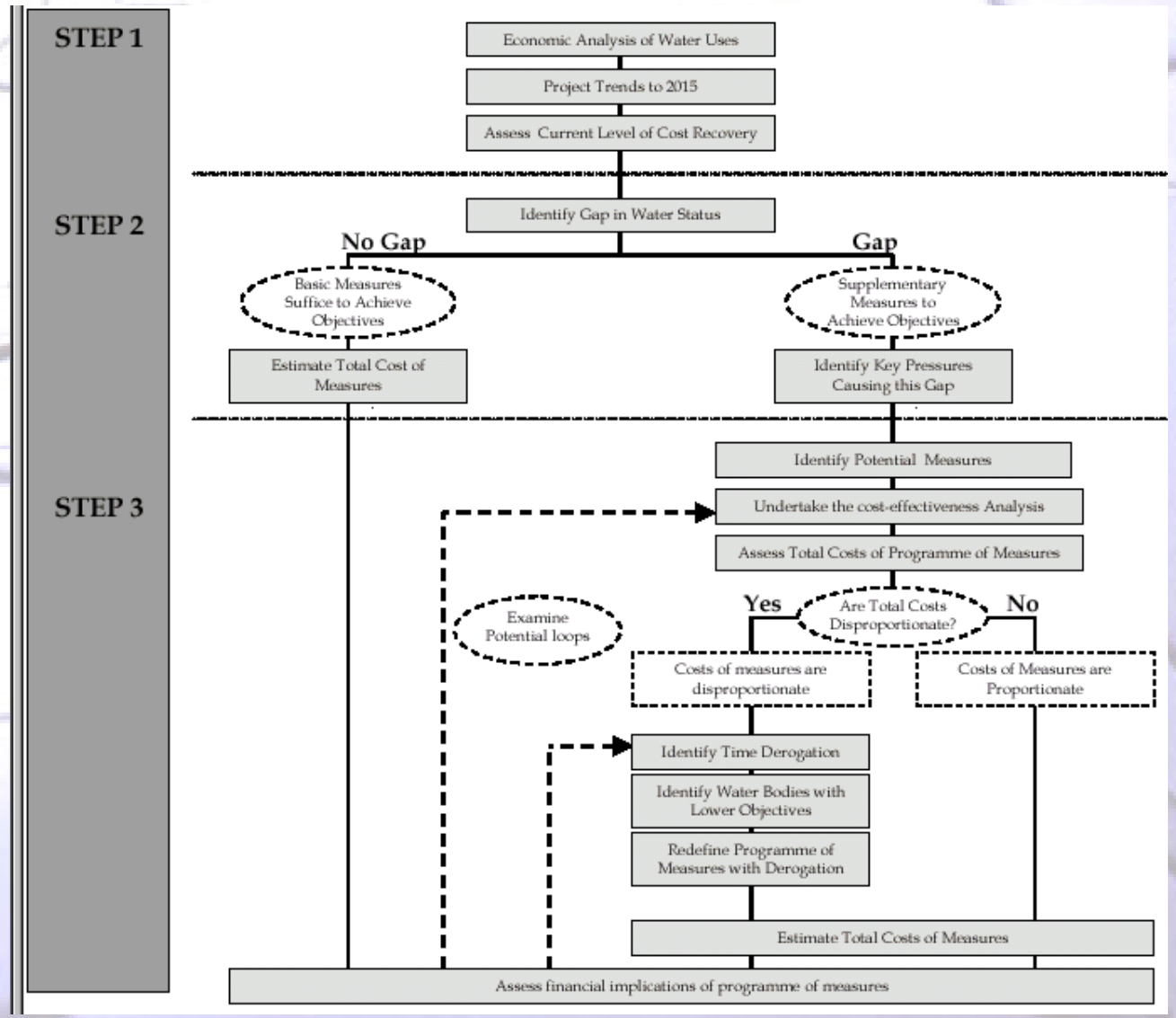
Programme of measures

3 - Disproportionate or not ?

Ability to pay

Cost benefits analysis

Cost effectiveness analysis (for 2008)


STEP 1
STEP 2
STEP 3
Economic Analysis of Water Uses
Project Trends to 2015
Assess Current Level of Cost Recovery
Identify Gap in Water Status
No Gap
Gap
Basic Measures Suffice to Achieve Objectives
Supplementary Measures to Achieve Objectives
Estimate Total Cost of Measures
Identify Key Pressures Causing this Gap
Identify Potential Measures
Undertake the cost-effectiveness Analysis
Assess Total Costs of Programme of Measures
Examine Potential loops
Yes
Are Total Costs Disproportionate?
No
Costs of measures are disproportionate
Costs of Measures are Proportionate
Identify Time Derogation
Identify Water Bodies with Lower Objectives
Redefine Programme of Measures with Derogation
Estimate Total Costs of Measures
Assess financial implications of programme of measures

The toolbox

Water services and water uses

Assessing cost recovery

Costs

Incentive pricing

Scale and (dis-) aggregation issues

Trend analysis and baseline scenario

Assessing benefits

Disproportionate costs

Assessment of costs and benefits

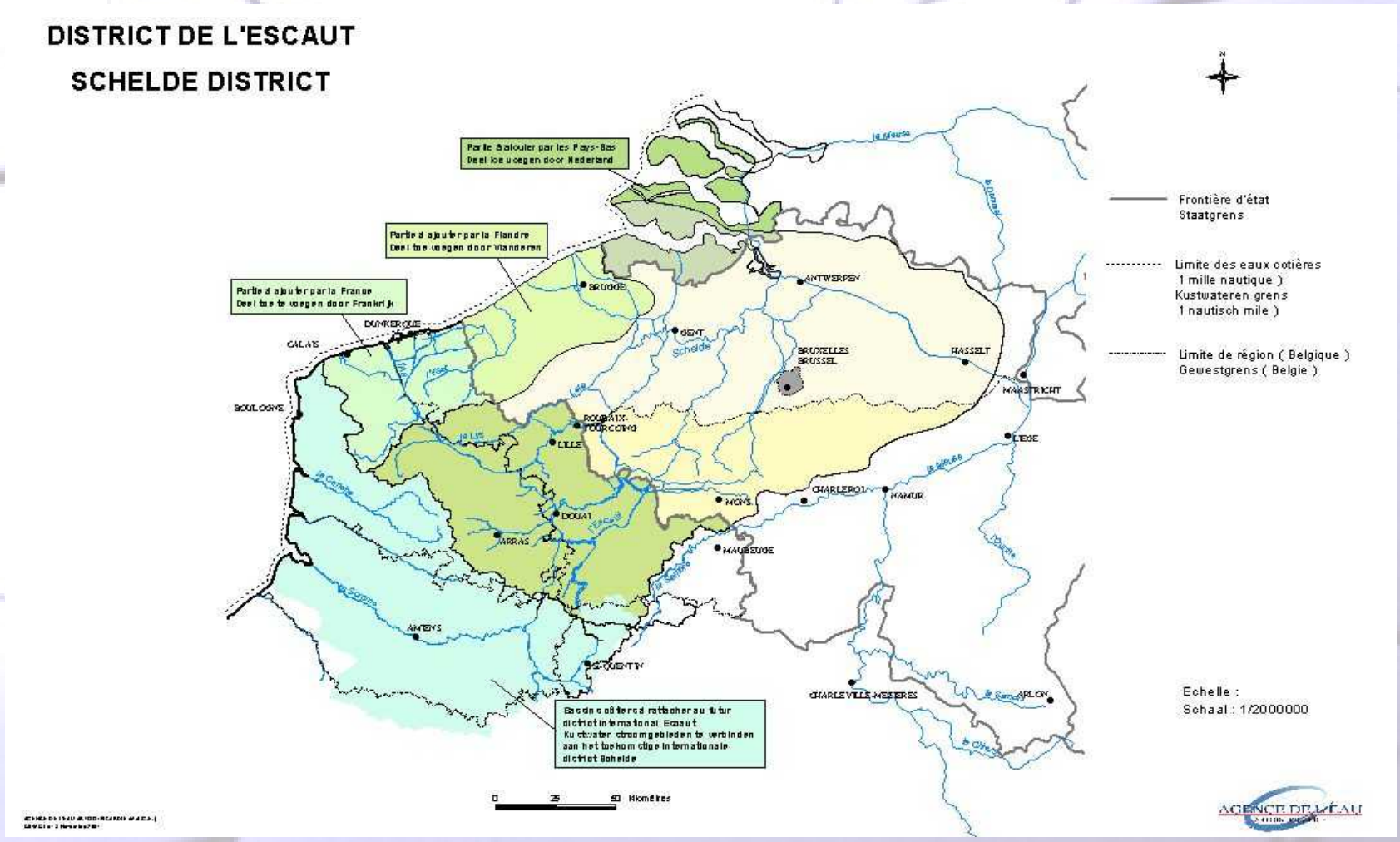
Cost-effectiveness analysis

Key issues to enhance implementation of the economic analysis

- Define good status !
- Assess the effectiveness of measures !
- Link economics and Article 14
- Anticipate compliance deadlines !

  a strategic approach to data and analysis
- Build capacity !

Testing of the Guidance Document on the Scheldt River Basin (France,Belgium and Netherlands)

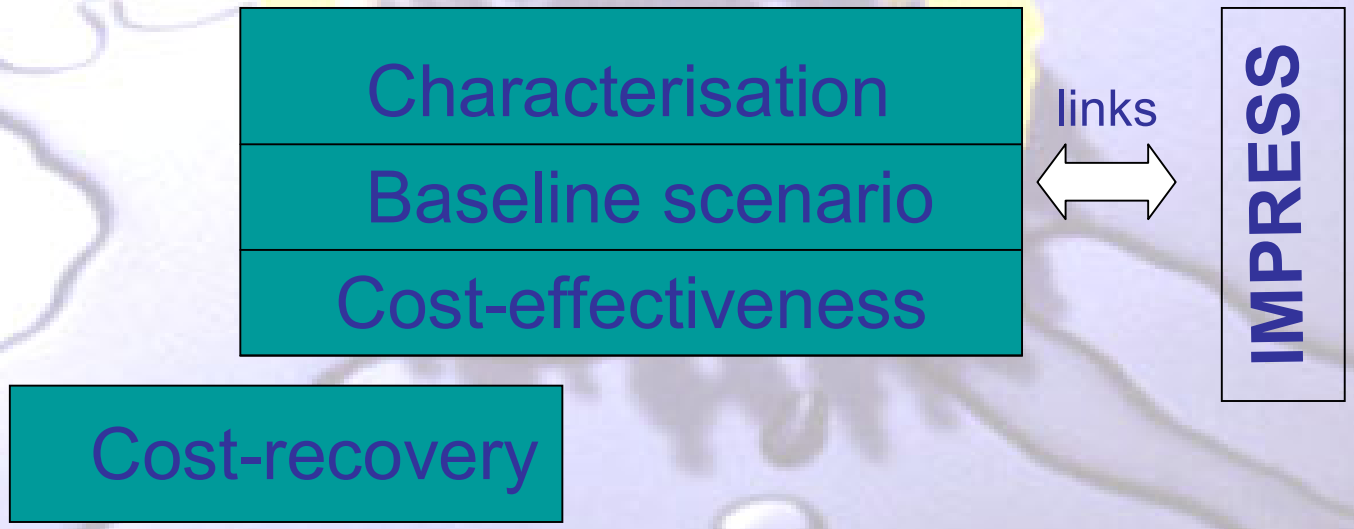


Preparing the pilot: background

- International Commission for the Protection of the Scheldt (ICPS) : 5 parties involved (F, W, Fl, Bx and Nl)
- Action Program : Water quality objectives, Indicators sharing (Emissions Working Group : 5 actions dealing with economics (deadline 2003))
- The ICPS/WATECO working group has submited a proposal for testing the Wateco 's guidance document on the international Scheldt basin

Objectives

How to make operational some elements from the Draft Guidance document…..



…..on an international River Basin

The Scheldt Pilot

Key issues

- development of 3 case studies : Water Quality, Groundwater Abstraction and Morphology
- Trans-national context (water management system, data, scale,...)
- importance of Links between expertise (economics, impact & pressure)
- Assess the feasibility of the process rather than undertake a detailed «analysis »

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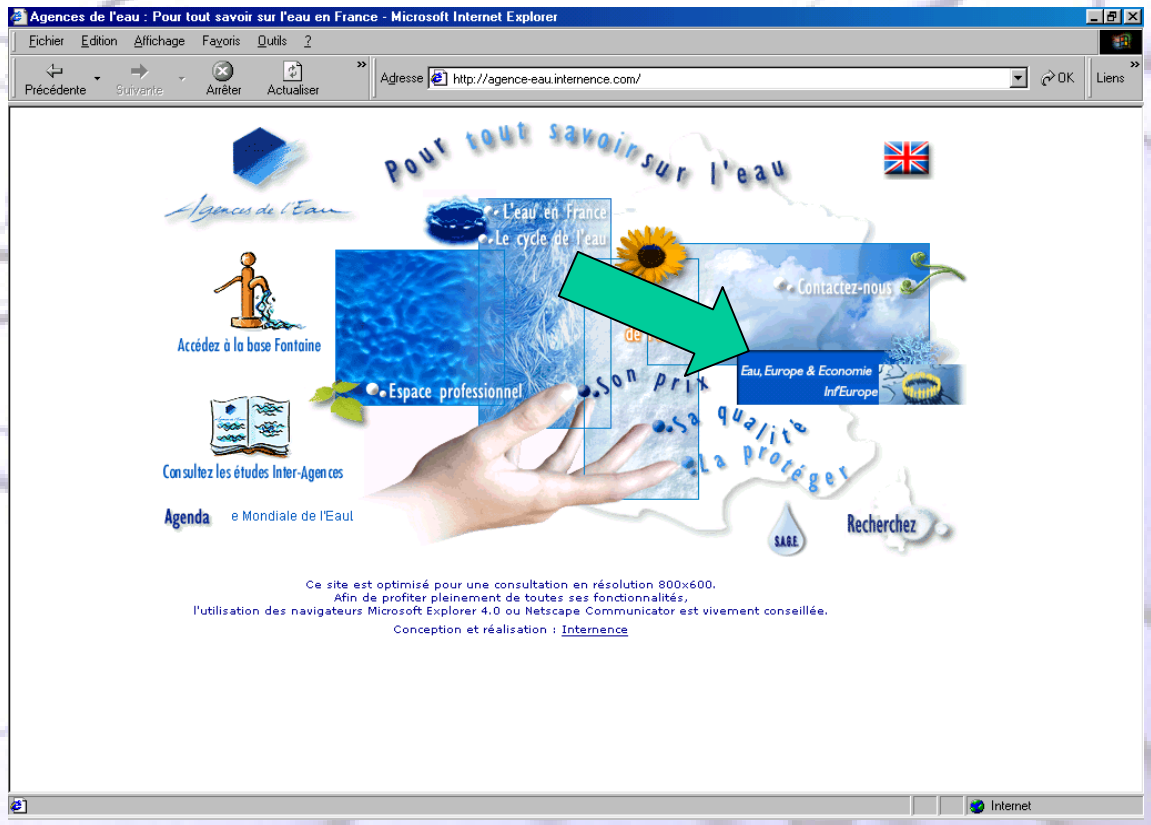

« There is nothing like common water to unite people and peoples »