Regulated tariffs to finance resilient water infrastructures

Christian Minelli, ARERA (Italy) and Head of WAREG Secretariat
A public economic perspective on water services

- No-profit association, since 2014 (Milan, Brussels)
- National & regional Public Authorities with public objectives:
  a) Recover utilities’ efficient costs through tariff incentives
  b) Uniform quality standards for DW & WW services for all citizens
  c) Effective realization of investment planned by utilities

- 34 Regulators, overseeing 400+ million consumers:
  - 18 EU Member States + UK
  - 4 EU Candidate Countries
  - 4 EU Partners

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## A menu of public policies for a greener Europe

<table>
<thead>
<tr>
<th>Type of Interventions</th>
<th>Actors</th>
<th>Strength</th>
<th>Drawbacks</th>
<th>e.g.</th>
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</thead>
<tbody>
<tr>
<td>Compulsory behaviour</td>
<td>Law makers (Parliaments and Governments)</td>
<td>Timeline</td>
<td>Risk of economic losses caused by the behaviour required</td>
<td>Energy neutrality goal set by the new proposal of UWWTD</td>
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<tr>
<td>Economic incentives</td>
<td>Regulatory tools</td>
<td>Timeline; Reduced risk for companies thanks to cost recovery rules; high frequency of control</td>
<td>Risk of reducing market engagement in a circular economy and increasing the tariff burden for customers</td>
<td>Cost recovery; hybrid till; innovation based; kpi monitoring and incentives</td>
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<td></td>
<td>Independent authorities, ministerial agencies</td>
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<td>Other public interventions</td>
<td>Public bodies and banks</td>
<td>Lending policies could have a higher economic efficiency than grants</td>
<td>Long-term horizon; Market risk borne by companies in case of borrowing.</td>
<td>Green bond and ESG rating; public funds linked to environmental goals, as next generation EU</td>
</tr>
<tr>
<td>Market and governance</td>
<td>Law makers, regulators, utilities</td>
<td>High economic efficiency</td>
<td>Long-term horizon; Market risk borne by companies</td>
<td>Bioresources market (UK), cap and trade mechanisms (ITA), firms alliance (NL)</td>
</tr>
</tbody>
</table>
In updated plans (concerning 2022-2023 period), for the same period an increased expense for investment is observed, mainly aimed to water losses reduction, due to the effect of PNRR and REACT-EU project of digitalization and network monitoring.
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Thank you!
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