How can economics best support water policy decision making?

Debrecen – June 6 to 9, 2007

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 were:
  - 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 disseminated).
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:
  1. Total costs of the programme of measures versus total benefits;
  2. Total costs of the programme of measures versus actual costs for protection of the aquatic environment (increment in environmental protection);
  3. Total costs of supplementary measures versus total costs of basic measures (not necessarily of the same order of magnitude as actual costs);
  4. Total costs of the programme of measures as compared to GDP;
  5. Total costs of the programme of measures versus financing capacity (including private and public financial resources);
  6. Relative share of water bill in total disposable income (households);
  7. 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)

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<thead>
<tr>
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<th>Total</th>
<th>Per year</th>
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<tbody>
<tr>
<td>Basic measures</td>
<td>879</td>
<td>146</td>
</tr>
<tr>
<td>Supplementary measures</td>
<td>3 929</td>
<td>655</td>
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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.

![Graph showing the evolution of economic weight of works financed by the Water Agency Artois-Picardie compared to the Basin’s GDP.](graph.png)
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.
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-ardois-picardie.fr

www.twinbasin.org