



European Environmental Bureau

# The Article 5 and its economic analysis

A first survey by **EEB/WWF**

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## A long process...

- 2000 – Adoption of the Water Framework Directive
- 2001 – Launching the Common Implementation Strategy
- 2003 – Designation of competent authorities
- 2005 – Article 5 report
- Today (2006): strategies for monitoring, initiating the selection of measures....

## ...with many worries...

- Are we going in the right direction?
- Clearly, some positive signs:
  - Efforts put by Member States at early stages
  - The Common Implementation Strategy
  - (the majority of) Article 5 reports delivered...
  - Some consultation, participation (EU, national...)
- But more in-depth review is necessary at this critical stage

## An EEB/WWF initiative

- Survey of Article 5 reports for selected river basin districts (26)
- Aimed at collecting NGOs views on the process
- With particular focus on economic elements:
  - Definition of water services
  - Cost-recovery assessment
  - Contribution of uses to the costs of water services



**Why do we worry about  
economics?**



# Article 5 Report – 2004

## Environment Assessment:

- Pressures & Impacts
- Main Sectors: Identified as Water Services
- Risk assessment
- ...



## Economic Assessment:

- Water uses
- Cost Recovery for Services, including financial, environmental and resource costs
- Cost-effectiveness measures
- ...



# Measures: Article 11 – 2009

- **Balanced** view on alternatives (less HMWB)
- **Funding** for restoration and mitigation (less lower objectives)
- ...
- **Art. 4.3 (HMWB), 4.5 (lower objectives) and 4.7 (new development)**
- Disproportionate costs
- Overriding public interest

Environmental benefits  
Business costs

# Article 9 – 2010

- **Support** environmental objectives
- **Incentive** for efficient water use
- ...
- **Adequate contribution** of users to cost recovery
- Taking into account the **polluter pays principle**
- ...

Environmental and financial costs



## Why NGOs should care about the definition of „Water Services“?



Is there an **overriding public interest** to build this dam? (Art. 4.7)

Is it **disproportionately expensive** to provide ecological minimum flow or fish bypass? (Art. 4.5)



## Using WFD tools, who decides on what basis?

If it is considered as a **Water Use:**  
**BUSINESS**

- „Ensure water pricing as incentives for efficient use“
  - **No assessment of environmental and resource costs required**
- ⇒ Decision will be biased towards business self-interest
- ⇒ Only economical decision on exemptions (HMWB or lower objectives)
- ⇒ No funding for environmental protection (i.e. mitigation)

If it is considered as a **Water Service:**  
**SOCIETY**

- Assess the **financial and environmental & resource costs**
  - Ensure user (i.e. Hydropower) **adequately contributes** to those costs
- ⇒ Creates funding for environmental restoration and mitigation
- ⇒ Allows balanced (economic and environmental) decision of what is overriding public interest or disproportionate



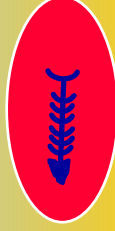
# Article 5 Report – 2004

## Environment Assessment:

- Pressures & Impacts

**Main sectors: Not Identified as Water Services**

- Risk assessment
- ...



## Economic Assessment:

- Water uses
- **Cost Recovery assessment irrelevant**
- Cost-effectiveness measures
- ...

# Integrated Approach

## Measures: Article 11 – 2009

- **Unbalanced view on better alternatives**
- **Limited Funding for restoration and mitigation**
- ...
- **Business self-interest**
- **No Envi Cost Info for Art. 4.3, 4.5 and 4.7**
- Disproportionate costs
- Overriding public interest
- ...



## Article 9 – 2010

- **No Support for environmental objectives**
- **No Incentive for efficient water use**
- ...
- **No contribution of users to cost recovery**
- **Not possible to take into account the polluter pays principle**
- ...







**What did we find?**

# 1. On water services

- Water services not always properly defined in the reports
- A very narrow definition of water services – drinking water and sewerage in the majority of cases
- Other services identified in a limited number of cases include
  - Infrastructure for irrigation water supply
  - Dams for power
  - Infrastructure for rainwater collection
  - Drainage, land improvements for agriculture
- In some cases, other services excluded with limited (no clear) justification
- Self-services included in the definition of water services in half of the cases

## 2. On the cost-recovery assessment

- An assessment restricted to drinking water and sewerage
- Financial costs always investigated (sometimes qualitatively)
- Environmental & resource costs considered in a few cases only
- In several cases, no transparency on how cost-recovery was computed
- Very few assessment of the contribution of uses to the costs of water services

### 3. On the analysis of water pricing

- Water prices often investigated (as part of cost-recovery assessment)
- Very limited investigation of its incentive dimension (indeed, large knowledge gap)
- Economic instruments such as environmental taxes/charges or subsidies analysed – but no coherence in approaches



## 4. On follow-up steps

- Economic analysis for selection of measures mentioned in a few cases
- Activities for filling gaps in knowledge identified in half of the cases – but not always in an operational way

# Overall, how can we rate the economic analysis of Article 5 reports?

		Impacts Assessment	Interpretation "water services"	Cost-recovery assessment	Environmental/resource costs	Contribution of uses to costs
Austria	Danube	😊	😞	😊	😞	😞
Belgium	Scheldt	😊		😊	😊	😞
Germany	Danube	😊	😞	😊	😊	😞
Germany	Elbe	😊	😞	😊	😞	😊
Germany	Ems and Weser	😊	😞	😊	😊	😞
Germany	Middle Rhine	😊	😞	😊	😊	😞
Germany	Oberrhein	😊	😞	😊	😊	😞
Denmark	Arhus Amt	😞	😞	😊	😊	😞
Estonia	Viru-Peipsi	😊	😞	😊	😊	😊
Spain	Guadalquivir	😊	😊	😊	😊	😊
Finland	Rkymijoki-Gulf	😞	😞	😞	😞	😞
France	Rhône	😊	😊	😊	😊	😊
France	Seine-Normandie	😊	😊	😊	😊	😊
Greece	None	😞	😞	😞	😞	😞
Hungary	Danube	😞	😞	😊	😊	😞
Ireland	Shannon	😞	😞	😊	😞	😞
Italy	None	😞	😞	😞	😞	😞
Latvia	Lielupe	😞	😊	😊	😊	😊
Netherlands	Maas	😞	😞	😞	😞	😞
Netherlands	Rhine Delta	😞	😊	😊	😞	😞
Poland	Vistula	😊	😞	😊	😞	😊
Portugal	Tejo/Ribeiras Oeste	😊	😊	😊	😊	😊
Romania	Prut	😊	😊	😊	😞	😞
Sweden	None	😞	😞	😞	😞	😞
Slovenia	Danube	😊	😞	😞	😞	😞
UK	South-West	😞	😞	😊	😊	😊

## Overall, did Member States follow the WATECO guidance principles?

- Integrated? Not yet
- Iterative? Yes, the main justification for explaining current limitations...
- Proportional and targeted to policy decisions? Not yet
- Participatory? Only in a few cases
- Transparent? Not in many (50%) cases

## Which implications?

- For Member States
  - Additional capacity required for the economic analysis
  - Need to review/improve parts of the analyses (priorities given by Pressures/impacts and significant water management issues...)
- For the European Commission
  - Dealing with possible compliance problems?
  - This review can help overall review of Article 5
  - The review cannot be limited to a similar survey....
- For the CIS
  - Coherence in implementation has clearly not been achieved
  - Need further efforts and instruments to ensure coherence?





*Many thanks for your attention*