Economics and Finance: Perspectives from Europe

Thomas Dworak
Objective WFD

- “Good status” must be achieved by 2015 of all Community waters (inland surface and groundwaters and coastal waters)
- No further deterioration
- Use of water resources must be sustainable throughout Europe
Key Principles

- Base water management on river basins but the water body (WB) is the main unit
- Cover water quality (incl. hymo) and water quantity
- Use “combined approach” of emission limit values and quality standards and phase out certain substances
- Develop RBMPs including Programmes of measures for each WB
- Implement the polluter pays principle
- Strengthen public participation
Attaining WFD Objectives

• RBMPs including summaries of programmes of measures should be drawn up in order to reach the goal of “good status”

• Programmes of measures (POM):
  – are developed for each river basin district (transboundary) on the water body level
  – are based on a risk assessment of water bodies and economic aspects
  – should include the most cost effective set of measures to tackle the pressures identified in the risk assessment
  – have to be discussed with the public/stakeholders
  – revised every 6 years
Economics under the WFD

Objectives
• Improve decision making by increasing transparency
• Set economic incentives to protect and save water
• Provide financing
• Prevent disproportional action

Mechanism provided
• Economic analyses of water users
• Water pricing to:
  − Recover costs of water services
  − Set incentives to protect waters
  − Implement polluter pays
• Economic or fiscal instruments (Funding, Trading (- water rights, nutrients))
• Cost effectiveness and cost benefit assessments
Experiences WFD - general

• Increased understanding of the natural-socio-economic system
• Broader dialog among water users/polluters, but need to change behaviour to achieve objectives is not always accepted
• Still several uncertainties (e.g. impacts of measures, etc.)
• Open questions
  – How to make POM operational?
  – How to deal with conflicting policy objectives (e.g. renewable energy)
• Transboundary aspects:
  – Increased understanding among countries sharing a basin but
  – Decision making takes place on different levels in different MS
  – Not always same level of ambition
Experiences WFD – Economic issues

• Positive implementation experiences:
  – improving the effectiveness and transparency of the implementation process
  – strengthening the discussions between the various stakeholder groups

• Most prominent difficulties
  – methodological and data availability
  – integrating economics into the overall decision-making process

• Transboundary cooperation
  – Lack of common definitions
  – Data availability varies and comparison not always possible
  – Different methods applied in each MS
Some thoughts…

- Economics can be a very useful tool to support decision making and to increase transparency…
- …but economic instruments are not the solution – they are part of a solution
- Implementing economics requires time and effort as the key concepts are often not understood by technical experts or the general public
- Several economic instruments exist - choose them carefully in accordance with the objectives you want to achieve
- Implementing / Optimizing economic instruments often requires new data - Make sure that it is collected right from the beginning