

Disproportionate Costs in the EC Water Framework Directive: The Concept and its Practical Implementation

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- **Concluding remarks & outlook**

The Concept of Disproportionate Costs I

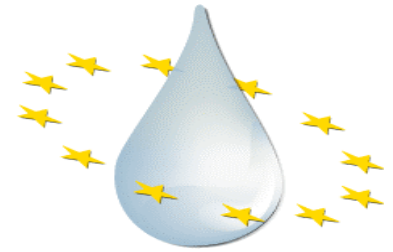
- **Several conditions for exemptions from WFD objectives: economics is one pathway**
 - **Art. 4.4: time extension (2021 or 2027)**
 - **Art. 4.5: less stringent objectives**
in case of *disproportionate costs*
- **Practical interpretation disputed**
 - In proportion to **which reference** should disproportionality be assessed?
 - What's the **threshold** for disproportionality?

The Concept of Disproportionate Costs II

- **Potential approaches** for operationalisation
 - Monetised benefits?
 - Benefits accruing to those bearing the costs?
 - Economic situation / carrying capacity of actors liable to pay?
 - Costs / Cost-effectiveness of comparable measures elsewhere?
- Ultimately a **political decision**
- “Competition of ideas” in EU Member States

The Discussion at the EU level

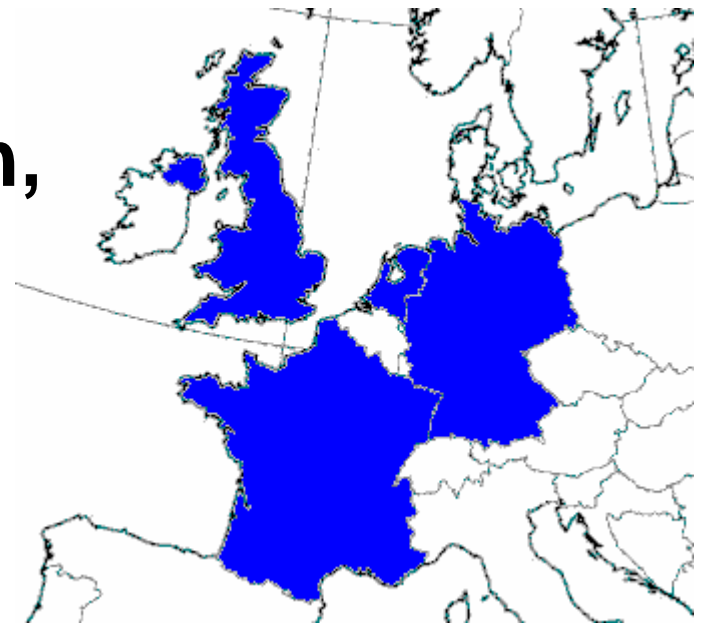
Wateco guidance document (2002):



- **Disproportionality decided by MS on a case-by-case basis**
- **Disproportionality is a “political judgement informed by economic information.”**
- **Uncertainty around cost & benefit estimates**
 - not simply $c > b$, but “appreciable margin”
 - qualitative & quantitative components
 - consider *also* the ability to pay of groups and sectors affected by measures
- **No clear definition on applicable criteria**

The Discussion in the Member States

- **No official procedures established yet**
- **Some opinions collected on the basis of grey literature, discussion papers, research reports etc.**
- **Snapshot of the discussion, not official positions!**
- **4 Member States covered: France, Germany, NL, UK**

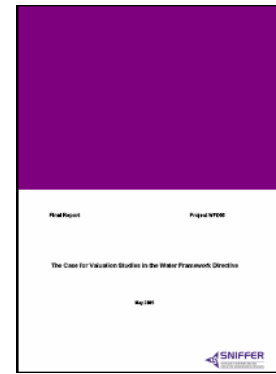


Disproportionate Cost in the MS: UK

- **Scoping study by RPA (2004) proposed combination of four criteria**
 - 1) net present value for PoM (accompanied by benefit-cost ratios properly caveated);
 - 2) simplified economic viability assessment to examine implications for the sector;
 - 3) details by sector of estimated costs and contribution to total benefits (indication on PPP);
 - 4) distributional assessment (end incidence of c&b)
- **Research project on disproportionate cost assessment ongoing - results not public yet**

Disproportionate Cost in the MS: UK

- **2005 SNIFFER report „The case for valuation studies in the WFD“**
- **Horses for courses: use monetary valuation where most helpful & needed**
- **Staged approach for disproportionality:**
 - **Rough economic viability for individual users - based on expert judgement, proformas etc.**
 - **Sectoral implications assessed through macroeconomic analysis or qualitative assessm't**
 - **CBA of PoM at the national (Scottish) level**
 - **Local-level CBA if no agreement can be reached**



Disproportionate Costs in France

- **Laurans (2006): suggests 20% of current water mgmt costs as screening threshold**
 - additional cost <20%: no exemption
 - additional cost >20%: look at costs & benefits
- **Courtecuisse (2006): WFD effect on water supply cost in relation to household income**
 - water bill should not exceed 3% of disposable household income (the case for some communities)
 - highlights social dimension, but ignores transfers, conflict with principles of solidarity

Demand and supply for valuation

- **Comparison of (monetised) costs and benefits should be main decision base**
- **Yet: practical limitations, opposition to valuation methods, methodological issues limit scope for monetary criteria**
- **Against this background: [aquamoney project](#) to develop hands-on guidance based on policy maker demand**



WFD valuation guidance: **aquamoney**

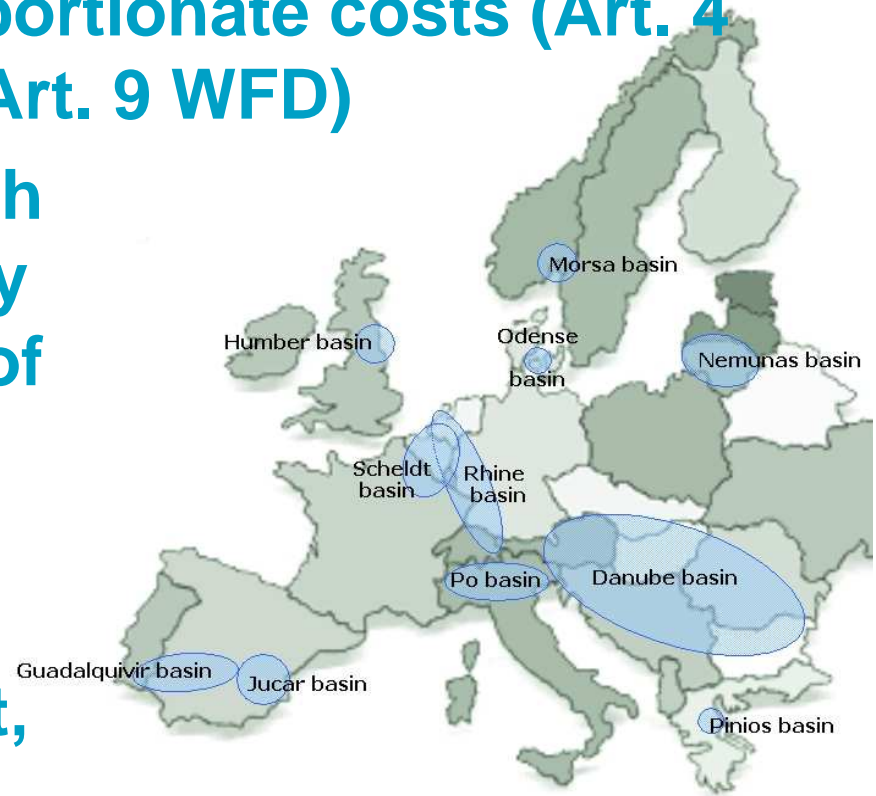


- **aquamoney: development & testing of practical guidelines for the assessment of environmental and resource costs and benefits in the WFD**
- **European research project funded under the 6th EU Framework Programme**



aquamoney: the project approach

- Focus: environmental and resource costs and benefits in view of disproportionate costs (Art. 4 WFD) and cost recovery (Art. 9 WFD)
- Key output: guidelines with focus on the transferability of values (incl. feasibility of GIS value map)
- Guidelines tested in 10 European river basins, including Danube, Scheldt, Rhine, Humber, Po...



aquamoney: policy maker demand

- **Assessment of policy maker demand as key input to guideline development**
- **Survey among 30+ decision makers in 13+ countries (ongoing)**
- **Q: which types of information will likely be used in disproportionate costs decisions?**

qualitative

monetary - standard values

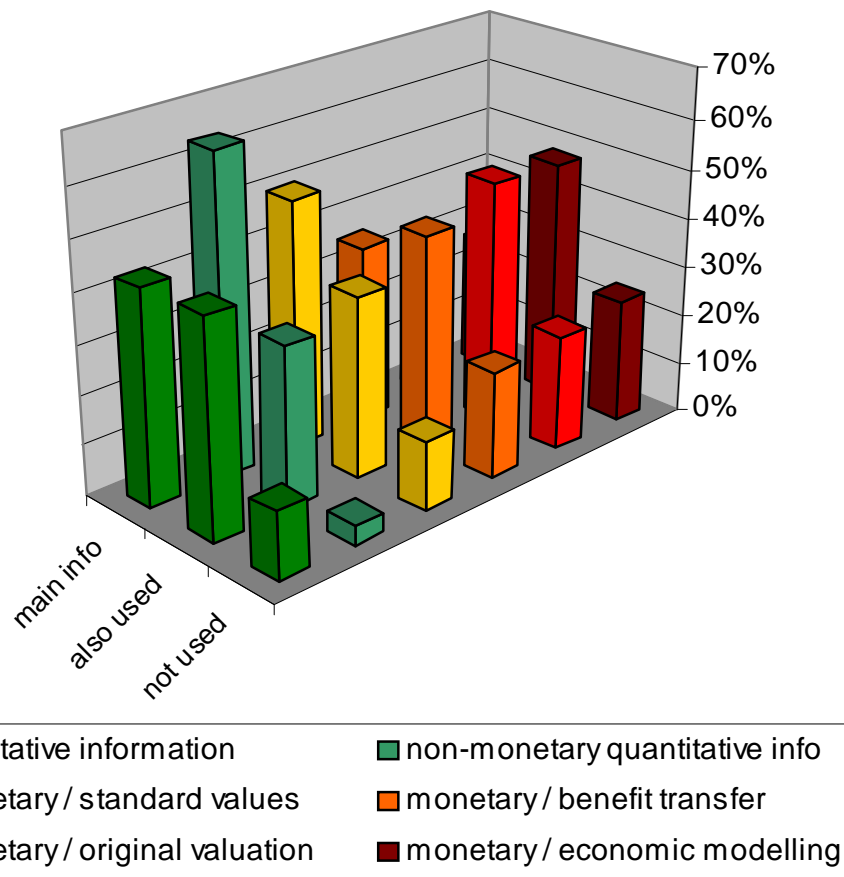
monetary - original valuation

non-monetary quantitative

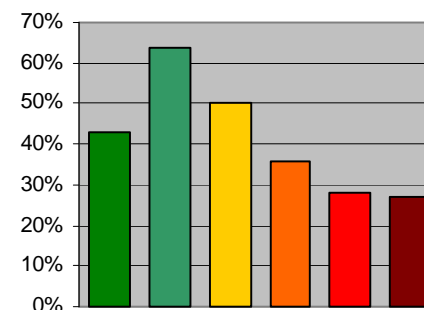
monetary - benefit transfer

monetary - modelling

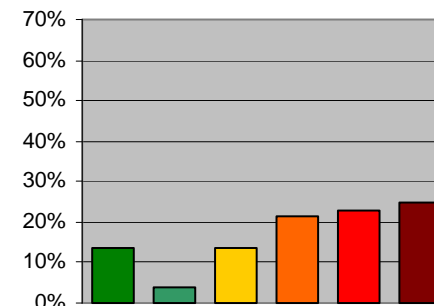
aquamoney: policy maker demand



Main type of information:



Information is not used:



aquamoney: attitudes to valuation

“Economic valuation methods ...

- ... are a valuable addition to the decision making process.” (81% agree)



- ... help to improve the quality and accuracy of decisions.” (74% agree)



- ... could be useful in theory, but in reality they aren't due to practical constraints.“ (45% agree, 29% disagr.)



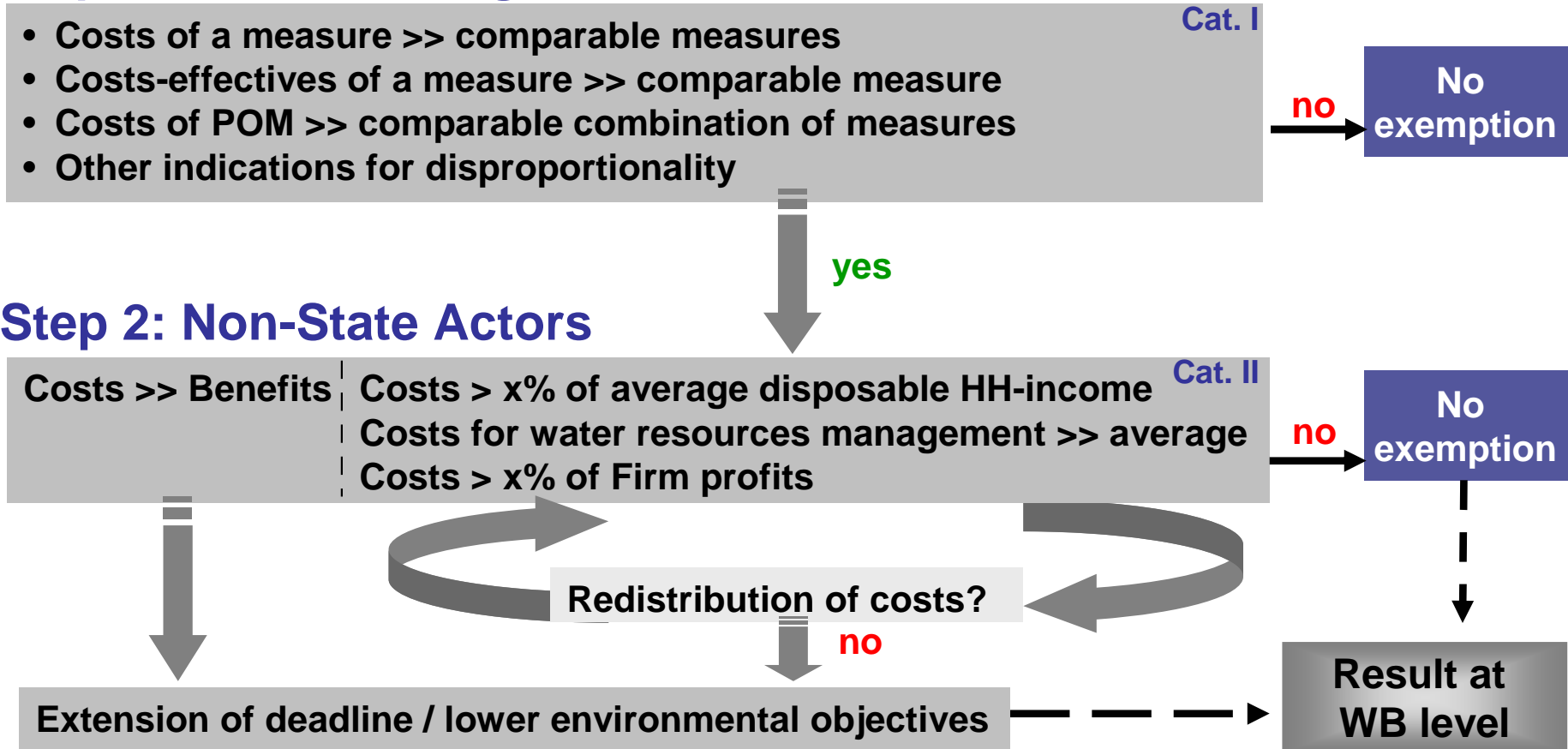
Pragmatism: Ability-to-Pay of Actors I

- **WATECO: economic situation of actors as secondary criterion**
- **Methodological gap of measuring ability-to-pay in practice → LAWA Project 2006/7**
- **“Box of ideas” for German *Länder* – no national approach**
- **Criteria and step-by-step assessment process**
 - **Screening-criteria**
 - **Proportionality of costs for non-state actors**
 - **Proportionality of overall costs of measures for state**

Pragmatism: Ability-to-Pay of Actors II

Step 1: Pre-Screening

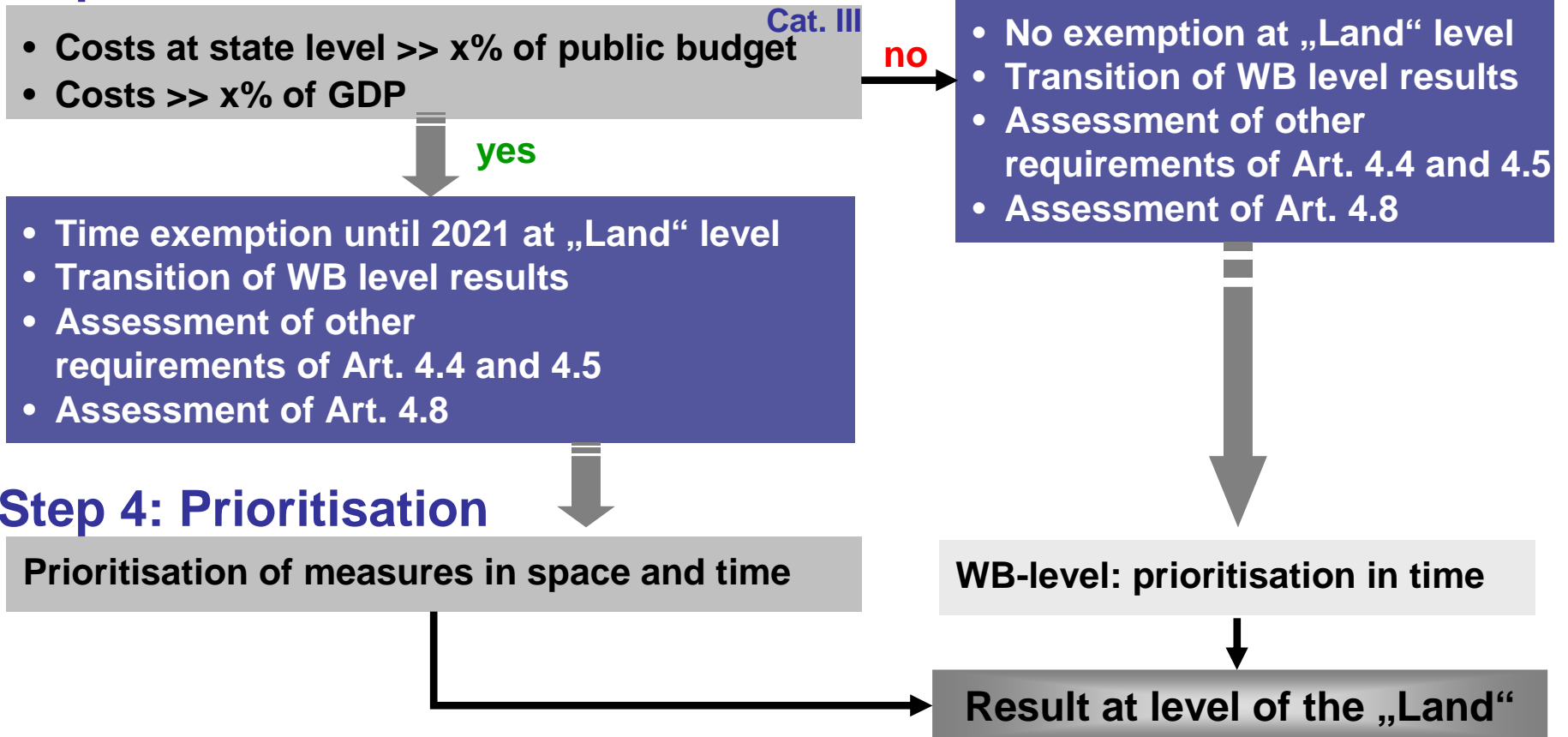
Klauer et al. 2007



Pragmatism: Ability-to-Pay of Actors III

Step 3: State-Actors

Klauer et al. 2007



Concluding Remarks & Outlook

- **Approach towards disproportional costs crucial
→ direct impact on WFD objectives**
- **Many ideas – no definite answers/procedures**
- **Shift towards pragmatism: focus on workable approaches instead of methodological refinement**
- **Open question: relation between CB-criteria and ability-to-pay of actors (for 2009 and after)**
- **Transparency and compatibility of approaches?**
- **Aquamoney Project: convergence of approaches through targeted assistance to policy-makers?**



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Thank you for your attention.

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