

Key issue from the CIS WG Economics on affordability

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6th. Screening Workshop on WFD Program of Measures–
Environmental Objectives and Exemptions,
17 – 19 November 2015, Sarajevo

What is CIS?

To address the challenges of WFD implementation
in a co-operative and coordinated way

MS + NORWAY + EC



COMMON IMPLEMENTATION STRATEGY FOR THE WFD = **CIS**

Workshops, Thematic working groups

Results:

- Guidance documents
- Resource documents

Results publically available on
WFD CIRCABC public library:

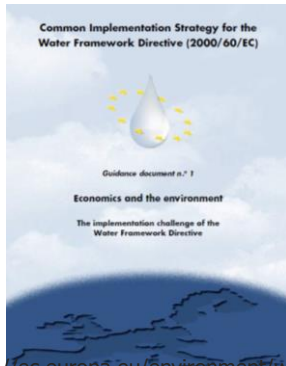
http://ec.europa.eu/environment/water/water-framework/iep/index_en.htm

CIS - Economics

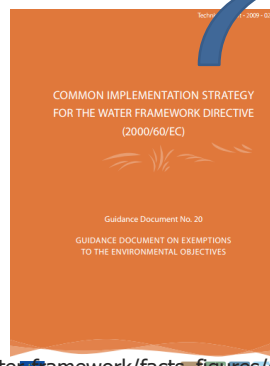
Economics: an important, but also challenging topic in the WFD

Economic principles, methods, instruments → water management

CIS Guidance no. 1:
The "WATECO GUIDANCE"



CIS Guidance no. 20:
EXEMPTIONS



CHAPTER ON
DISPROPORTIONATE
COSTS AND
AFFORDABILITY
ISSUES

http://ec.europa.eu/environment/water/water-framework/facts-figures/guidance_docs_en.htm

CIS WG Economics

CIS WG Economics (2014, 2015)

Important topics:

- Environmental and resource costs
- AFFORDABILITY AND DISPROPORTIONATE COSTS

Resource document on disproportionate costs and affordability assessment – examples of the implementation from MS (Draft 17/02/2015)

- Basic principles
- Affordability for household sector
- Examples of MS:

FRANCE, ROMANIA, UK, GERMANY, the NETHERLANDS

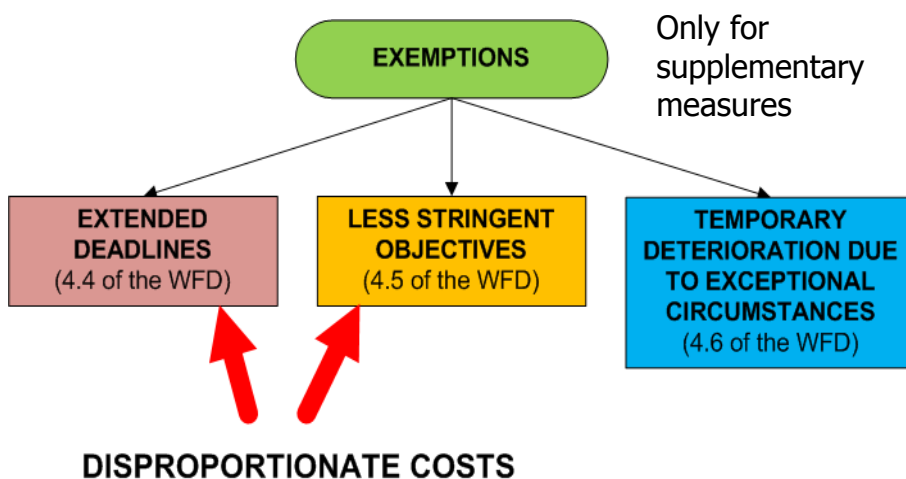
CIS WG Economics - links

- Resource document on disproportionate costs and affordability assessment – examples of the implementation from MS (Draft 17/02/2015)
- Member states' **PRESENTATIONS** at the meetings of WG Economics:

WFD CIRCABC public library

http://ec.europa.eu/environment/water/water-framework/iep/index_en.htm

- Working groups
- Working group Economics
- Meetings 2014, 2015



One of the possible reasons to justify exemptions

Disproportionate costs

Disproportionate costs:

Costs of necessary measures are disproportionately high in comparison to their benefits.

Economic assessments for justifying disproportionate costs:

- CBA,
- AFFORDABILITY ASSESSMENT...

AFFORDABILITY \neq DISPROPORTIONATE COSTS

Affordability

Affordability:

Can we afford the implementation of measures for reaching objectives?

- One element of justifying exemptions (often a first step)
- ! ONLY FOR 4.4 Exemptions - Extending the deadline → to spread the costs over a longer period
- Is reaching environmental objectives affordable in 2015-2021? (6 years)
- Is reaching environmental objectives affordable in 2015-2027? (12 years)
- If not, check if less stringent objectives should be applied (4.5)

Affordability assessments – Examples of steps

- 1) Assess the costs of POM
- 2) Distribute the costs according to the “polluter pays” or “user pays” principle:

○ HOUSEHOLDS ○ AGRICULTURE ○ INDUSTRY

UNKNOWN POLLUTER → STATE BUDGET, TAX PAYERS (e.g. HM measures)

- 3) Affordability criteria per sector

- 4) Thresholds

Political decision with the support of economic assessments
Transparent, well documented process

Examples of the Criteria and Thresholds

SECTOR	CRITERIA	EXAMPLES OF THRESHOLDS
Households	Costs as a % of an average household income	3% (France) 4-5% (Romania)
	Costs as a % of an average household income for low-income groups (e.g. lowest decile)	
Industry	Costs as a % of Value Added	3% (France) 2-3% (Romania)
Agriculture	Costs as a % of Value Added	2-3% (Romania)
	Costs as a % of gross operational income	3% (France)
State budget	Costs as a % of state budget for water protection	

Resource document on disproportionate costs and affordability assessment – examples of the implementation from MS – Draft, 17/02/2015

Justifying Exemptions (4.4) with Affordability arguments

! OBLIGATORY to consider:

- Alternative financing mechanisms (Subsidies, state budget, EU funding, distribution of costs among polluters...)
- Consequences of non-action
- Steps to resolve affordability issues in the future

Resource document on disproportionate costs and affordability assessment – examples of the implementation from MS