

WFD's implementation

Economic Analysis : cost-recovery

Arnaud Courtecuisse
Agence de l'eau Artois-Picardie

EURORIOB, Krakow, 25-30 September 2004

Presentation's content

- 1 . The economic analysis in the WFD**
- 2 . Cost recovery : what are the objectives**
- 3. Illustration : french districts**
- 4. Comments and conclusions**

Economic analysis in the WFD

Activities	Content	Stakes
Economic characterisation of water uses	Set of economic indicators (GPD, Turnover, added value, Employment)	<ul style="list-style-type: none"> • link Economic data with Pressure & Impact data
Assessment of the current level of cost-recovery for water services	For each water services, identification of financial flows and contribution of the 3 main economic sectors	<ul style="list-style-type: none"> • current cost recovery • sustainability of the services • financial equity between the 3 sectors
Provide elements for the baseline scenario development	Which trends for economic driving forces for 2015	<ul style="list-style-type: none"> • which impact of economic drivers on pressures

Article 9 : the objectives

- To **take into account** the principle of recovery of the costs of water services
- To ensure by 2010
 - Incentive water pricing policies for users to contribute to the environmental objectives established under Art. 4
 - An adequate contribution of the different water uses to the recovery of the costs of water services, disaggregated into at least industry, households and agriculture and taking account of the Polluter-Pays Principle (PPP)

pricing is a « basic » measure (Art. 11- 3b)

Article 9 : The activities

At district level *to report on*

Financial
costs

Pricing

Environmental
costs

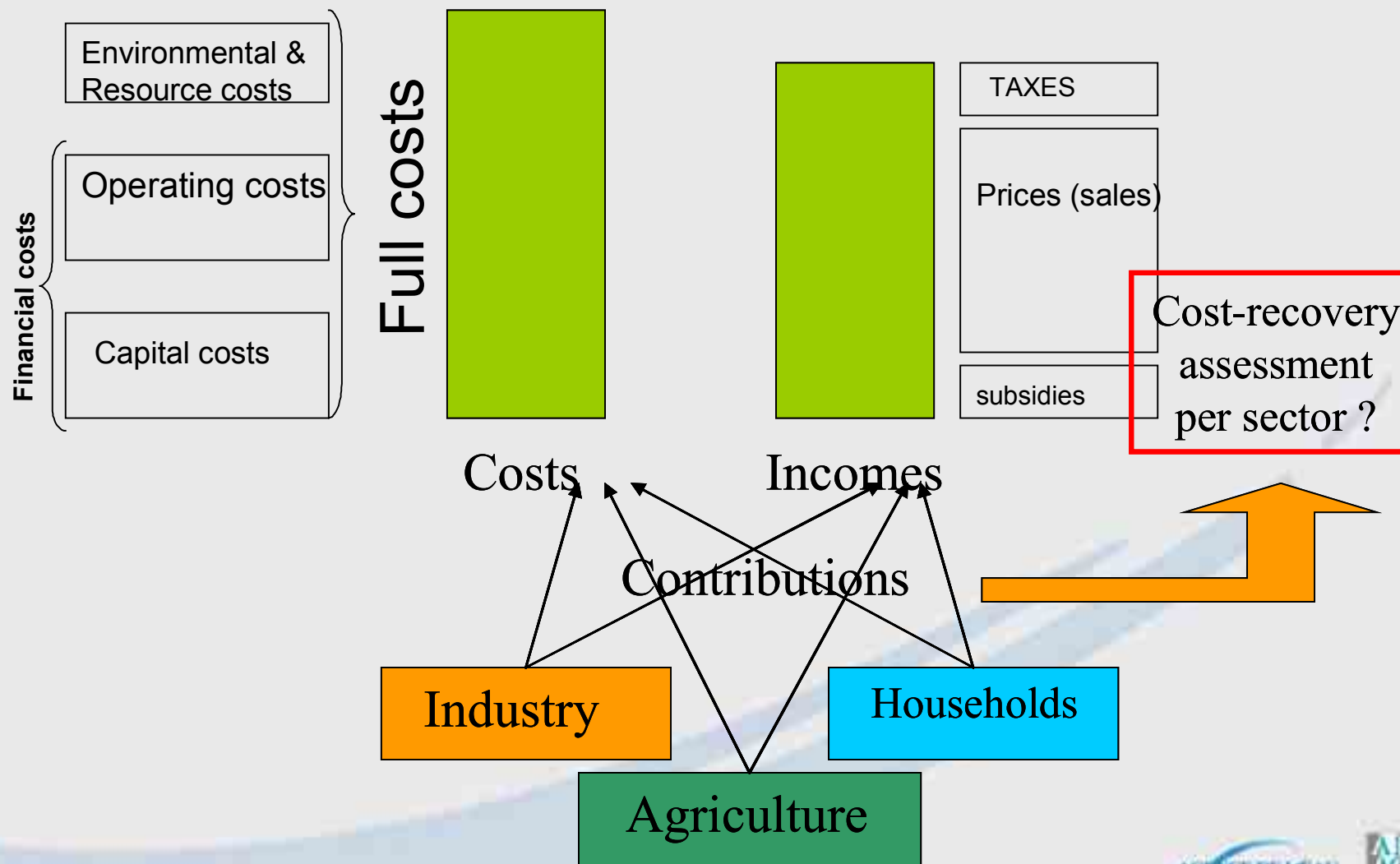
It's also to report on

Sustainability
(renewal costs)

External or Crossed
subsidies

PPP
implementation

Article 9 : The activities



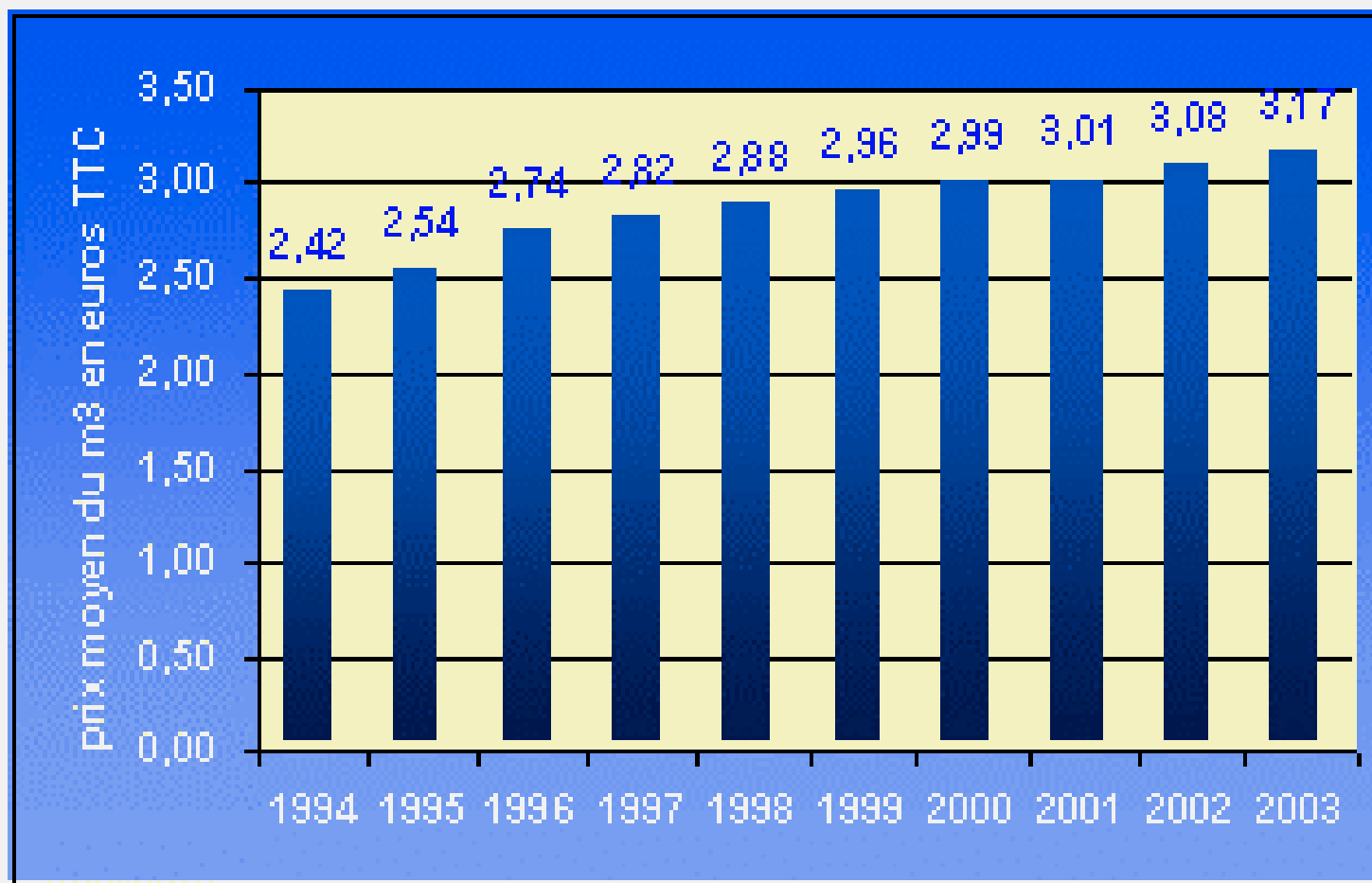
Article 9 : The activities

Cost recovery = 3 questions :

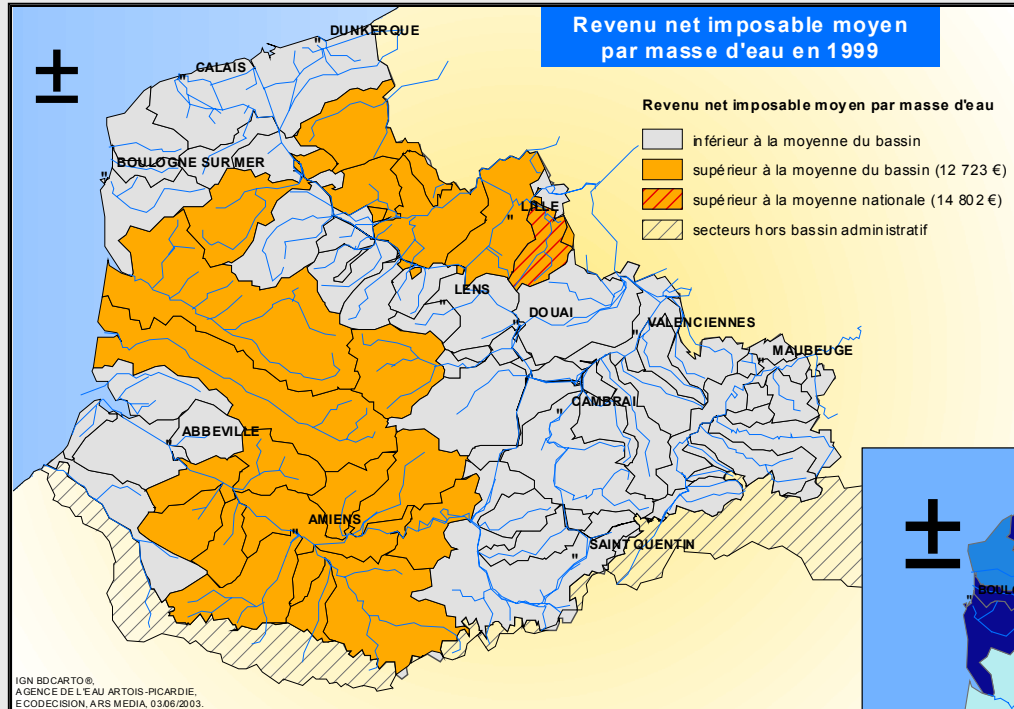
- description of financial flows linked with water services ? Water pays Water ?
- Cross-subsidies between economic sectors ? Polluter Pays Principle implementation ?
- Sustainability of water services ? To which extent the incomes of water services covers the renewal costs of the infrastructures?

Water services : tarification

Water price (water + Sewerage) for public services in Artois-Picardie basin



Water services : tarification



Incomes per household

Water price

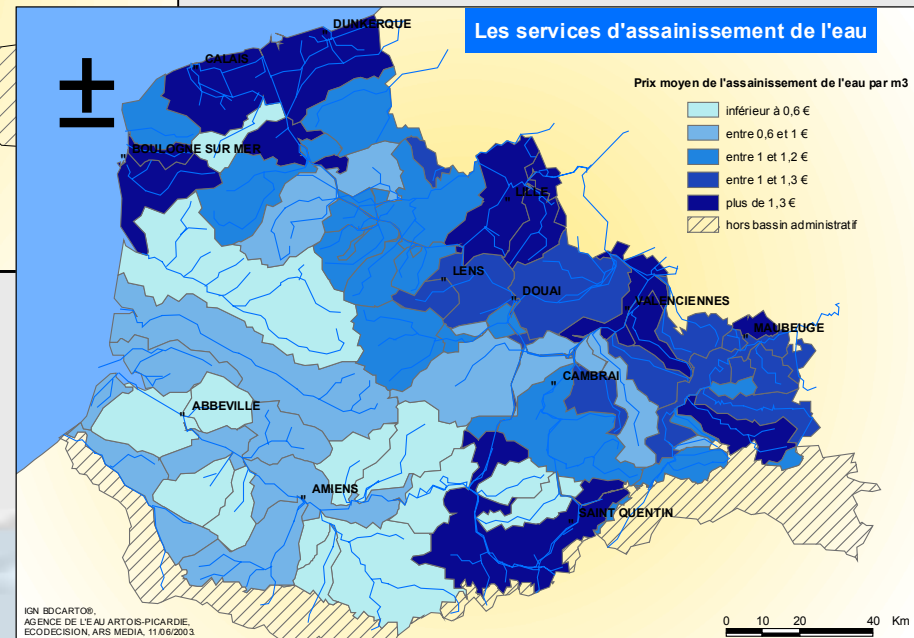
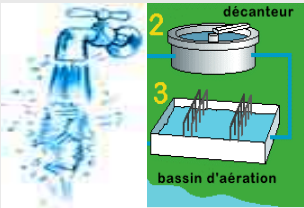


Illustration : Water accounts



Water field expenses

6 french river basins



Millions €

SP Water Sew Individuel Sew

Operating Exp 6 600 130

Capital exp/an 4 400 660

Patrimony 210 Md 25 Md

Illustration : Water accounts

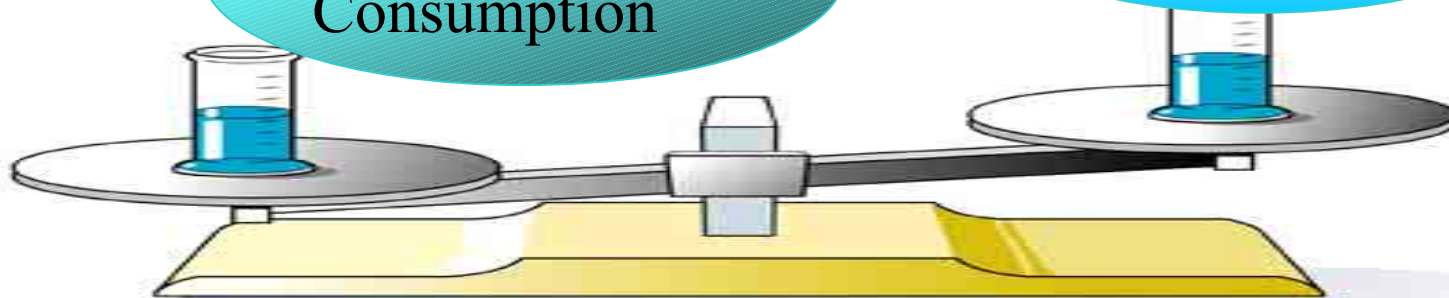
Cost recovery calculation

Functionment
Maintenance

Fixed capital
Consumption

Pricing

Subsidies



COSTS

INCOMES

Illustration : Water accounts



Incomes

→ sales 9 200

« Régies »

✓ Water dist. 1 700

✓ sewerage 2 200

Delegate to private op.

✓ water & sew 5 300

→ Subsidies 500

Total incomes 9 700

Illustration : Water accounts

Incomes	
→ sales	9 200
« Régies »	
✓ Water dist.	1 700
✓ sewerage	2 200
<i>Delegate to private op.</i>	
✓ water & sew	5 300
→ Subsidies	500
Total incomes	9 700

**Water price
accounts for 98 %
of the incomes**

300 000 000
organisation

10 balance subsidies
(general budget)

20 rainflows subsidies
(cpte 7063)

170 other subsidies

Illustration : Water accounts

Incomes	
→ sales	9 200
« Régies »	
✓ Water dist.	1 700
✓ sewerage	2 200
<i>Delegate to private op.</i>	
✓ water & sew	5 300
→ Subsidies	500
Total incomes	9 700

Expenses	
→ functionment and maintenance costs	200
« Régies »	
	1 800
<i>Private del.</i>	4 800
	<u>6 600</u>

Illustration : Water accounts

Incomes		Expenses	
→ sales	9 200	→ fonctionment and maintenance costs	
« Régies »		« Régies »	1 800
✓ Water dist.	1 700	<i>Private del.</i>	4 800
✓ sewerage	2 200		<u>6 600</u>
<i>Delegate to private op.</i>		→ Savings (available for renewal and new works)	3 100
✓ water & sew	5 300		
→ Subsidies	500		
Total incomes	9 700	Dépenses	9 700

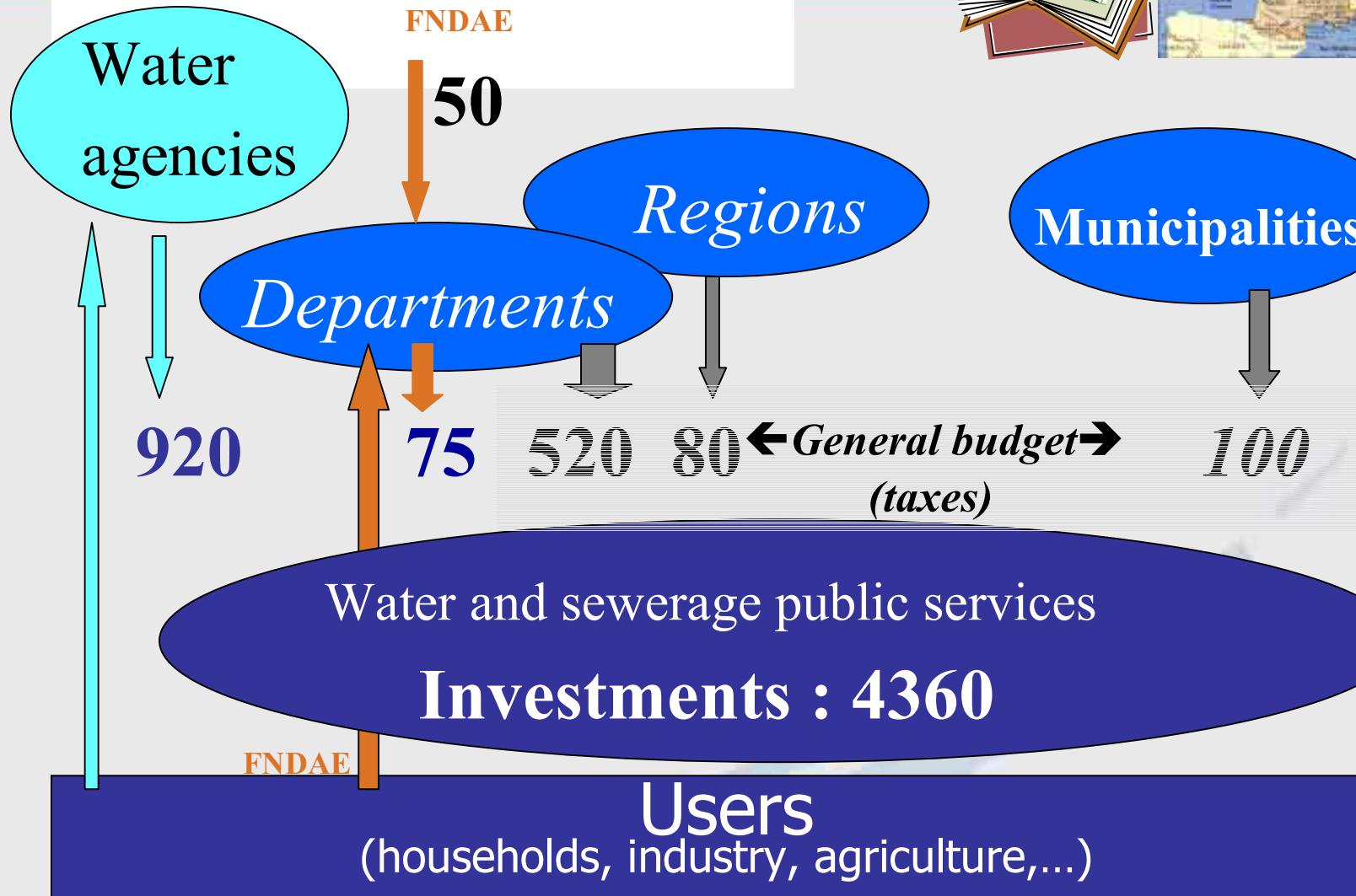


Illustration : Water accounts

Incomes		Expenses	
→ sales	9 200	→ fonctionment and maintenance costs	
« Régies »		« Régies »	
✓ Water dist.	1 700	Private del.	1 800
✓ sewerage	2 200		4 800
<i>Delegate to private op.</i>			<u>6 600</u>
✓ water & sew			
→ Subsidies	5		
Patrimony assessment lead to a needed fixed capital consumption of 3 800 M euros minimum			
Total incomes	9 700		
			3 100

Illustration : Water accounts

Million €



85 % of the works are financed through water price

Environmental costs

Full Costs

**Maintenance
Costs**

**Renewal
Costs**

**Environmental
Costs**

Mitigation costs

Environmental
damages

Environmental costs

Full Costs

Maintenance

Costs

Renewal

Costs

Environmental

Costs

Mitigation costs

Denitrification costs, ...

Other mitigation costs

Buying mineral water, ...

Environmental costs

Full Costs

Maintenance
Costs

Renewal
Costs

**Environmental
Costs**

Environmental damages

Methods ? Data ?

For 2004 :

- synthesis of studies
- a database
- built capacity for cost-benefit analysis

Environmental costs

Illustration : Artois-Picardie Basin

Costs linked with bad quality of surface water = 80 M€/an

Method : contingent valuation with guidance value

Costs linked with bad quality of bathing water = 40 M€/an

Method : assessment of turnover losses for economic sector

Comments and conclusions

- *importance of getting through the cost-recovery steps by steps (the 3 questions)*
- *environmental and resource costs pragmatic and iterative approach*
- *Link the cost recovery activities with the ongoing activities of the WFD's implementation*

Thanks for your attention !