



ECONOMIC TOOLS FOR BASIN MANAGEMENT: INTEGRATING ENVIRONMENT AND BIODIVERSITY IN COST-RECOVERY

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LEGAL TOOL: WATER FRAMEWORK DIRECTIVE (2000)

- Water Framework Directive (WFD): **23 October 2000**
- Result of **5** years of discussions
- Milestone: 1st Time Eon. Principles integrated into a piece of legislation - shaping **Environmental Policy**



EU in **2000**

- Four years after WFD-expansion:
 - East & South

- **Flexible & Result-Oriented Approach**

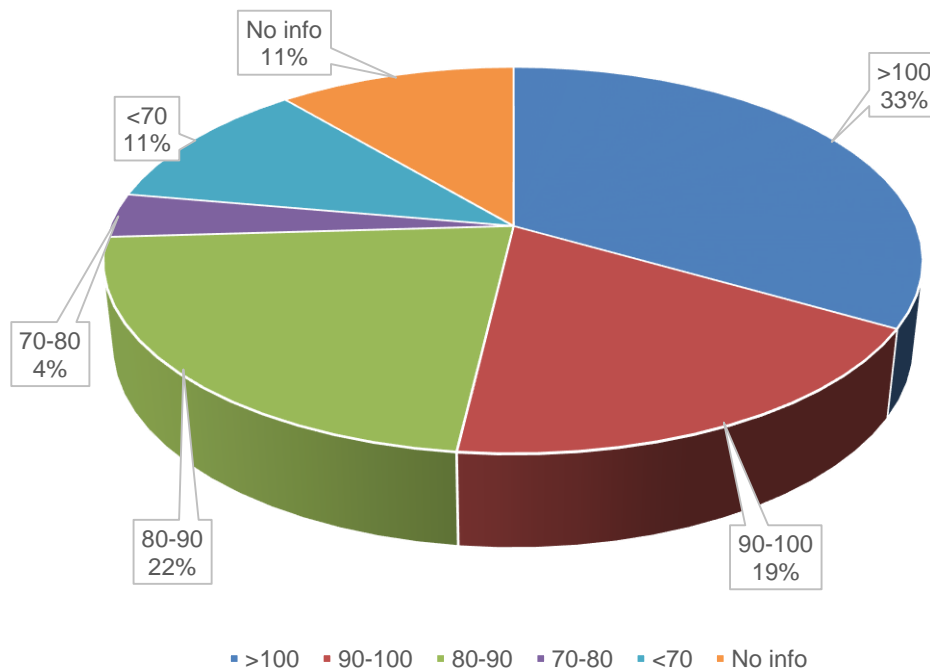


EU in **2021**

ARTICLE 9: COST-RECOVERY LEVELS IN EU MS

Article 9 WFD: Tener en cuenta el principio de recuperación de los costes de los servicios del agua, incluidos los costes medioambientales y de recursos, según el principio de que quien contamina paga.

Financial Cost Recovery levels in EU MS



Source: Economic data related to the implementation of the WFD and the FD and the financing of measures; Directorate-General for Environment (CION); 2021

Common misconception: Achieve full cost recovery (FCR)

“Overall, the implementation of full cost-recovery still presents some weaknesses at the EU level, although improvements have taken place since 2006- following the WFD implementation”

Art 9 does NOT impose FCR:

- But “an adequate contribution...to the recovery of the costs of water services...taking account of the PPP”
- The Directive allows MS to account for social, environmental and economic effects
- -Flexible & Pragmatic Approach

FROM FINANCIAL TO ECONOMIC

WFD: go broad i.e. $\text{Total Cost} = \text{Financial Cost} + \text{Resource Cost} + \text{Environmental Cost}$

*"Member States shall take account of the principle of recovery of the costs of water services, including **environmental** and **resource** costs"*

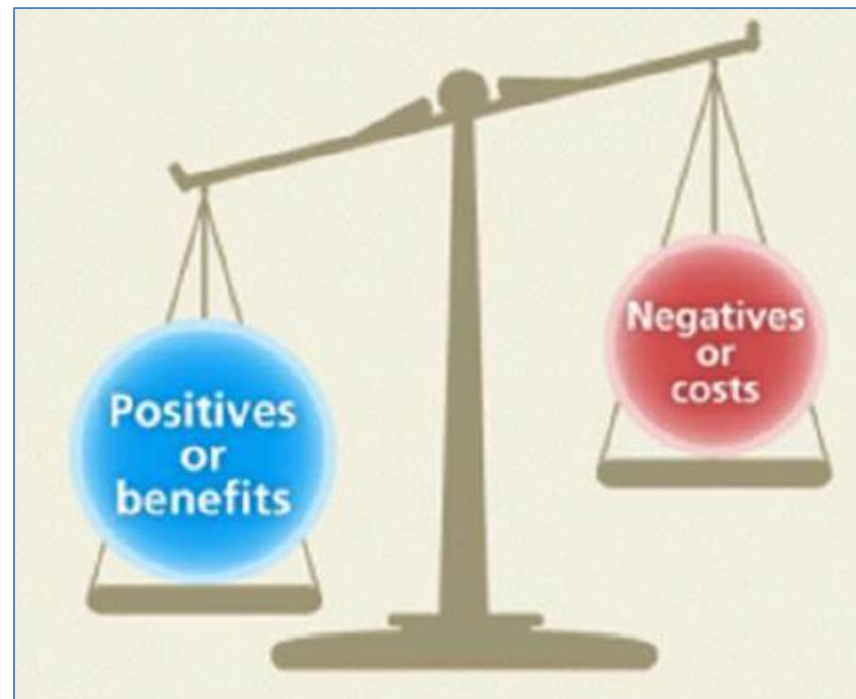
Current cost-recovery assessment in the river basin

Water Services: Designated Use #1
Financial Costs
Tariffs for water services
Recovery of financial costs
Environmental costs
Internalised environmental Costs
Recovery of environmental Costs
Overall Cost- recovery

Source: WATECO, 2003

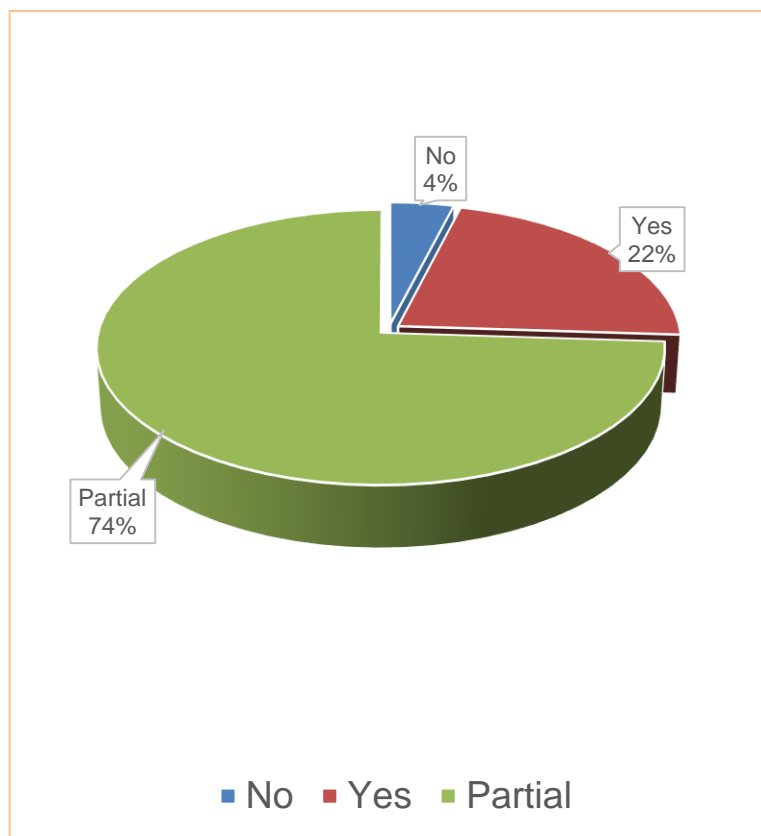
A BROADER INTERPRETATION

- WFD □ go broad but only insofar as costs? Why not broader?
- ¿Pueden considerarse los beneficios no monetizados como contrapartida a los costes no monetizados, en aplicación del principio de recuperación de costes? (Sapiano, 2020)

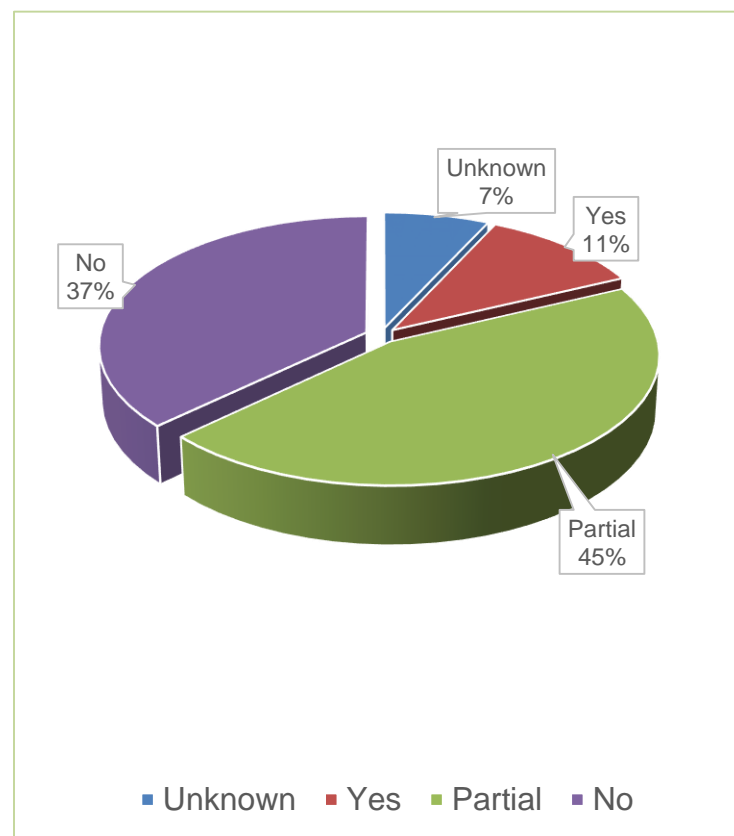


EVIDENCE SO FAR?

Number of countries using **Cost Effectiveness Analysis (CEA)** in the 2nd RBMPs



Number of countries using **Cost Benefit Analysis (CBA)** in the 2nd RBMPs



Source: Economic data related to the implementation of the WFD and the FD and the financing of measures; Directorate-General for Environment (CION), 2021

WATER SUSTAINABILITY IN MALTA

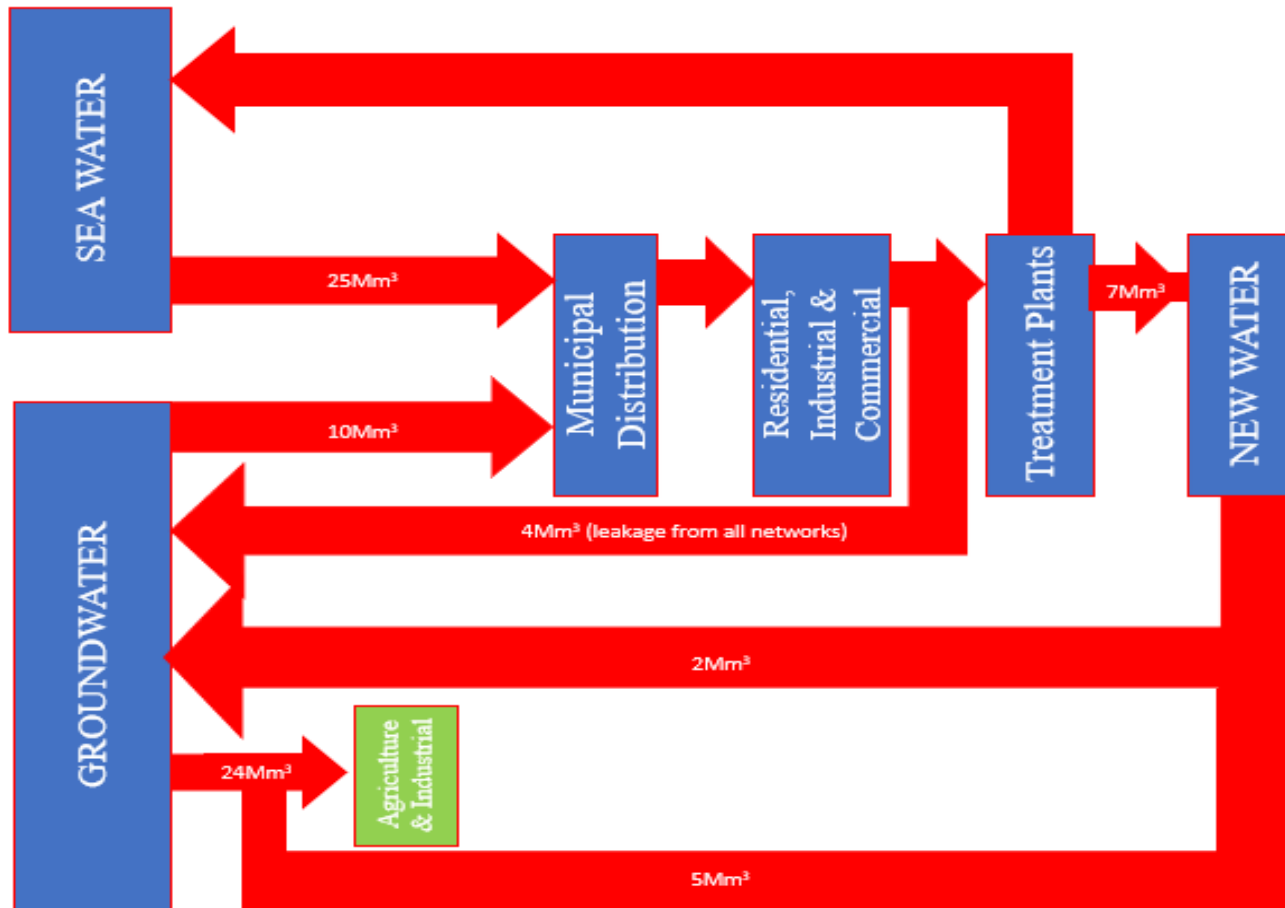
Towards a Net Zero Impact
Utility: Volumetric Approach

Financial Cost Recovery: 79%

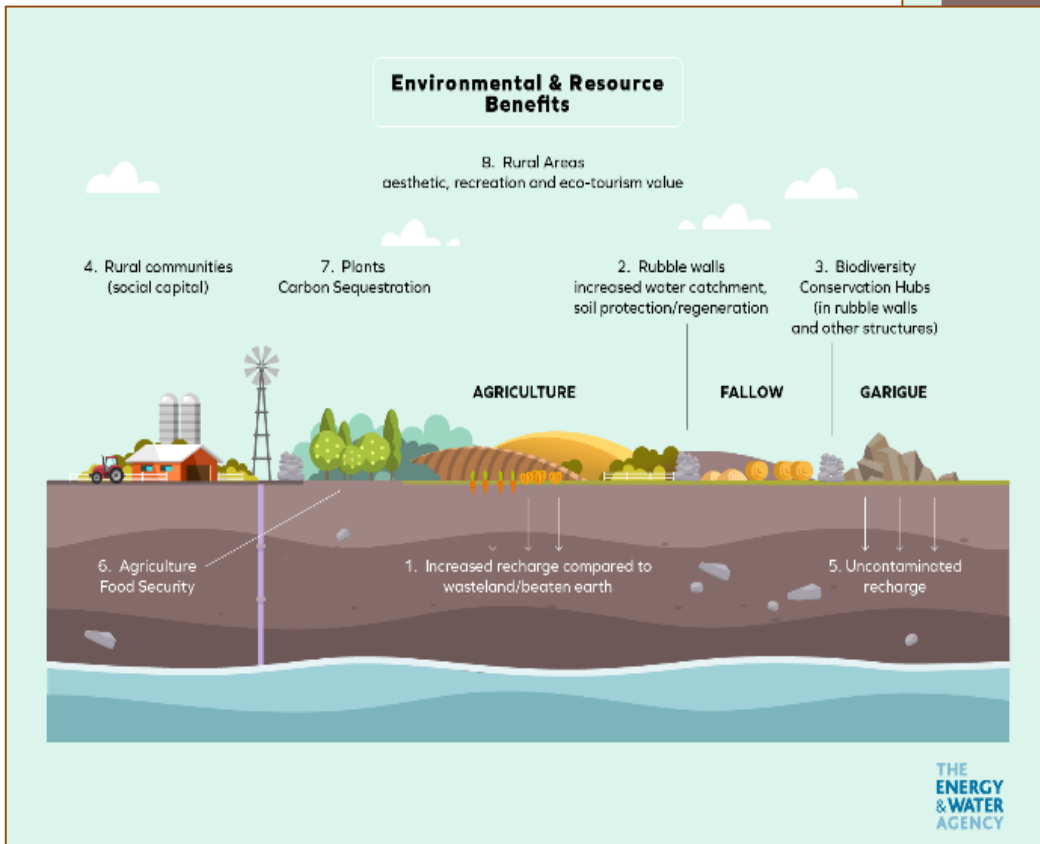
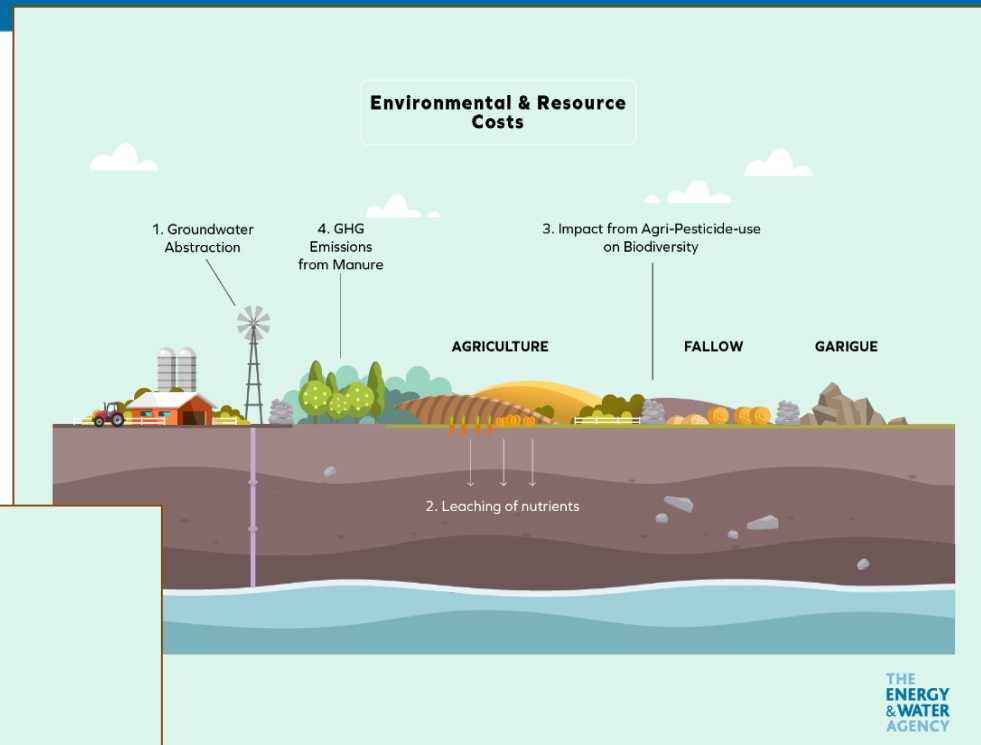
Aggregate figure: incl. revenues from potable
water & wastewater treatment

Circular
Water
Economy:
Volumetric
Approach

- Wastewater Polishing Plant: 7m³ p.a.
- Increasing the capacity of the desalination plants

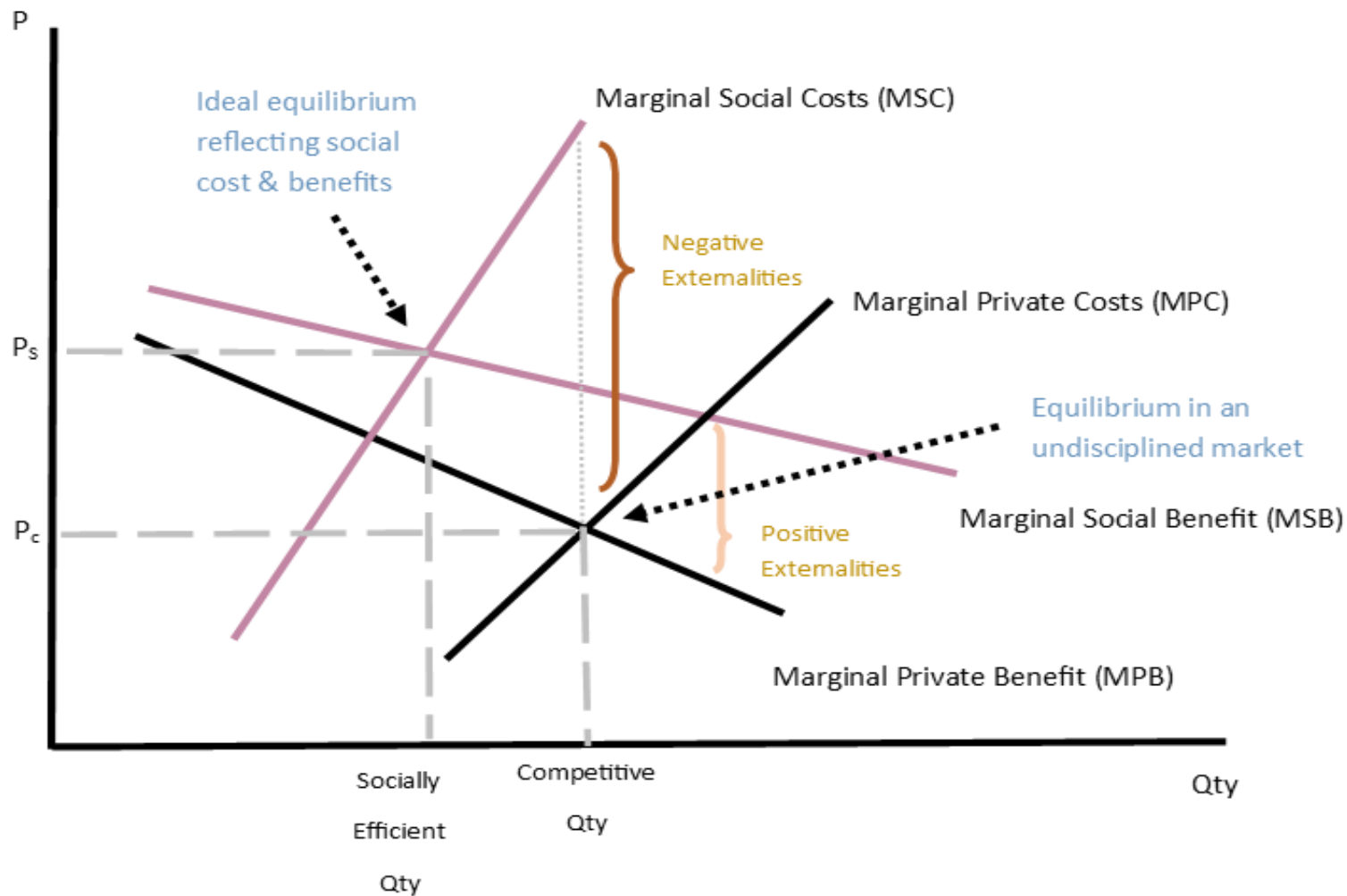


WAY FORWARD



- Payments for Ecosystem Services (PES)/Remuneration for Positive Externalities
- CAP: Agri-environment-climate measures (AECMs)

PRIVATE VS. SOCIAL EQUILIBRIUM



**THE
ENERGY
& WATER
AGENCY**

THANK YOU!

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