

Framework for Community action in the field of water policy. Water Framework Directive

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Water is a major concern for environmental policies in the European Community and is one of the environmental priorities of the European Commission. The main pillar of water policies over the coming decades will be the proposed Directive establishing a framework for Community action in the field of water policy (or Water Framework Directive). In line with recent initiatives to give more weight to economic instruments in environmental policies, the proposed Water Framework Directive promotes the use of water charging to act as an incentive for the sustainable use of water resources and to recover the costs of water services by economic sector. This will contribute to meeting the environmental objectives of this Directive in a cost-effective way. Against this background, the Commission presents this Communication with the following objectives: - to clarify the main issues related to the use of water pricing for enhancing the sustainability of water resources; - to present the rationale behind the Commission's preference for a strict application of sound economic and environmental principles in water pricing policies; - to propose a set of guiding principles that will support the implementation of the proposed Water Framework Directive and more specifically its water pricing article. The key messages of the Communication are: 1) The sustainability of water resources is at stake in many river basins from both a quantitative and a qualitative point of view. Appropriate water pricing has a key role to play in the development of sustainable water policies. 2) To play an effective role in enhancing the sustainability of water resources, water pricing policies need to be based on an assessment of costs and benefits of water use and to consider both the financial costs of providing services as well as environmental and resource costs. A price linked directly to the water quantities used or pollution produced can ensure that pricing has a clear incentive function for consumers to improve water use efficiency and reduce pollution. 3) The integration of economic and environmental objectives into Member States' water pricing policies is highly diverse at present. Overall, the full recovery of financial costs is only partly achieved, and environmental and resource costs are rarely considered. The inadequacy of water pricing policies is striking for the agricultural sector, especially in Southern Europe where it is by far the largest consumer of water and where scarcity problems are the greatest. 4) Water pricing policies in countries where the EU has a particularly strong involvement rarely integrate economic efficiency and environmental objectives. This is true for accession countries, where pricing is an important issue in the context of enlargement, as well as in the developing countries. 5) Efficient water pricing policies have a demonstrable impact on the water demand of different uses. As a result of changes in water demand, efficient water pricing reduces the pressure on water resources. This is particularly true for the agricultural sector. The available evidence suggests that farming communities can be expected to adapt to certain price increases that would result from a stricter recovery of the costs of water services. Different levels of cost recovery among countries and economic sectors, such as agriculture and industry, are likely to influence the competitiveness of these sectors both in the internal market and international trade. 6) Pricing policies that better account for the environment will build on a firmer application of the principle of recovery of costs; a wider application of pricing structures that provide incentives and the promotion of metering devices; the assessment of major environmental costs and, where feasible, the internalisation of these costs into prices; a transparent policy development process with the participation of users/consumers; and a phased implementation of pricing policies that better integrate sound economic and environmental principles. 7) Water pricing needs to be integrated with other measures to ensure environmental and socio-economic objectives are met cost-effectively e.g. preparation of river basin management plans. 8) Other sectoral, structural and cohesion policies need to be designed and implemented so as to ensure consistency and coherence with, and effectiveness of, water pricing policies. The CAP should support the sustainable use of water resources in line with the economic and environmental principles promoted in the proposed Water Framework Directive and in this Communication. The Commission fully recognises the sensitivity of the pricing issues discussed in this Communication for a wide range of stakeholders and Member States. This

sensitivity should not be reason for misreading the Commission's message as an advocacy for a 'pricing alone' policy. Clearly, pricing is not the sole instrument that can (and will) solve water resource problems in Europe and elsewhere. However, pricing should be given due consideration to ensure it promotes more efficient and less polluting use of our scarce water resources. Overall, the Communication seeks to promote a fruitful debate and sharing of views that will lead to the identification of practical steps and development of guidelines for the implementation of the water pricing article of the proposed Water Framework Directive. It is hoped that it will play an information role for stakeholders who will actively participate in the preparation of the river basin management plans and programmes of measures provided for by the Water Framework Directive. It will also support the assessment of the role water pricing may play in the context of enlargement and the implementation of the environmental acquis in accession countries. Lastly, it will supplement the EU guidelines for development policy entitled 'Towards Sustainable Water Resources Management' by stressing the key components of sustainable water pricing policies.