



Regulatory approaches to securing the suitability of wastewater service provision

Workshop

Financial sustainability of wastewater management in the Danube region

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The Association of European Public Authorities with supervisory and and/or tariff-setting powers in the DW and WW sectors

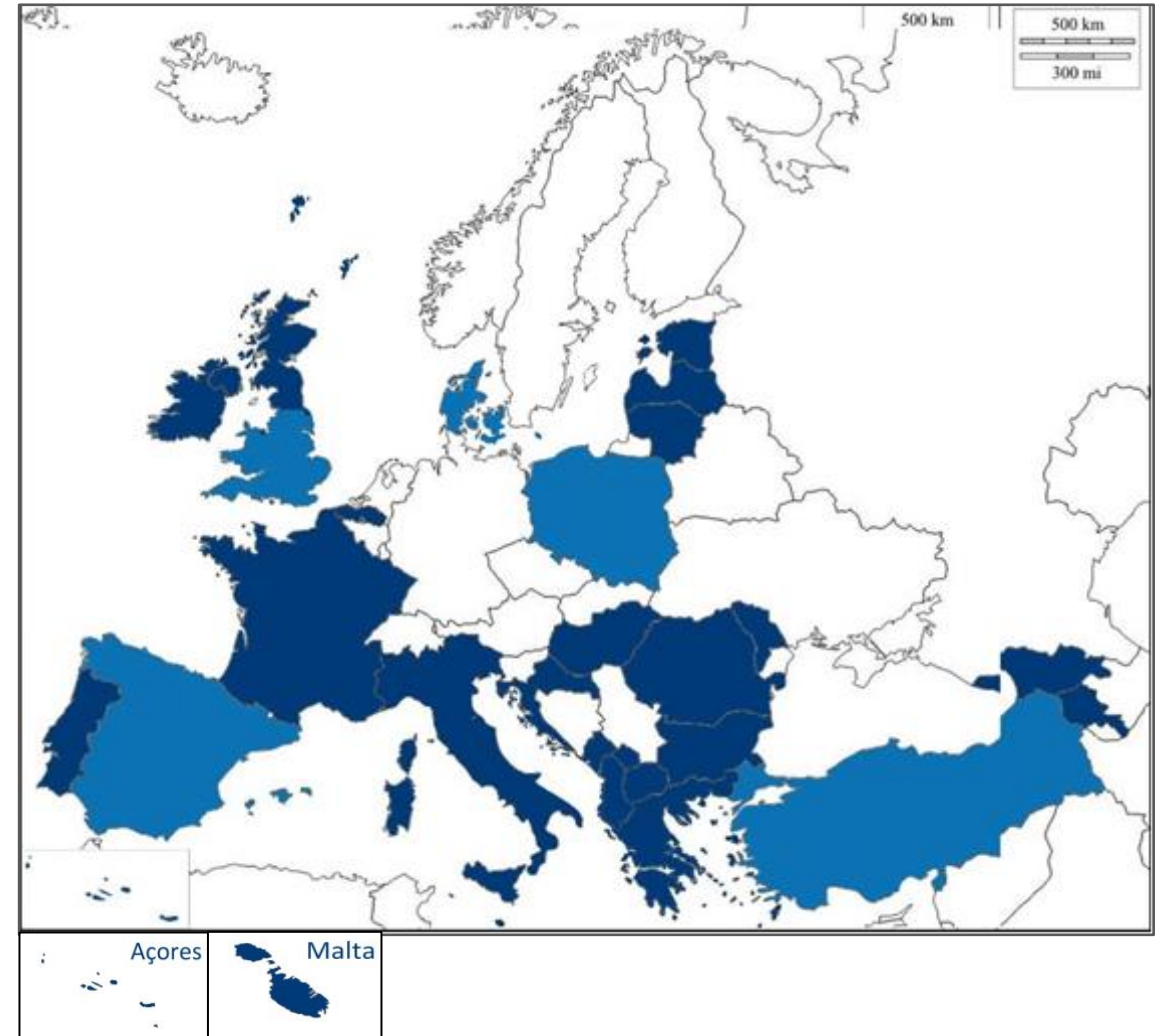
Established in 2014, Statutes and internal organization, headquarter in Milan + Institutional office in Brussels

25 Members + 5 Observers. Highest level representatives from:

- 16 EU Member States + UK
- 4 EU Candidate Countries
- 4 EU Neighbouring Policy Partners

WAREG Members oversee:

- more than 300 million consumers in the EU (400+ millions including non-EU members & observers)
- more than 40000 operators (municipalities, private operators, ppp)



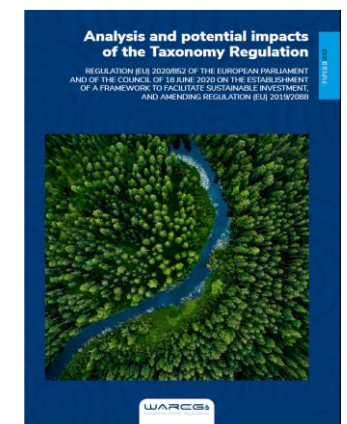
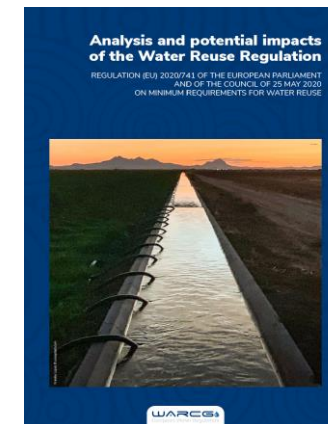
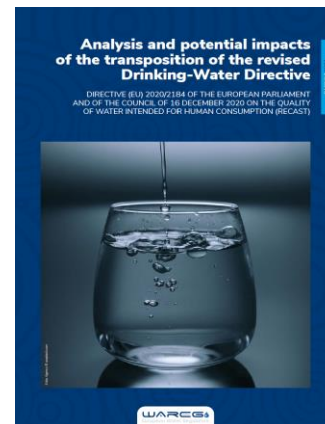
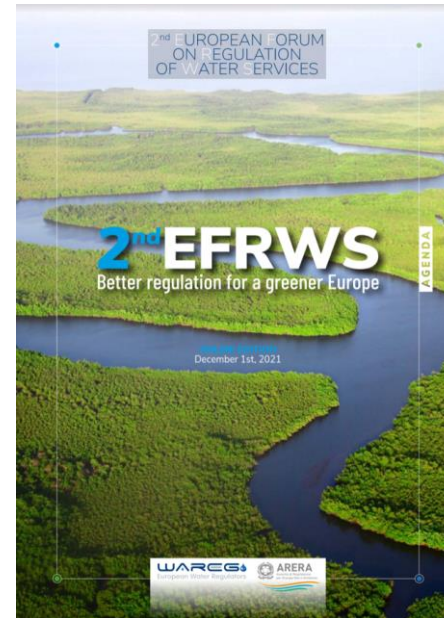
Objectives of WAREG

Monitoring and Reporting regulatory activities

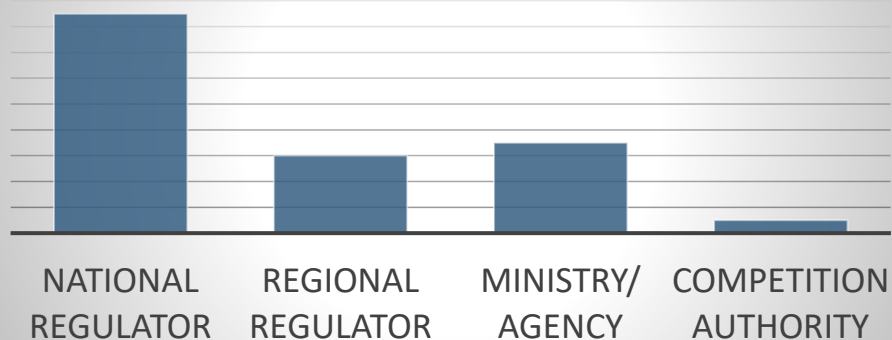
Encouraging the water sector to comply with EU rules

Strengthening Regulatory Capacity in EU Candidate Countries

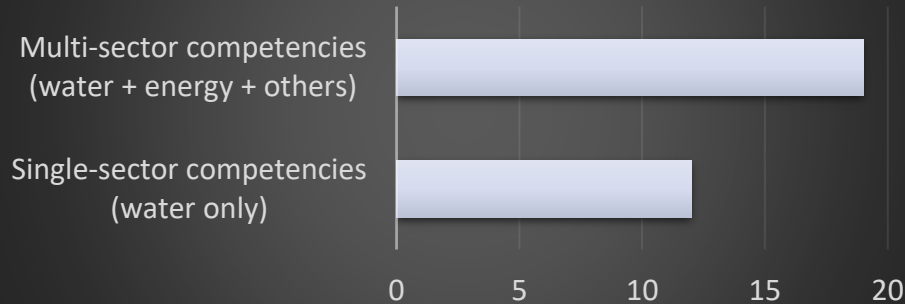
Dissemination & Institutional Advocacy



Type of institution



Sectoral competencies



Scope of action of regulatory agencies



Emerging circular-economy targets in the EU, following the Green Deal (2019):

- Sewage Sludge Directive of 1986 (86/278/EEC)
- Urban Water and Waste Water Treatment Directive of 1991 (91/271/EEC)
- Fertilising Products Regulation of 2019 (EU 2019/1009)
- Water reuse regulation of 2020 (EU 2020/741)

Lack of a unified strategy to ensure that sludge governance also encourages circularity, recovery or recycling



Some potential problems in the wastewater :

- **conflicting objectives** (ex. environmental & health protection vs promotion of resource recovery in e.g. quality of sewage sludge for agriculture; stringent energy use targets on UWWTP size vs more stringent targets on pollutants removal that require more energy consumption.)
- **EU pressure to invest in additional capacity** of wastewater treatment will lead to additional sludge production: a problem (how to get rid of it?) or an opportunity (market opportunities for residuals, sewage sludge and biogas?)
- **where to settle boundaries** b/w regulated activities (ex. CAPEX/OPEX) and market activities (ex. Bioresources market)? Profit sharing b/w customers and ww companies?

Data on WW in the EU (EU 2016 report) + recent country profiles in WISE database:

- WW from domestic source in 23600 agglomeration \geq 2000 population equivalent, total load of 612m p.e
- Capacity of WWTP in EU 780m p.e. (covers the total load of ww)
- Collection & treatment: 95% p.e. compliant with UWWTD
- Secondary treatment (biological): 88% p.e. compliant
- Tertiary or more stringent treatment : 86% p.e. compliant

WW financial needs in Europe? Fill the gap in infrastructures

- WW from 6.6m p.e. (1%) not collected
- WW from 37m p.e. (6%) and from 32m p.e. (8%) not adequate secondary and tertiary treatment
- 90% of the WW load in the EU is generated in agglomerations \geq 10.000 p.e. (52% from big cities \geq 100.000 p.e.) – investment on non-compliant WW infrastructures should be concentrated in big cities, according to the EU

OECD: only in 2016 investment needs to meet with UWWTD in the EU-28 were € 229 bn + additional € 253 bn (EU-17 + UK) foreseen for 2020-2030

Article 9 of the Water Framework Directive:

“Member States shall take account of the principle of recovery of the costs of water services, including environmental and resource costs, having regard to the economic analysis conducted according to Annex III, and in accordance in particular with the polluter pays principle”

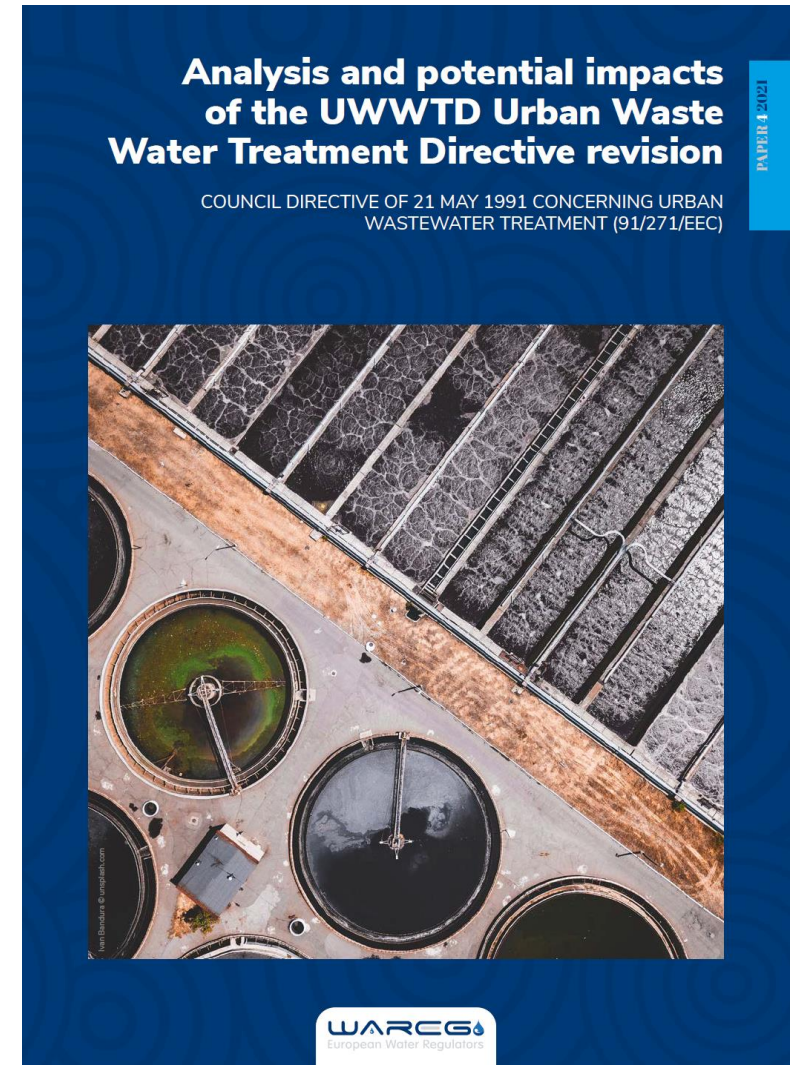


COM (2000) 477: Pricing policies to enhance sustainability of water resources. Definition of costs:

- **Financial costs of water services:** costs of providing and administering these services. Include all OPEX and maintenance costs, and CAPEX (principal and interest + return on equity where appropriate);
- **Environmental costs:** costs of damage that water uses impose on the environment and ecosystems and those who use the environment (e.g. a reduction in the ecological quality of aquatic ecosystems or the salinisation and degradation of productive soils);
- **Resource costs:** costs of foregone opportunities which other uses suffer due to the depletion of the resource beyond its natural rate of recharge or recovery (e.g. linked to the over-abstraction of groundwater).

Key points expressed by WAREG in the open public consultation on the revision of the UWWTD (2021) to highlight the role of regulatory authorities:

- **Mitigate potential increase of environmental and financial costs due to implementation of new/updated measures:**
 - tariffs are tools to set efficiency targets costs, linked to specific objectives
 - economic incentives to local water companies operating with monopolistic power (ex. innovation, environmental sustainability)
- **Highlight specific competencies of national/regional regulatory authorities:**
 - controlling efficiency of investment plans on ww
 - stability of rules to protect planned investment
 - promote national compliance with the Directive's requirements
- **Ensure transparency of information:**
 - set targets on quality (ex. KPIs, public reports, etc.)
 - data monitoring and validation, enforcement powers



- New and more EU stringent requirements on WW treatment may **increase CAPEX and OPEX**, hence risk to generate financial tensions in WW companies (both public and private)
- In some EU Countries **legislation enables** to turn these obligations into **market opportunities** (i.e. agriculture uses, recovery of residuals, energy production), but other conditions also needed, like:
 - industrial approach with a strong focus on innovation
 - strong risk-management to avoid contamination of environment (tertiary and more stringent treatment: ex. Austria, Denmark, Sweden, etc.) and increase social acceptance of sludge
- **Tariffs are not subsidies: to recover costs, paramount to separate regulated vs market activities:**
 - when negative externalities are predominant (i.e. market failure/local monopoly, environmental sustainability, social affordability), regulatory tools can be used to generate incentives and recover costs
 - when a competitive market on bioresources is predominant (ex. Netherlands, Germany, etc.), regulation is not necessary for cost recovery, and value of service through benchmarking



THANKS!

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