



**EUROPEAN ASSOCIATION
OF PUBLIC WATER OPERATORS**

RESPONSE TO THE EU CONSULTATION ON THE QUALITY OF DRINKING WATER

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ABOUT AQUA PUBLICA EUROPEA

Aqua Publica Europea (APE) is the European Association of Public Water Operators. It brings together 100% publicly owned water and sanitation services, and their national and regional associations. Our mission is to promote public water-management at both European and international level.

Overall, APE members provide water and sanitation services to over 70 million Europeans, covering the rich and varied landscape of our continent - from the North Sea to the Mediterranean, and from capital cities to remote rural areas.

- APE is a platform, facilitating knowledge exchange and joint projects among members to improve performance.
- APE is a forum for public operators to meet and discuss water policy issues with the objective of contributing to international policy-making in the water sector.
- APE is a catalyst, supporting the development of the international water community by promoting a dialogue between public water operators, the business sector, the academic world, and public institutions.

KEY MESSAGES

- Despite some reservations about the consultation questionnaire, we welcome the European Commission's decision to launch a public consultation on the quality of drinking water. This represents a concrete step to answer citizens' expectations and should set the basis for the establishment of a permanent and inclusive framework to stimulate public debate on the governance of this fundamental resource.
- Thanks to the EU legislation on water, significant progress has been made over the last decades to ensure the provision of high quality water to all EU citizens. However, important challenges related to climate change and socio-economic development still lie ahead. What is more, water affordability is becoming a key concern. In this framework, the great political challenge for the water sector in the coming years will be how to reconcile the objectives of protecting water resources, sustaining adequate investments, and ensuring affordable water services for all.
- The adequate renewal and upgrade of water infrastructures is a crucial responsibility towards current and future generations. Ensuring long term investments in the water sector should therefore represent a key political priority. In this framework, public counter-guarantees and risk-sharing instruments should be further developed to support public water operators' investment efforts.
- Innovation also plays a key role to tackle many of the challenges ahead. In this sense, the European Innovation Partnership (EIP) on water represents an important initiative. We do however call upon the Commission to balance the EIP's governance with a stronger role of the demand side and, in particular, of the public sector.
- Economic (cost recovery) and regulative instruments are important to ensure a better protection of water resources. The *polluter pays principle* has to be better applied to achieve a more balanced distribution across different societal uses of the costs related to water production and sanitation. A source control approach needs then to be encouraged as the most cost-effective way to reduce the impact of hazardous substances.
- Water provision is strongly connected to local conditions and the variety of approaches and traditions across Member States needs to be taken into account. In this framework, inclusive governance mechanisms and transparency are also important to raise public awareness on common challenges, increase ownership of decisions and, ultimately, reduce potential conflicts on water resources allocations. Many APE members have been experimenting innovative governance approaches at local level that, through improved participation of stakeholders, succeeded in improving the protection of water resources.
- Because of the enduring economic crisis, water affordability is becoming a key political concern. The members of APE are engaged to promote the adoption of measures ensuring the provision of minimum water supply to people in need, in accordance with European and national legislation. While addressing water-affordability issues remains a primary responsibility of national and local authorities, the European Commission could promote a EU wide debate to analyse and compare different approaches aimed to ensure the universal access to water resources within the existing legislative framework.
- Increasing efficiency also represents a response to tackle affordability. APE members are committed to improve every day the quality of their services, so as to provide the best services at the lower tariff. To achieve this objective, many APE members take part in voluntary national and international benchmarking exercises. They also carry out among themselves twinning, cross-auditing and other form of public-public partnership to exchange best practices and improve mutual learning, also involving those smaller operators that find it difficult to participate in trans-national benchmarking exercises. Supporting this kind of practices could stimulate a wider participation in benchmarking exercises and a quicker diffusion of innovative managerial approaches.

THE CONSULTATION: A CONCRETE STEP TO ANSWER CITIZENS' EXPECTATIONS

With this position paper, **Aqua Publica Europea** – The European Association of Public Water and Sanitation Operators – wishes to respond to some of the questions addressed by the consultation questionnaire on the “quality of drinking water in the EU”.

The success of the *European Citizens Initiative (ECI) Right2Water* shows that there is strong demand by EU citizens for a more direct involvement in the debate on the governance of this fundamental resource. Therefore, despite some significant methodological reservations¹ about the approach of the questionnaire, we welcome the European Commission’s decision to open a consultation on the quality of drinking water.

- **The consultation represents a step forward to answer citizens’ expectations and should set the basis for the creation of a permanent framework for public dialogue, which should involve all relevant stakeholders, including civil society organisations.**

Inclusiveness, transparency and accountability in water governance are indeed essential conditions to raise public awareness about future challenges, to increase ownership of decisions and, ultimately, to improve effectiveness of water policies, at all decision-making levels.

¹ We certainly understand the challenge of drafting a questionnaire that, simultaneously, tackles all the different and complex issues related to water quality, while remaining simple and compact. However, we cannot refrain here from raising some methodological doubts. In particular, we find that many questions sound like “leading questions”: they are framed in way that might induce specific answers from respondents, thus biasing the overall result. Especially those on threats and hazards may increase respondents’ perception of risk, thus generating exaggerated fears. Thanks precisely to the EU legislation, the average quality of water in Europe has significantly increased over the year and this is a success that should be emphasized. What is more, while some questions can be easily understood by everyone, others seem clearly intended for “water experts”. On the one hand, we wonder how, during data analysis, these two clearly distinguished types of respondents can be meaningfully recombined. On the other hand, we do not see how the more technical questions can really provide a better understanding of citizens’ view on the issues raised by the ECI.

THE CHALLENGES AHEAD

The EU legal framework on water is unanimously recognized as one of the most advanced in the world. Thanks to this body of regulations, significant progress has been made during the last decades to protect water resources and to ensure widespread access to high quality drinking water. However, important challenges still lie ahead. As the *EU Blueprint on water resources* points out, water scarcity and water stress phenomena are likely to increase due to climate change and increasing anthropic pressure. What is more, technological and industrial developments may generate new and unforeseen risks on water safety and human health.

In order to tackle those challenges, a consistent regulative framework and adequate incentives are essential to promote both an efficient use of water resources, and a shift towards more environmentally-friendly production. In order to ensure the adequate renewal of water infrastructures, investment efforts need then to be maintained, and in many contexts increased, despite a decreasing trend in water consumption.

The enduring economic crisis has been compressing the investment capacity in many Member States. What is more, the ECI strongly draws policy-makers' attention to the growing concern as regards access to water. In this sense, we welcome the recognition by the Commission (in its response to the ECI) that there is an affordability issue in Europe, since the absence of any reference to affordability was – as APE argued – one of major weak points of the *Blueprint*.

- **Against this background, the great political challenge for the water sector in the coming years will be how to reconcile the objectives of protecting water resources, sustaining adequate investments, and ensuring affordable water services for all.**

INVESTING IN WATER IS INVESTING FOR THE BENEFIT OF THE WHOLE SOCIETY

Investing in the adequate renewal and upgrade of water infrastructure is a common and crucial responsibility towards current and future generations. Water is not a commercial product like any other. As a consequence, we believe that the financial and institutional framework underpinning the investments in the water sector should take into account the vast benefits for socio-economic development deriving from universal access to safe water.

Sound financial management is an important condition to access capital markets for all economic sectors, including water services. Especially in countries where credit conditions are harsher, APE members have been benefitting from the support of the European Investment Bank (EIB) and, thanks to its cooperation, some members are now testing innovative instruments to finance long term investments (hydro-bonds, etc.) However, in some Member States, APE operators are still experiencing difficulties in obtaining credit lines from financial institutions due to institutional uncertainty.

- **We call upon Member States to put in place conducive institutional conditions for public water operators to access long term loans. Public risk-sharing instruments and counter-guarantees to enhance investments in water infrastructures should be further developed, also with the support of the EU.**

Investments in innovation will also play a key role. Some APE members are experimenting innovation-oriented public procurement procedures, and others are benefitting from EU financial support in this field under Horizon2020. In this context, we welcome the fact that great attention has been given to innovation in the water sector at the EU level, among others through the European Innovation Partnership (EIP) on Water. Nevertheless, regarding the EIP, we observe that the governance of this important initiative assigns a disproportionate weight to technology providers and big industries, while the demand side and, in particular, the public sector is scarcely represented. We believe that, only by better integrating those who make concrete use of new technologies, the EIP will be able to give the right guidance to address the innovation effort towards the societal challenges.

- **We urge the Commission to enlarge the governance of the EIP on Water and to balance it with a greater representativeness of the demand side and, in particular, of the public sector.**

A MIX OF INSTRUMENTS IS NEEDED TO SAFEGUARD WATER RESOURCES

An appropriate water pricing framework is a necessary condition both to support the necessary investment efforts and to ensure a better protection of water resources. In some contexts, more efforts are probably still needed to attain an adequate level of cost-recovery. A better application of the *polluter pays principle* is therefore important to achieve a more balanced distribution across different societal uses of the costs related to water production and sanitation. A source control approach is also to be supported as the most cost-effective way to reduce the impact of hazardous substances.

What is more, the risk posed by new (micro-)pollutants needs to be taken seriously into account to keep ensuring both high level of water safety and public trust. However, the revision of the existing legislation to tackle new threats has to be based on robust scientific analysis, so as to avoid disproportionate reactions, which may eventually create exaggerated fears and aggravate affordability issues (see next section).

Against this background, the efforts of the European Commission to ensure a better implementation of EU water legislation, as well as a stronger cross-compliance with other policy fields, are fundamental. Nevertheless, we also believe that economic and regulative instruments (which are the centerpiece of current legislation) may not be enough to safeguard water resources.

Potential conflicts on the allocation of water resources between alternative societal uses need a political solution. In addition, the variety of practices and approaches across Members States – especially with regard to water pricing - needs to be considered (as also stated in a recent judgment of the European Court of Justice².) What is more, integrating environmental costs in water pricing may prove to be methodologically and practically difficult, since it entails assigning economic values to public goods which are not and cannot be traded and therefore do not have a price.

As the European Commission points out in its response to the ECI, water provision is strongly connected to local conditions. As a consequence, we believe that local authorities and stakeholders need to be more involved in the decision-making procedures related to water. We are persuaded that, besides economic and regulative instruments, better and improved governance can also play a key role to tackle the challenges described above.

Several APE members have been experimenting participatory governance mechanisms to include civil society and consumer organisations in their decision-making processes related to water price-setting, water quality, investment decisions, etc. Other members have successfully tested “upstream approaches” to involve the agricultural sector and implement shared actions to reduce their environmental impact. In short, there is a plethora of innovative governance initiatives at local level that have been proved effective in ensuring a better protection of water resources.

We believe that transparency (as a way of providing useful and understandable information) and greater stakeholders’ participation is crucial to raise public awareness on common challenges, thus reducing conflictual situations and increasing the “ownership” of decisions. Some of those experiences are collected in a forthcoming OECD’s report on “stakeholders’ engagement in the water sector” to which APE contributed as a member of the OECD Water Governance Initiative. Governance is indeed a topic that – we believe – should deserve greater attention also at the EU level.

- **Economic and regulatory instruments are important to ensure a better protection of water resources, as well as a more balanced distribution across different societal uses of the costs related to water production and sanitation. However, innovative and effective governance approaches at local level can also play an important role. Meaningful transparency provisions, adequate stakeholder engagement mechanisms and innovative governance approaches can help increase public trust and ownership of decisions, reduce potential conflicts about alternative water uses and, ultimately, achieve a more sustainable use of water resources.**

² Case C-525/12

MORE NEEDS TO BE DONE TO TACKLE AFFORDABILITY ISSUES

The need to improve the level of protection of water resources may, in some contexts, determine affordability problems. Indeed as recalled by the recent report by the European Environmental Agency report on the “*Assessment of cost recovery through water pricing*”, water demand for domestic consumption is inelastic to price. Different studies find that, in the aftermath of the economic crisis, the share of disposable income used to pay the water bill has been rising steadily, also in Western EU countries. Some APE members have indeed been witnessing an increasing number of households facing difficulties to pay their invoice.

Therefore, affordability issues do not affect only some peripheral low-income areas of the EU, but they are a serious concern for many EU countries and call for urgent responses.

In their “Sevilla resolution”, APE members engaged themselves to promote the adoption of measures aiming to ensure the provision of minimum water supply to people facing economic difficulties or social exclusion, in accordance with European and national legislation. Different initiatives have been implemented at local and national level to tackle this crucial problem, and APE members are comparing their experiences to better understand pros and cons of different approaches. Especially where water-affordability problems are not directly addressed by the general welfare system, this comparative work may provide useful information to policy-makers as to how establishing mechanisms that ensure equitable access without being distortive.

- **While Member States remain primarily responsible for ensuring the right to water, the European Commission could promote a wide debate to analyse and compare different approaches to ensure the universal access to water resources within the existing legislative framework. APE members would be glad to provide their contribution to such a debate.**

We believe that efficiency also represents a key response to tackle affordability issues. APE members are committed to the constant improvement of the quality of their services by reinvesting all operating margins, so as to provide the best service at the lowest tariff possible. To achieve this objective, many APE members take part in voluntary international and national benchmarking exercises (like EBC, Aquabench, etc.).

Benchmarking exercises can represent a tool to stimulate mutual learning and the diffusion of innovative management solutions. However, we observe that some operators, especially small-size ones and those operating in rural areas, face economic and cultural difficulties participating in this initiatives. Through our Performance Working Group, some operators have established performance-oriented partnerships and cross-auditing mechanisms, whereby larger operators offer their support to smaller ones through staff exchanges, technical advice, etc. This approach can encourage – we believe – smaller operators to enter more structured benchmarking exercises.

- **While benchmarking is and should remain voluntary approach, the European Commission could support twinning, cross-auditing and other forms of not-for-profit partnerships between operators (especially between smaller and larger ones) with a view to encouraging participation in benchmarking exercises and diffusing best practices.**