Affordability mechanisms in Europe and the role of water services

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About EurEau

EurEau — the voice of Europe’s Water sector since 1975

Our members are 32 national associations of water services from 29 European countries.

We represent public and private drinking and waste water services.

Employing 542,000 people, the sector makes a significant contribution to the European economy.
About EurEau

~ We provide a platform for our members to exchange knowledge

~ We advocate the European water sector’s positions to the European decision makers
The Right to Water and Sanitation

The UN General Assembly recognised the human right to water and sanitation officially in 2010.

To realise this right water and sanitation must be:

- Available
- Accessible
- Affordable
- Acceptable
- Safe

Now and in the future: intergenerational responsibility

Future generations should be able to enjoy water services with the same (or higher) degree of safety and affordability enjoyed by the current generation.
EU level

- In order to strike the right **balance** between **availability** and **affordability**, **pricing policies** and **affordability mechanisms** play a fundamental role.

- **Right2Water ECI in 2013**

- The European Commission Communication COM(2014) 177 recognised also that “in order to secure and improve access to water and sanitation, **three elements are crucial: quality, physical accessibility and affordability.**” How?

  - **Quality**: WFD, UWWTD, DWD
  - **Drinking Water Directive**: revision of the DWD to identify areas of improvement
  - **Affordability**: issue for MS – EU does not have competence on pricing (but art.9 WFD, cost recovery)
  - **Physical accessibility**: EU funds available to build infrastructure
EU level

~ **European Parliament resolution (2015):** “Calls on the Commission to collaborate with the Member States and regional and local authorities to conduct a study on water poverty issues, **including issues of access and affordability**; [...]welcomes the fact that in some Member States ‘**water banks’** or minimum water quotas are being used in an effort to help the most vulnerable with their utility costs, to guarantee water as an inalienable component of fundamental rights”;

~ **European Commission** report from stakeholders dialogues (2014-2015): “**water tariffs in general may be considered affordable** (OECD), but there is **no absolute level for affordability**” [...]“this may not be true for the **lowest income decile of the OECD population**”.

~ No definition of affordability at European level in terms of % of disposable income
EurEau level

~ Is it the task of water services to deal with affordability issues?
~ Do you deal with affordability issues?
~ What are the existing mechanisms/tools?
~ How should/can we get involved?
General considerations

~ Wide **variety** of experiences

~ Approaches differ between European countries

~ In a given country various approaches are pursued

~ Some water operators are involved directly or indirectly as advisors

~ Some water operators are not involved at all (social policy issue: Germany, Austria, Norway, Serbia, Slovenia, Sweden)
Affordability mechanisms

- Social tariffs (UK, Spain, Portugal, Italy)
- Specific solidarity funds (Wallonia, France) financed by the operators or voluntarily by other customers (Spain)
- Cooperation with charities and NGOs (UK, Poland and Spain)
- Debt relief schemes (UK, Denmark, The Netherlands)
- Operators advise customers on how to reduce water bills (several countries)
Belgium - Wallonia

**Social fund for water:** ALL households contribute to it through their water bill by paying 2,5 €cents/m³

- Gathered by water operator, managed by municipal social services, 6,500 households benefitting from it in 2016 (main residence)

- The water operator flags a household in financial difficulty to the municipal social services that assess whether the vulnerable households have the right to the intervention of the fund and a reduction of the water bill (up to 500 €/y/4ppl +100 € for each extra member).

- Municipal social services may trigger the intervention of the fund when households are benefitting from social allowances

- 5% of the fund used to improve water efficiency in those households
Belgium - Flanders

Up to 2017: first 15 m³ per capita for free, negative impact on large families, since beyond 15m³ price per m³ very high.

Since 2017

~ Fixed part of the tariff: 100 €, but reduction of 20 € for each household member (no negative fee can apply)

~ Volumetric part of the tariff:
  ~ Block 1 ‘basic consumption’: 0-30 m³ pp/y, water is charged at basic price (different from company to company). +30 m³ per connection billed at basic consumption rate.
  ~ Block 2 ‘comfort consumption’: beyond 30 m³ pp/y, price is doubled.

~ Vulnerable groups: ‘water scan’ free of charge + automatic 80% rebate on their water bills (without requesting it):
  ~ Users that receive disability benefits, the minimum social welfare allowance from municipal social services, or revenue complement for older people.

~ Municipal social services communicate the list of vulnerable households to the water operator at the beginning of the year. 8% of Flemish households benefit from it.
Italy

~ Fixed and volumetric tariff: increasing-block tariff, changing from region to region

~ Ministerial decree: 50 l/d/pp for free at vulnerable groups – National regulator studying options – public consultation

~ Currently lack of national fund: intention of national regulator to develop one as for natural disasters (4 cents/m³) to allow for territorial cross-subsidization

~ Water bonus established at local level
  ~ Many water utilities gather a solidarity fund: 1 € per connection and municipalities redistribute it.
  ~ households with an ISEE indicator up to 7,500 /12,000/20,000€ depending on the region and household composition
  ~ household to request the bonus through the municipal social services or directly through the operator
  ~ Reduction of 20-30-50% on the water bill
Spain

- DW supply priority use among other uses by law
- Municipal competence: variety of approaches and criteria
- Municipal water services are in charge of identifying and assessing vulnerable households:
  - Social criteria (large families, disable people, retired..)
  - Economic criteria (low income, unemployed)
- Traditionally: social tariff for vulnerable households (the discount is financed by other users)
- In the past years: specific solidarity funds (alternative or complementary to the social tariff, always financed through tariffs) more common due to the economic crisis
- In some cases the fund is directly managed by the operator after the assessment by the municipality (discounts)
- In other cases the fund is managed by the municipality itself
- Essential the coordination between water operator and the social services of the municipality
EurEau position

~ Affordability measures should target persons facing affordability problems through social policy instruments

~ The decision on the mechanisms and the identification of the beneficiaries remains the responsibility of public authorities

~ Water operators may advise in developing appropriate models: it is not their core activity so cooperation with public authorities remains crucial

~ SDGs: EurEau Congress in Bilbao 18-20 October 2017
Thank you for your attention

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