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REPORT

on the Commission communication to the Council, the European Parliament and the Economic and Social Committee on pricing policies for enhancing the sustainability of water resources
(COM(2000) 477 – C5-0634/2000 – 2000/2298(COS))

Committee on the Environment, Public Health and Consumer Policy

Rapporteur: Marialiese Flemming

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PROCEDURAL PAGE

By letter of 26 July 2000, the Commission forwarded to Parliament a communication to the Council, the European Parliament and the Economic and Social Committee on pricing policies for enhancing the sustainability of water resources (COM(2000) 477 – 2000/2298(COS)).

At the sitting of 29 November 2000 the President of Parliament announced that she had referred the communication to the Committee on the Environment, Public Health and Consumer Policy as the committee responsible and the Committee on Agriculture and Rural Development and the Committee on Industry, External Trade, Research and Energy for their opinions (C5-0634/2000).

The Committee on the Environment, Public Health and Consumer Policy had appointed Marialiese Flemming rapporteur at its meeting of 10 October 2000.

The committee considered the Commission communication and the draft report at its meetings of 18 June and 9 October 2001.

At the last meeting it adopted the motion for a resolution by 30 votes to 18 , with 1 abstention.

The following were present for the vote: Caroline F. Jackson chairman; Guido Sacconi, Alexander de Roo and Ria G.H.C. Oomen-Ruijten, vice-chairmen; Marialiese Flemming, rapporteur; Per-Arne Arvidsson, María del Pilar Ayuso González, Jean-Louis Bernié, Hans Blokland, David Robert Bowe, John Bowis, Hiltrud Breyer, Dorette Corbey, Chris Davies, Anne Ferreira, Karl-Heinz Florenz, Cristina García-Orcoyen Tormo, Laura González Álvarez, Robert Goodwill, Françoise Grossetête, Cristina Gutiérrez Cortines, Heidi Anneli Hautala (for Marie Anne Isler Béguin), Mary Honeyball (for Béatrice Patrie), Anneli Hulthén, Christa Klaß, Hans Kronberger, Bernd Lange, Giorgio Lisi (for Martin Callanan), Torben Lund, Minerva Melpomeni Malliori, Patricia McKenna, Emilia Franziska Müller, Rosemarie Müller, Riitta Myller, Giuseppe Nisticò, Karl Erik Olsson, Marit Paulsen, Frédérique Ries, Dagmar Roth-Behrendt, Karin Scheele, Ursula Schleicher (for Avril Doyle), Horst Schnellhardt, Inger Schörling, Jonas Sjöstedt, María Sornosa Martínez, Antonios Trakatellis, Joaquim Vairinhos, Kathleen Van Brempt (for Catherine Stihler) and Phillip Whitehead.

The opinions of the Committee on Agriculture and Rural Development and the Committee on Industry, External Trade, Research and Energy are attached.

The report was tabled on 11 October 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission communication to the Council, the European Parliament and the Economic and Social Committee on pricing policies for enhancing the sustainability of water resources (COM(2000) 477 – C5-0634/2000 – 2000/2298(COS))

The European Parliament,

– having regard to the Commission communication (COM(2000) 477 – C5-0634/2000),

– having regard to Article 174 of the Treaty,

– having regard to the Directive establishing a framework for Community action in the field of water policy (COM(1999) 271)[1],

– having regard to the European Environment Agency's report 'Sustainable water use in Europe',

– having regard to Rule 47(1) of its Rules of Procedure,

– having regard to the report of the Committee on the Environment, Public Health and Consumer Policy and the opinions of the Committee on Agriculture and Rural Development and the Committee on Industry, External Trade, Research and Energy (A5-0341/2001),

A. whereas water is not a commercial product like any other but, rather, a heritage which must be protected, defended and treated as such,

B. whereas access to water is an inalienable human right,

C. whereas the Commission communication is an important step towards a sustainable water supply in Europe; whereas the communication should facilitate the implementation of Article 9 of the EU Water Framework Directive as regards recovery of costs and the use of economic instruments in order to encourage water-friendly use (in terms of quality and quantity) on the part of all users and to help achieve the environmental objectives of the Water Framework Directive[1]; whereas Article 9 of the Water Framework Directive requires Member States to ensure by 2010 that water-pricing policies provide adequate incentives to use water resources efficiently and an adequate contribution of the different water uses to the recovery of the costs of water services,

[1] OJ L 327, 22.12.2000, Directive 2000/60/EC.

D. whereas the supply of water is a service of general interest and whereas water must be available to all,

[1] OJ C 342, 30.11.1999, p. 1.

E. whereas setting adequate water prices will also have positive effects in terms of efficient use of water resources,

F. whereas the use of economic instruments offers an additional opportunity to safeguard a comprehensive and sustainable water supply in terms of both quantity and quality,

G. whereas, however, economic instruments alone are not enough to ensure comprehensive, sustainable use of water resources - other instruments need to be developed as well, such as strategies for involving and informing consumers, pollution-reduction strategies, and so on**,**

H. whereas water pricing policies shall contribute to the achievement of objectives regarding the protection of waters, as laid down in the EU Water Framework Directive and other legislation; whereas a sustainable, demand-based strategy to water use requires a combination of water pricing and other measures such as public information campaigns, the promotion of water saving devices and practices and a reduction of water leakages in the production-supply-distribution systems**,**

I. whereas the proposed instrument can make an important contribution to the achievement of the cost-recovery objective set out in Article 9 of the Water Framework Directive and thus contribute to the implementation of the precautionary and polluter pays principles which are contained in the Treaties,

J. whereas the individual sectors of the economy, which should be broken down at least into the household, industrial and agricultural sectors should be responsible for the environmental and resource costs they have caused,

K. whereas, no reliable and comparable data on the economics of water use is available at EU level, whereas the public cannot obtain sufficient information on charges for water and the amount of public money spent on water use in the key sectors (i.e. households, agriculture, industry),

L. whereas, it is recognised that current water pricing policies in all sectors, and in particular in the agriculture sector, are far from internalising external costs, therefore giving wrong incentives leading to significant negative impacts on the aquatic environment and especially to groundwater,

M. whereas the Water Framework Directive requires identification of funding, direct and indirect subsidies and cross-subsidies in the water industry, which should allow informed public involvement in decisions on water prices in order to support sustainable water management,

N. whereas water supply varies greatly within Europe and globally; whereas the objective of global sustainable water supply is therefore also a major priority challenge for the United Nations, in particular as regards the regional imbalances in terms of water resources which climate change could exacerbate,

O. whereas the Commission communication represents only the start of a practical approach to implementing appropriate cost levels for the use of water,

P. whereas the primary aim must be comprehensive protection of Europe's water resources; whereas the concern must be for regional sustainable use and rehabilitation to have priority over buying in and obtaining external supplies,

Q. whereas outdated management and utilisation models should increasingly be replaced by sustainable models and whereas demand management in particular should be developed on the basis of new instruments,

R. whereas only when the principle of maintaining sustainable resources is fixed within the pricing structure of European water suppliers and treatment organisations can sustainable drinking water supplies and waste water disposal throughout Europe be guaranteed; whereas, to exclude distortion of competition, this principle should be applied equally in all Member States,

S. whereas any pricing policy must be linked to the geographical area concerned and to the problems associated with that area's water resources, and whereas it must be conducted by the people responsible for protecting those resources**,**

T. whereas assessment of environmental and resource costs independently of the existing supply and disposal areas of the undertakings is both possible and sensible; whereas this is in line with the communication, where the river basin area or sub-basin area provides a suitable basis for assessment of environmental and resource costs, regardless of the methodological problems of evaluating and quantifying environmental and resource costs which still have to be solved,

U. whereas under the EC Treaty responsibility for water as a resource lies with the Member States**,**

V. whereas a new agricultural water pricing policy can be successful only with the involvement of those concerned, i.e. the farmers,

X. whereas an appropriate water pricing policy could play a fundamental role in encouraging a more efficient and sustainable use of water in agriculture so as to reduce the pressure on the environment and release resources for other, competing uses, and whereas there can be no new water-pricing policy for agriculture without consulting farmers,

Y. whereas an appropriate water pricing policy must not prevent agricultural produce from being able to compete with produce from non-member countries,

Z. whereas the common agricultural policy should encourage sustainable agriculture which is competitive at international level and also able to fulfil its multifunctional role; whereas agricultural policy should therefore be consistent with the Water Framework Directive and should maintain the European model of agriculture and the links between the regions; whereas in this connection water is no longer just one of the factors of production for irrigated agriculture but also becomes a fundamental resource for maintaining the economic, social and environmental structures of rural areas**,**

AA. whereas water prices must appropriately encourage users towards efficient consumption and a reduction in pollution,

AB. whereas it is difficult to introduce policies encouraging an effective water use without proper metering; whereas it is essential to install metering devices in agriculture, industry and private households; whereas Parliament is fully aware of the technical and financial difficulties in implementing these measures,

AC. whereas environmental policy should be integrated into other sectoral policies (Cardiff process),

AD. whereas the high financial needs of accession countries to the EU for implementing the environmental acquis, in particular EU water legislation, and their particular water problems, is fully recognised,

1. Recognises the importance of pricing policies for enhancing the sustainability of water resources in Europe, as embodied in the Water Framework Directive;

2. Reiterates that water, as a limited natural resource, constitutes one of the major concerns of Community environmental policy;

3. Supports a Community-level harmonised approach to pricing, taking due account of the different situations and needs of sectors and regions throughout the European Union;

4. Also stresses the need to take account of water quality, which varies from one Member State or region of the European Union to another, when setting water charges;

5. Urges the Member States of the European Union to ensure that solidarity between the Union's various countries is a basic guiding principle in all matters concerning water policy;

6. Calls on Member States to introduce an efficient water pricing system which encourages rational use of water resources, the recovery of costs being fully ensured at river basin level, in order to help meet the environmental objectives of the Water Framework Directive;

7. Calls for the Commission to draw up practical proposals for regionally and sectorally appropriate water pricing in the European Union based on a common understanding of the economics of all water uses;

8. Calls for the Commission to draw up sector-specific studies on the possible impacts of water pricing, including in a global context;

9. Stresses the role water pricing can play in accession countries to the European Union; calls for both the financial and environmental role of pricing to be systematically considered in water projects supported by the EU in the accession process, as means for ensuring most effective use of both scarce financial and water resources;

10. Calls for greater attention to be paid to the global sustainable water supply, including in the United Nations; calls for account to be taken of the conclusions contained in the reports on climate change as regards the consequences for water;

11. Calls for the Commission to prepare, in collaboration with Member States**,** water pricing

guidelines for supporting the implementation of Article 9 of the Water Framework Directive, which shall primarily contribute to enhanced environmental protection and take account of economic efficiency and social requirements, to be based on the following aspects:

- improvement of economic transparency and the knowledge and information base, taking into account demand for water and the estimation of the costs for water as a resource, water management, services and use including direct and indirect subsidies, water-related tariffs and charges, investment costs, infrastructure maintenance costs, environmental benefits, and the costs of water pollution;

- setting of adequate water prices**,** taking into account rights to water**,** so that recovery of all costs is ensured for each sector (domestic, industry and agriculture) and both surface water and groundwater are taken into account;

- defining the charges required to recover the costs of water protection and the improvement of aquatic systems;

- identifying and applying incentives for sustainable water use, such as prices for water that reflect the supply cost and the environmental cost of abstraction and use;

- developing instruments to deal with special situations, such as supplements for heavy polluters, special provisions for the disposal of rainwater, progressive or degressive charges, etc;

- the hydrographic basin district or sub-basins or appropriate areas (coherent areas) where there is a small scale supply and treatment structure should provide the appropriate reference framework for establishing environmental and economic costs;

- the pricing system must be progressive so as to ensure that the greater the consumption the greater the contribution made to the costs of the water cycle and that an essential minimum is provided free of charge or at low cost for domestic use;

- the system must be transparent for consumers or users;

- the system must cover all the costs generated in the water cycle for all uses;

12. Calls for the application of cost recovery to make sustainable water use possible, as laid down in Article 9 of the framework directive; considers that variables not previously taken into account by the Commission, such as rights of ownership and use of water resources and infrastructure installations, public and private management, etc., can lead to inconsistencies in this area;

13. Welcomes the Commission Communication on pricing policies for enhancing the sustainability of water resources and agrees with the Commission that an appropriate water-pricing policy has an essential role to play in encouraging more efficient and sustainable use of water in agriculture which will enable pressure on the environment to be reduced and resources for other competing uses to be released;

14. Points out, however, that analysing water pricing in the agricultural sector is a complex

task on account of the wide diversity of agricultural uses in the various Member States and the differences between Europe's regions as regards their requirement for water for agricultural purposes, particularly in the case of the Mediterranean regions where water is of essential strategic importance as a basic resource needed for the promotion of social, economic and environmental development in rural areas. Considers a diversified incentive-based water-pricing policy to be essential in view of (pursuant to the 'polluter pays' principle) the varied social, economic, environmental, geographic and climatic conditions of those regions, which would be most affected by changes in pricing policy;

15. Considers that the CAP must help to achieve the objectives laid down in connection with the new water policy set out in the framework directive, so that a gradual shift can be made to a form of agriculture which is in accordance with a sustainable-development model and which performs a 'multifunctional' role including the protection of the European agricultural model and of cohesion between the various EU regions; points out that pricing must not be an obstacle which restricts European agricultural products and makes them less competitive than those of third countries;

16. Regrets the fact that the impact of the principles put forward by the Commission in respect of water pricing in the agricultural sector is not specifically considered or analysed in detail as regards the social, economic, agri-economic and environmental implications thereof. Considers that cost-evaluation criteria in the agriculture sector need to be harmonised and therefore calls on the Commission to draw up appropriate recommendations or guidelines;

17. Points out that the financial, environmental and resource costs of irrigation farming require differential treatment if gradual-recovery objectives are to be achieved; considers that, in view of the complexity of quantifying environmental costs, the latter should be evaluated on the basis of independent sets of scientific research, using reliable methods; considers that financial costs must take into account all possible exceptional circumstances such as droughts or other causes which prevent a normal supply of irrigation water;

18. Stresses the importance of introducing an irrigation-water pricing policy progressively, transparently and in a way which is suited to local needs; considers that the implementation of such a policy must be accompanied by a suitable policy for informing and actively involving irrigation farmers which will enable them to acquire a knowledge of and accept the economic and environmental incentives based on the savings to be derived from the correct application of pricing; considers furthermore that these measures must be supplemented by the optimisation of irrigation infrastructure and techniques, improvements to rural planning practices and an environment which encourages cooperation amongst irrigation farmers with a view to efficient water management;

19. Considers that pricing and the management of irrigated land should be the responsibility of the relevant authorities at both regional and local level and should involve irrigation farmers' organisations with a view to coordinating initiatives designed to improve irrigation techniques, so that effective water-management systems can be introduced, together with pollution-reduction plans and schemes to enable waste water to be re-used;

20. Stresses that the agricultural sector requires a policy of providing incentives and

improving infrastructure, including irrigation techniques, in the same way as other sectors that are major consumers of water;

21. Considers there to be a need to develop and install devices which will facilitate the measurement of volumes of irrigation water consumed as an essential tool for the conservation of water resources; expresses its concern at the problem of the over-exploitation of water tables in the European Union and points to the need for the amounts extracted by all users with extraction rights to be monitored;

22. Draws attention to the lack of consistency between the policy for the sustainable development of water resources and the current CAP; considers that the medium-term revision of the CAP must concentrate on strengthening the 'second pillar' and that the agri-environmental programmes must devise specific measures for irrigated land which will help to reduce the environmental impact and net water consumption, promote the establishment of systems to monitor the flow of water and dissolved substances and ease the transition to volume-based charges; emphasises the major importance of the instruments available under the CAP which enable market aid to be made conditional upon compliance with environmental objectives designed to rationalise water used for irrigation purposes;

23. Stresses that efficient management of water used for irrigation purposes should help to prevent agricultural surpluses; emphasises that the increase in the price of water which would occur if pricing were introduced must not jeopardise the viability of farming, particularly in the case of family-run farms which operate under certain specific conditions; considers, therefore, that the implementation of pricing policies should be accompanied by suitable incentives which will help to modernise such farms and thus encourage sustainable water use and promote integrated rural development;

24. Calls for sustainable water supply and waste water treatment to include the costs of maintaining assets as a fixed component in the water pricing structure;

25. Considers that the principle of recovery of costs in water pricing and waste water charging must be embodied in legislation;

26. Calls on both the European Union and all Member States to take account of the following principles in water pricing:

- all external costs to be addressed in the price of water;
- all attributable and unavoidable costs to be covered by the price of water;
- allocation of charges for consumer groups in line with the costs generated by these users using commercial principles;
- cost structure to be taken into account when setting the basic price and volume price;
- social, environmental and economic effects of cost recovery and the geographical and climatic conditions of the region(s) concerned to be taken into account;
- appropriate interest for own capital and other capital resources; the principle of

maintaining assets to be taken into account;

- contribution to the recovery of costs connected with water services to be proportional to water use by the various sectors of the economy (household, agriculture, industry);

- cover of environmental costs including costs of all services for water protection which go beyond compliance with best practice or best available technologies;

- the pricing system must be progressive and must ensure that the minimum amount of water needed to maintain quality of life can be afforded by all consumers, especially for domestic use;

- the system must penalise wasteful and inefficient consumption and practices;

- the river basin unit may serve to create or develop a fund for future investment in, and improvements to, the river basin;

- not only economic aspects but also environmental, social and cultural aspects must be taken into consideration;

- the system must reflect the particular problems of each river basin (water shortages, water quality, need for environmental improvements etc.);

- the system must promote the sustainable use and consumption of water;

27. Calls for steps to be taken, with regard to the small-scale supply and treatment structures which exist in several Member States, to ensure that representation of the cost ratios of water supply and waste water treatment remains practicable and in particular does not run counter to the long-standing principle of total cost calculation in contributions;

28. Is deeply worried about the precedent set by proposals for the development of unsustainable water management schemes across Europe, such as the Spanish National Hydrological Plan (NHP), adopted by the Spanish Senate on 20 June 2001 and which includes proposals to build up to 118 new dams and widespread irrigation infrastructure, as they do not address the issue of sustainable water use through pricing mechanisms and other water conservation measures;

29. Considers that taking into account the polluter pays principle means that the costs of treating polluted water in order to achieve drinking water standards, should be carried by the polluters and not by the consumers;

30. Considers that the water supply companies should charge their customers the costs for obtaining water, safeguarding and ensuring quality, treating and storing water, supplies for peak requirements and distributing water and treating and purifying waste water in their supply area; this is appropriate and is reflected in a uniform water price for the supply area concerned, whilst it must be ensured that excessive disparities do not emerge between supply areas; treatment costs shall be carried according to the polluter pays principle;

31. Considers that water abstraction must be by law in line with concerns which take

environmental protection into account and sustainable development, thus maintaining water-dependent eco-systems and the capacity of the resource to meet demands of future generations, e.g. rate of replenishment of groundwater, levels of consumption and remaining amounts; legal authorisations and permits for large scale public and all commercial abstraction of water may be granted only after careful examination ***of*** abstraction body by the water authorities in the Member States;

32. Stresses the responsibility borne by all economic sectors – including agriculture, livestock farming and industry – to avoid over-consumption and pollution of water;

33. Stresses that incentives to reduce pollution and improve water use are required for those sectors which are least efficient and the heaviest polluters;

34. Calls on the European Commission to carry out a study on the impact of irrigated agriculture and tourism on the environment in water-stressed areas of the European Union;

35. Calls on both the European Union and the Member States to phase-out all water-related subsidies that contradict EU environmental legislation including structural and cohesion funds;

36. Calls for an integration of water protection policy into agriculture and tourism policy by means of water prices that cover costs;

37. Calls for the pricing structures used by the water service companies (i.e. the water supply and the waste water treatment companies) to be reviewed; compliance with these requirements by the Member States shall be enforced by the Commission; however, the administrative independence of the local authorities must be maintained and inappropriately high administrative costs must be avoided;

38. Recalls that the combination of water tariffs and subsidies for investment and practices intended to protect the environment has often proved highly efficacious in resolving environment problems, a fact which also makes it easier for users to accept new charging systems;

39. Believes that the provision of water at artificially low prices to account for social and affordability objectives is a rather crude instrument for pursuing equity objectives, and that it should be optimised, taking due account of the varying needs and conditions which obtain in the most heavily dependent European sectors and regions;

40. Stresses that due account should be taken of exceptional conditions, such as droughts, geographical location or others which may impede the provision of a normal service, and mean that the tariff charged will not allow the costs to be recovered;

41. Calls for consumers, in the interests of sustainable use of water resources, to have at their disposal the information they require:

- water supply undertakings should publish the quality of the water supplied, current prices or price changes in official publications, the local or regional press, public relations

brochures, the Internet, etc, so that customers are aware of prices and the price structure, and thus the credibility of the prices, and this information should also be indicated in water bills;

- customers should also have access to those water meter readings which form the basis for the water bill; consumers are thus able to monitor their own water consumption costs and adjust consumption habits accordingly;

- the bills received by users should:

  - clearly show the price of water, broken down into its component items;
  - contain an explanation of all the items charged;
  - indicate, clearly and visibly, the address, telephone number or internet page which consumers can use if they have any queries;

42. Supports the taking of initiatives to educate and train European Union citizens to save, make proper use of and not pollute water;

43. Calls for water protection, as a significant part of environmental protection, to be defined broadly as a government task a clear separation of the responsibility for costs relating to the amount of water used and the general costs borne by the tax payer seems to be necessary;

44. Calls on the Member States to ensure that all future water-pricing exercises are carried out in conjunction with other policies which encourage efficient water use;

45. Encourages Member States to take a holistic approach to sustainable water use, combining efficient water pricing with other measures such as public information campaigns, the promotion of water saving devices and practices and a reduction of water leakages in the production-supply-distribution systems;

46. Instructs its President to forward this resolution to the Council and Commission and the parliaments of the Member States.

EXPLANATORY STATEMENT

Water is one of the most valuable natural resources and one which will gain in importance in the coming decades. Water policy is therefore an important component in the European Community's environmental policy.

Water consumption is increasing rapidly throughout the world. In regions with inadequate water supplies and rapidly growing populations, in particular in large parts of Africa and Asia, the decades ahead are likely to be characterised by acute drinking water shortages. The problem could be alleviated by an efficient use of water, in particular in agriculture in these countries.

At the end of 1999 the world population exceeded the 6 billion barrier. According to United Nations estimates the population will rise to 8 billion by 2025. Growth will occur predominantly in urban agglomerations in developing countries. There is a risk that the conflicts about water - an increasingly scarce resource - which are already occurring today in areas affected by shortages will increase in number in coming decades.

In this context, the Council and the European Parliament last year created a single legislative framework for Community action in the field of water policy by adopting the Water Framework Directive, the aim of which is the harmonisation and approximation of the legislative and administrative provisions in the European water sector.

An important aspect covered in the Water Framework Directive is water pricing policy.

In July 2000 the Commission submitted a Communication on pricing policies for enhancing the sustainability of water resources, which is an important element in the Water Framework Directive. This Communication views water pricing as an economic instrument of environmental policy, creating an incentive for the user to make more sustainable use of water resources and to cover the costs of services associated with water, including environmental and resource costs.

The directive provides for exemptions in the application of this principle by leaving the Member States considerable flexibility, enabling them to take into account the social, environmental and economic impact of the recovery of costs and the climatic and geographical conditions in the regions concerned.

Parliament considers that Europe's water sector is facing massive changes based on the European Water Framework Directive, water prices which cover costs and management plans for river basin areas.

Even when it is evident that a large proportion of water consumption is associated with production activities (domestic, industry, agriculture, tourism, etc) which are extremely important for the economy, it must also be borne in mind that water is not simply a commodity but its sustainable availability is also an essential human right and vital for ecosystems. These aspects must be taken into account so that a situation is avoided where only economic aspects are actually considered.

Parliament considers that the water supply must be able to cope with all requirements:

- supplies for human use;
- maintenance of undisturbed water cycles in the natural and agricultural landscape; ensuring that environmental requirements are met in terms of quantity and quality;
- industrial and agricultural use;
- tourism, leisure and other recreational activities.

29 May 2001

OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT

for the Committee on the Environment, Public Health and Consumer Policy

on pricing policies for enhancing the sustainability of water resources
(COM(2000) 477 – C5-0634/2000 – 2000/2298 (COS))

Draftsman: Carlos Bautista Ojeda

PROCEDURE

The Committee on Agriculture and Rural Development appointed Carlos Bautista Ojeda draftsman at its meeting of 5 December 2000.

It considered the draft opinion at its meetings of 24 April and 28 May 2001.

At the latter meeting it adopted the following conclusions unanimously.

The following were present for the vote: Friedrich-Wilhelm Graefe zu Baringdorf (chairman), Joseph Daul (vice-chairman), Carlos Bautista Ojeda (draftsman), Gordon J. Adam, Alexandros Baltas (for María Izquierdo Rojo), Sergio Berlato, Niels Busk, António Campos, Giorgio Celli, Arlindo Cunha, Francesco Fiori, Carmen Fraga Estévez (for Michl Ebner), Georges Garot, Lutz Goepel, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Dimitrios Koulourianos, Albert Jan Maat, Xaver Mayer, Manuel Medina Ortega (for Bernard Poignant pursuant to Rule 166(3)), Neil Parish, Ioannis Patakis (for Christel Fiebiger), Mikko Pesälä, María Rodríguez Ramos, Dominique F.C. Souchet and Struan Stevenson.

SHORT JUSTIFICATION

1. Introduction

In July 2000 the Commission submitted a Communication[1] on pricing policies and the sustainable management of water resources, which is an essential part of the framework directive on water[2]. The Directive promotes the use of water pricing (an environment-policy economic instrument) in order to encourage consumers to use water resources in a more sustainable fashion and in order to cover the costs of water-related services (including environmental ones and those relating to resources) for each economic sector (*full-cost-recovery*). It allows exceptions to the application of this principle by giving the Member States plenty of leeway, so that they can take into account the social, environmental and economic effects of recovery and the geographical and climate conditions of the regions concerned.

A pricing policy for irrigation water which is intended to encourage the rational use of that resource would lead to higher water prices which in turn would bring consumption into line with actual needs, thereby preventing any squandering of the resource. However, this could bring about changes in the types of crops grown and techniques used and could ultimately result in lower agricultural incomes and a fall in the number of people employed in agriculture, since the crops which need most water are also the most profitable ones and the ones which generate most employment. In short, water is essential to agricultural production and is a natural resource which must be used in a rational and sustainable fashion. Reconciling both aspects by means of an effective pricing policy is no easy task.

The CAP must help to achieve the objectives of the new water policy so as to enable a progressive switch to be made to a type of agriculture which is in accordance with the sustainable-development model, which is internationally competitive and which is multifunctional. For this reason the CAP and the principles laid down in the framework directive must be made consistent, so that the European agricultural model and cohesion between the various parts of the EU can be protected and safeguarded. Against such a background, water ceases to be just another factor involved in the process of crop production on irrigated land and becomes a resource which is essential to the protection of the social, economic and environmental fabric in rural areas.

2. Application of water-pricing policy to the agricultural sector

The differences between the various Member States (and between the regions within those Member States) and the diverse nature of the agricultural uses of water on both the supply and the demand side mean that analysing the pricing of water used for irrigation purposes is fraught with difficulties. Agriculture has contributed to environmental degradation by placing increased pressure on water resources. This has led to excessive water consumption, the effects of which are more marked in southern Europe, although northern Europe has more serious pollution problems.

[1] COM(2000)0477 final, 'Pricing policies for enhancing the sustainability of water resources'
[2] Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1)

Analysing water-pricing policy in the agriculture sector is a highly complex process. This complexity is attributable to the following factors: (i) water-pricing structures, arrangements and levels which vary in agriculture from one country to another and, within any given country, from one region to another; (ii) the need for prices, mechanisms and the criteria applied to water to be compared on the basis of a precise description of the conditions under which water is made available to farmers; (iii) the interaction between the direct subsidies and the cross-subsidies which the agriculture sector receives; (iv) priorities in the guidelines for regional-planning and agricultural-and-rural-development policies; (v) the social implications of water management.

The Commission appears to establish a cause-and-effect relationship between the environmental problems of water within the EU mainland and the fact that water resources can be used at little cost. If it is acknowledged that charges for the water used in the vast majority of irrigated areas within the EU represent only a fraction of the costs of that water, that cause-and-effect relationship needs to be qualified. In many cases, EU farmers who practise irrigation lack the resources to finance new irrigated areas in full or to cover the costs which implementing policies to modernise and renovate existing areas would entail. The framework directive will be fully applicable to existing areas of irrigated land since few new ones will be developed after 2010. The pricing of water for irrigation purposes must be regarded as a long-term process, rather than one which has an immediate effect.

In essence the pricing policy based on the framework directive and relating to new irrigated areas will promote the sustainable use of water. However, applying it to existing irrigated areas will be highly problematic. The capital costs have already been borne by the public authorities. As regards planning costs and those relating to the conservation of water infrastructure, these will have to be covered by farmers themselves, an arrangement which will enable certain objectives to be achieved, such as slowing down the deterioration of irrigated land, sending out a price signal which will have a positive effect on the environment, setting up metering systems which will enable the volume of water consumed to be determined and strengthening users' organisations. However, the increasing cost of water used for irrigation purposes must not compromise irrigation farmers' ability to pay, since this would have significant social, economic and environmental implications.

If they are to be properly understood, metering systems and the direct management of pricing must be introduced at a level which is close to the actual farmers. This means that the management of river basins and irrigable areas must be in the hands of local and regional governments and irrigation farmers' organisations. Initiatives must be coordinated so that optimum use can be made of existing water infrastructure by means of technical improvements to irrigation techniques in agricultural areas which have special water needs – this being the only way in which demand-management mechanisms can be introduced and pollution-reduction plans implemented.

Agriculture entails appreciable environmental costs which are not reflected in the charges which irrigation farmers currently pay. Such costs are difficult to evaluate and the incorporation thereof into the overall price for water should be undertaken cautiously, using a reliable procedure. For the purpose of conveying a signal to farmers regarding the social value of the resource in question or the actual cost thereof, there are effective options such as the

temporary transfer of their rights to other applicants. For this reason, steps must be taken to enable such costs to be quantified more accurately. The harmonisation of structures and criteria for determining the true amount of those costs is essential.

The Commission has made no study of the impact of the pricing principles it puts forward with reference to irrigation, nor does it analyse the likely social, economic, agri-economic and environmental implications of applying those principles. The application of pricing to water intended for irrigation purposes can be considered only if due account is taken of the various types of farm, the circumstances in which they find themselves and their water and physical characteristics. The scope and the effectiveness of the possible responses (modifications to the crop plan, a reduction in the size of the irrigated area, improvements to farmers' water-management practices, modifications to irrigation techniques, abandonment of irrigation farming) will depend more on these parameters than on the cost of water resources.

This means that effective irrigation-water pricing must seek suitable flexible methods of calculation which will depend to a large extent on a set of factors which determine the pattern of demand and the latter's degree of elasticity: size of farms, nature of production, agronomic capability, irrigation systems and techniques, organisational and institutional level and availability of water. As regards water prices there is an essential difference between the countries of northern Europe and those of the Mediterranean, in which irrigation is an unavoidable practice. A shift in the approach to water pricing to take into account the way in which irrigation is practised in such countries will take time and will call for a mechanism which can be adapted to this state of affairs, bearing in mind that, in some regions, the absence of irrigated land will prevent diversified agricultural production whilst in others, irrigation enables farming to continue, thus providing jobs and ensuring that rural areas are cared for.

3. The need to coordinate the CAP with the objectives contained in the framework directive

In its current form the CAP does not help to achieve the objectives laid down in the framework directive; on the contrary, it encourages water use and irrigation agriculture, on occasion for the production of surpluses. The lack of consistency between these two policies could therefore constitute a constraining factor on pricing, for which reason new specific agri-environmental programmes for irrigated land need to be strengthened and developed in the context of rural development policy. Such programmes may help to reduce the environmental impact and the net water consumption of irrigated areas and to promote the introduction of schemes to monitor flows of water dissolved substances and water-related services.

The major challenge of the future CAP reforms will be to strengthen agri-environmental measures with a view to incorporating irrigation-water rationalisation targets. This task cannot be divorced from the preservation of the multifunctional agricultural model covering the entire EU, as pointed out at the December 1997 Luxembourg Council. Consistency will depend primarily on the future clarification of the scope and content of this model and of the multifunctional role of agriculture, including the environmental component thereof. Secondly, it will also depend on the correct application of the principles laid down in the framework directive.

Sustainable agriculture must take on board the principles acknowledged in connection with water policy. This will require a review of certain types of aid, the effects of which are contradictory to the environmental objectives of protecting water resources. At the same time an entitlement to compensation must be acknowledged in the case of the most vulnerable categories of farmer (family-based farms) or certain regions which are more seriously threatened by an evolving water-pricing policy, particularly in those sectors (which are very common in Mediterranean agriculture) which these days barely receive market aid. Lastly, market-aid cross-compliance measures must be extended to the achievement of environmental objectives leading to the rationalisation of water used for irrigation purposes.

CONCLUSIONS

The Committee on Agriculture and Rural Development calls on Committee on the Environment, Public Health and Consumer Policy as the committee responsible to incorporate the following paragraphs into its resolution.

Paragraph 1.

Welcomes the Commission Communication on pricing policies for enhancing the sustainability of water resources and agrees with the Commission that an appropriate water-pricing policy has an essential role to play in encouraging more efficient and sustainable use of water in agriculture which will enable pressure on the environment to be reduced and resources for other competing uses to be released.

Paragraph

2.

Points out, however, that analysing water pricing in the agricultural sector is a complex task on account of the wide diversity of agricultural uses in the various Member States and the differences between Europe’s regions as regards their requirement for water for agricultural purposes, particularly in the case of the Mediterranean regions where water is of essential strategic importance as a basic resource needed for the promotion of social, economic and environmental development in rural areas. Considers a diversified incentive-based water-pricing policy to be essential in view of (pursuant to the 'polluter pays' principle) the varied social, economic, environmental, geographic and climatic conditions of those regions, which would be most affected by changes in pricing policy;

Paragraph

3.

Considers that the CAP must help to achieve the objectives laid down in connection with the

new water policy set out in the framework directive, so that a gradual shift can be made to a form of agriculture which is in accordance with a sustainable-development model and which performs a 'multifunctional' role including the protection of the European agricultural model and of cohesion between the various EU regions; points out that pricing must not be an obstacle which restricts European agricultural products and makes them less competitive than those of third countries.

Paragraph

4.

Regrets the fact that the impact of the principles put forward by the Commission in respect of water pricing in the agricultural sector is not specifically considered or analysed in detail as regards the social, economic, agri-economic and environmental implications thereof. Considers that cost-evaluation criteria in the agriculture sector need to be harmonised and therefore calls on the Commission to draw up appropriate recommendations or guidelines.

Paragraph

5.

Points out that the financial, environmental and resource costs of irrigation farming require differential treatment if gradual-recovery objectives are to be achieved; considers that, in view of the complexity of quantifying environmental costs, the latter should be evaluated on the basis of independent sets of scientific research, using reliable methods; considers that financial costs must take into account all possible exceptional circumstances such as droughts or other causes which prevent a normal supply of irrigation water.

Paragraph

6.

Warns that the limited financial resources of many EU farmers who practise irrigation will make it necessary to lower the targets for full-cost recovery. Maintains that this restriction calls for detailed studies to be drawn up of individual costs in order to determine which have priority. This will justify the need for other policies to be devised which will affect irrigation farmers’ pattern of water use without reducing the profitability of farms.

Paragraph 7

.

Stresses the importance of introducing an irrigation-water pricing policy progressively, transparently and in a way which is suited to local needs; considers that the implementation of such a policy must be accompanied by a suitable policy for informing and actively involving

irrigation farmers which will enable them to acquire a knowledge of and accept the economic and environmental incentives based on the savings to be derived from the correct application of pricing; considers furthermore that these measures must be supplemented by the optimisation of irrigation infrastructure and techniques, improvements to rural planning practices and an environment which encourages cooperation amongst irrigation farmers with a view to efficient water management.

Paragraph 8.

Considers that pricing and the management of irrigated land should be the responsibility of the relevant authorities at both regional and local level and should involve irrigation farmers' organisations with a view to coordinating initiatives designed to improve irrigation techniques, so that effective water-management systems can be introduced, together with pollution-reduction plans and schemes to enable waste water to be re-used.

Paragraph 9

.

Considers there to be a need to develop and install which will facilitate the measurement of volumes of irrigation water consumed as an essential tool for the conservation of water resources; expresses its concern at the problem of the over-exploitation of water tables in the European Union and points to the need for the amounts extracted by all users with extraction rights to be monitored.

Paragraph 10.

Draws attention to the lack of consistency between the policy for the sustainable development of water resources and the current CAP; considers that the medium-term revision of the CAP must concentrate on strengthening the 'second pillar' and that the agri-environmental programmes must devise specific measures for irrigated land which will help to reduce the environmental impact and net water consumption, promote the establishment of systems to monitor the flow of water and dissolved substances and ease the transition to volume-based charges; emphasises the major importance of the instruments available under the CAP which enable market aid to be made conditional upon compliance with environmental objectives designed to rationalise water used for irrigation purposes.

Paragraph 11.

Stresses that efficient management of water used for irrigation purposes should help to prevent agricultural surpluses; emphasises that the increase in the price of water which would occur if pricing were introduced must not jeopardise the viability of farming, particularly in the case of family-run farms which operate under certain specific conditions; considers, therefore, that the implementation of pricing policies should be accompanied by suitable incentives which will help to modernise such farms and thus encourage sustainable water use and promote integrated rural development.

30 May 2001

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on the Environment, Public Health and Consumer Policy

on the Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee: 'Pricing policies for enhancing the sustainability of water resources'
(COM(2000) 477 – C5-0634/2000 – 2000/2298(COS))

Draftsman: Jaime Valdivielso de Cué

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Jaime Valdivielso de Cué draftsman at its meeting of 23 November 2000.

It considered the draft opinion at its meetings of 25 April and 29 May 2001.

At the latter meeting it adopted the following conclusions by 44 votes to 1, with 1 abstention.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Peter Michael Mombaur, vice-chairman; Jaime Valdivielso de Cué, draftsman; Konstantinos Alyssandrakis, Yves Butel, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Elisa Maria Damião (for Elena Valenciano Martínez-Orozco), Willy C.E.H. De Clercq, Harlem Désir, Concepció Ferrer, Christos Folias, Norbert Glante, Michel Hansenne, Malcolm Harbour (for Roger Helmer), Hans Karlsson, Bashir Khanbhai (for Anders Wijkman), Wolfgang Kreissl-Dörfler (for Massimo Carraro), Werner Langen, Rolf Linkohr, Caroline Lucas, Eryl Margaret McNally, Nelly Maes, Erika Mann, Angelika Niebler, Hervé Novelli (for Dominique Vlasto), Reino Paasilinna, Yves Piétrasanta, Elly Plooij-van Gorsel, Samuli Pohjamo (for Colette Flesch), John Purvis, Godelieve Quisthoudt-Rowohl, Imelda Mary Read, Mechtild Rothe, Christian Foldberg Rovsing, Paul Rübig, Ilka Schröder, Konrad K. Schwaiger, Esko Olavi Seppänen, Helle Thorning-Schmidt (for François Zimeray), Astrid Thors, W.G. van Velzen, Alejo Vidal-Quadras Roca, Myrsini Zorba and Olga Zrihen Zaari.

SHORT JUSTIFICATION

The Commission Communication is basically intended to launch the debate on water pricing as a means of enhancing the sustainability of water resources.

The Commission's main proposal is the strict application of economic and environmental principles to water pricing policy. This means that water prices need to reflect the financial cost of providing water services, the environmental costs, and the resource costs, so that prices have a clear incentive function to improve water use efficiency and reduce pollution.

All of this is intended to give real body to the Water Framework Directive[1] and enhance its application; Article 9 establishes the principle that water-related service costs are to be recovered, and that the Member States are to take due account of this principle no later than 2010.

The Communication under consideration represents a significant contribution to a debate which is both delicate and absolutely essential. Water is a limited natural resource fundamental to the lives of all European citizens, and it should therefore be one of the major concerns of the agricultural, industrial and environmental policies of the EC and its Member States.

Nitrate concentrations higher than the 50 mg/l limit set by the Drinking Water Directive[2] are still being recorded, including in areas with intensive agricultural, livestock and industrial production.

Water is an essential part of the production process for certain industries (chemicals, steel production, textiles and food). With regard to the European paper industry, for example, water is also one of the principal components of paper, even if most of the water used in paper production is returned to the river basins concerned.

The Commission reaches the conclusion that the industrial use of water has fallen in almost all EU Member States (except France, where its use in the energy sector has increased).[3] The Commission also recalls that in general, water is a minor cost for most industrial sectors, and quotes a study which claims that the recovery of the total financial costs would entail only a tiny increase for most industries, other than food production, where the cost would rise significantly, with estimates ranging from 1.6% to 3.5% of total turnover.

Moreover, a whole series of factors affect the establishment of adequate water pricing. In agriculture, for example, it should not be forgotten that under specific soil and salination conditions, the use of large amounts of water can have environmental advantages. This serves to demonstrate the difficulties which still exist when it comes to measuring environmental costs.

It is clear that pricing alone cannot, of itself, be the cure-all for Europe's water resources problems. Your draftsman would remind you that water pricing policy needs to be backed up

[1] Directive 2000/60, OJ L 327, 22.12.2000, p. 001-0073.
[2] Directive 1998/83, OJ L 330, 5.12.1998, p. 0032-0054.
[3] 'Water pricing policies in theory and practice', Commission Staff Working Paper, SEC(2000) 1238.

by improvement of existing infrastructures, which should be the main beneficiaries of the revenue generated by water pricing.

This also implies developing and applying the most advanced technology in order to prevent excessive abuse, and minimise pollution, without prejudicing the competitiveness of European industry. A good example of what needs to be done is present the inadequate exploitation of rain water, partly due to the sheer expense of the requisite technology. At the same time, it is vital that water pricing policy embodies economic-environmental efficiency, and takes account of the differences between specific economic situations, particularly in the EU's various regions, given the range of variation in the hydrological conditions obtaining in the Member States.

Taking the Fifteen as a whole, however, we cannot speak about a water shortage, and if we are able to display the same solidarity in this area as in others, the problem can be greatly reduced, if not abolished entirely.

Finally, it is worth stressing that the concept of water pricing will not be successfully carried through unless it is backed up by action to educate, inform and communicate with all consumers (domestic, industrial and agricultural), so that we can create a general economic awareness of the relationship between prices, pollution and efficient consumption.

CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on the Environment, Public Health and Consumer Policy, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Reiterates that water, as a limited natural resource, constitutes one of the major concerns of Community environmental policy;

2. Supports the principle that water prices should be fixed at an appropriate level to take account of the financial and environmental costs, the geographical situation and the resources of each sector (agricultural, domestic and industrial);

15. Highlights the need to give precedence to water-using industries and companies which return the water to its source in the same or better condition as they found it, as against those which are merely water-consumers;

16. Stresses the responsibility borne by all economic sectors – including agriculture, livestock farming and industry – to avoid over-consumption and pollution of water;

17. Stresses that incentives to reduce pollution and improve water use are required for those sectors which are least efficient and the heaviest polluters;

18. Believes that with regard to the problem of excessive water abstraction, a necessary distinction should be made between the use of water in areas where it is needed due to low rainfall, and its use in areas where the principal objective is larger profits or intensification of industrial activity or cultivation;

19. Recalls that the lowest prices paid by agriculture also reflect farmers' greater dependency on supply and lower purchasing power;

20. Believes that the use of water in agriculture also helps to maintain habitats, fauna and a low level of salination (e.g. by growing rice in wetlands), a fact which should be taken into account when drawing up a pricing policy;

21. Stresses that the agricultural sector requires a policy of providing incentives and improving infrastructure, including irrigation techniques, by the same token as other sectors that are major consumers of water;

22. Supports a Community-level harmonised approach to pricing, taking due account of the different situations and needs of sectors and regions throughout the European Union;

23. Recalls that the combination of water tariffs and subsidies for investment and practices intended to protect the environment has often proved highly efficacious in resolving environment problems, a fact which also makes it easier for users to accept new charging systems;

24. Stresses that the tariff systems should, fundamentally, guarantee that water is used as efficiently as possible, taking account of the fact that it is a natural resource. Water pricing should not constitute an economic obstacle to water consumption on the part of those who need it, whatever their economic situation;

25. Believes that the provision of water at artificially low prices to account for social and affordability objectives is a rather crude instrument for pursuing equity objectives, and that it should be optimised, taking due account of the varying needs and conditions which obtain in the most heavily dependent European sectors and regions;

26. Stresses that due account should be taken of exceptional conditions, such as droughts, geographical location or others which may impede the provision of a normal service, and mean that the tariff charged will not allow the costs to be recovered;

27. Also stresses the need to take account of water quality, which varies from one Member State or region of the European Union to another, when setting water charges;

28. Supports the taking of initiatives to educate and train European Union citizens to save, make proper use of and not pollute water;

29. Urges the Member States of the European Union to ensure that solidarity between the Union's various countries is a basic guiding principle in all matters concerning water policy.