



# **Affordability mechanisms in Europe and the role of water services**

**Carla Chiaretti – Head of Policy, EurEau**

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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



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# 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



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# 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)





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# 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)
- ~ Others examples: <http://bit.ly/2dAiHaf>

# Belgium - Wallonia

**Social fund for water:** ALL households contribute to it through their water bill by paying 2,5 €cents/m<sup>3</sup>

- ~ 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



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# Belgium - Flanders

**Up to 2017:** first 15 m<sup>3</sup> per capita for free, negative impact on large families, since beyond 15m<sup>3</sup> price per m<sup>3</sup> 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 m<sup>3</sup> pp/y, water is charged at basic price (different from company to company). +30 m<sup>3</sup> per connection billed at basic consumption rate.
  - ~ **Block 2 'comfort consumption':** beyond 30 m<sup>3</sup> 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/m<sup>3</sup>) 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





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# 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

Carla Chiaretti: [carla.chiaretti@eureau.org](mailto:carla.chiaretti@eureau.org)



EurEau

Rue du Luxembourg 47-51,  
B-1050 Brussels, Belgium  
Tel: +32 (0)2 706 40 80  
Fax: +32 (0)2 706 40 81  
BE 0416 415 347  
[secretariat@eureau.org](mailto:secretariat@eureau.org)  
[www.eureau.org](http://www.eureau.org)

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