Making polluters pay or paying the polluter?
An NGO view on the challenges of policy integration

Workshop „WFD and Economics – Lessons-learned from Lower Saxony“
Session 3: Polluter-pays-principle and the internalisation of external costs

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Tobias Schäfer
GRÜNE LIGA e.V.
Bundeskontaktstelle Wasser / Water Policy Office, Berlin
Member of the European Environmental Bureau (EEB) in Brussels
www.wrrl-info.de
Outline

1 Background

2 Water pricing and cost recovery

3 Drinking water protection and polluter-pays-principle

4 Adverse subsidies: Payments under CAP and renewable energies policy

5 Conclusions
1 Background
GRÜNE LIGA survey on economic instruments in Germany‘s River Basin Management Plans (2011)

- Shortcomings and need for action
- Compilation of all references to economic instruments in the WFD
- Questionnaire with 22 questions
2 Water pricing and cost recovery
Charges for water supply

Polluter pays principle and recovery of costs:

b) Has recovery of costs been achieved in the charges for public water supply and wastewater disposal?

**Quantity-dependent water prices** (water charges) for public water supply in Germany by and large recover costs. They have been a successful model – also when compared to other EU member states – and have led to a significant reduction in drinking water consumption since 1990.

The incentive effect of this pricing structure should not be carelessly put at risk. Instead, the objective should be to transfer the effective incentives of quantity-dependent prices that recover costs to other water abstractions and uses.

> Implement **water abstraction fees** as pricing instrument
Water pricing and cost recovery

Incentives of water pricing:

Do the water prices/waste water charges provide incentives for efficient water use/for water saving for
- Public water services including wastewater treatment?
- Industry?
- Agriculture, mining industry?

The polluter-pays-principle needs to be applied more consistently: the energy sector, mining companies, the agricultural sector and other water users should be obliged to pay adequate contributions to the recovery of costs, including environmental and resource costs.
# Water Abstraction Fees in Germany

## Total Revenue (2012): 382 Mio. Euro

Numbers compiled by Alexandra Gaulke, GRÜNE LIGA

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue (Mio. EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baden-Württemberg</td>
<td>65,00</td>
</tr>
<tr>
<td>Berlin</td>
<td>52,60</td>
</tr>
<tr>
<td>Brandenburg</td>
<td>18,50</td>
</tr>
<tr>
<td>Bremen</td>
<td>4,45</td>
</tr>
<tr>
<td>Hamburg</td>
<td>14,23</td>
</tr>
<tr>
<td>Mecklenburg-Vorpommern</td>
<td>5,00</td>
</tr>
<tr>
<td>Niedersachsen</td>
<td>44,72</td>
</tr>
<tr>
<td>Nordrhein-Westfalen</td>
<td>92,00</td>
</tr>
<tr>
<td>Rheinland-Pfalz</td>
<td>20,00</td>
</tr>
<tr>
<td>Saarland</td>
<td>2,76</td>
</tr>
<tr>
<td>Sachsen</td>
<td>5,60</td>
</tr>
<tr>
<td>Schleswig-Holstein</td>
<td>56,50</td>
</tr>
</tbody>
</table>
Where polluters don‘t pay: Exemptions from water abstraction fees

Mining is by and large exempt from water abstraction fees. Since 2011, Northrhine-Westphalia charges the full rate for water abstractions in open pit lignite mining.
### Water abstraction fees for cooling water usage (2010)

<table>
<thead>
<tr>
<th>Federal state</th>
<th>Groundwater per m³</th>
<th>Surface water per m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baden-Württemberg</td>
<td>0.00 EUR</td>
<td>0.01023 EUR</td>
</tr>
<tr>
<td>Berlin</td>
<td>0.31 EUR</td>
<td>0.00 EUR</td>
</tr>
<tr>
<td>Brandenburg</td>
<td>from main drainage: 0.005 EUR</td>
<td>0.005 EUR</td>
</tr>
<tr>
<td></td>
<td>from other groundwater: to be clarified by Legislature</td>
<td></td>
</tr>
<tr>
<td>Bremen</td>
<td>0.025 EUR, 0.005 EUR &gt; 500 m³</td>
<td>0.003 EUR &lt; 500 m³</td>
</tr>
<tr>
<td>Hamburg</td>
<td>0.11 EUR, 0.12 EUR from deeper aquifers</td>
<td>0.00 EUR</td>
</tr>
<tr>
<td>Mecklenburg-Western Pomerania</td>
<td>0.077 EUR</td>
<td>0.006 EUR</td>
</tr>
<tr>
<td>Lower Saxony</td>
<td>0.02556 EUR</td>
<td>0.01023 EUR</td>
</tr>
<tr>
<td>North Rhine-Westphalia</td>
<td>0.027 EUR, 0.0027 EUR for cooling flow</td>
<td>0.027 EUR, 0.0027 EUR for cooling flow</td>
</tr>
<tr>
<td>Saarland</td>
<td>0.03 EUR, 0.022 EUR für EMAS plants</td>
<td>0.00 EUR</td>
</tr>
<tr>
<td>Saxony</td>
<td>0.076 EUR</td>
<td>0.005 EUR</td>
</tr>
<tr>
<td>Schleswig-Holstein</td>
<td>0.07 EUR</td>
<td>0.0077 EUR</td>
</tr>
</tbody>
</table>
Where polluters don’t pay (2)

Most German states do not address hydropower or exempt it from water abstraction fees, only three do:

Saxony (since 2014)
• 0,01 Cent/m³

Schleswig-Holstein
• 0,077 Cent/m³

Baden-Württemberg
• total revenue: 1.96 Mio Euro
Variability of water abstraction fees within a state

Charge rates in Brandenburg for selected water uses
(according to § 40 of the Brandenburg Water Act [Brandenburgisches Wassergesetz])

<table>
<thead>
<tr>
<th></th>
<th>Groundwater</th>
<th>Surface water</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>per m²</td>
<td>actual charge (as % of statutory rate)</td>
</tr>
<tr>
<td>Statutory rate</td>
<td>0.10 EUR</td>
<td>100 %</td>
</tr>
<tr>
<td>Abstraction for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public water supply</td>
<td>0.10 EUR</td>
<td>100 %</td>
</tr>
<tr>
<td>Other production purposes</td>
<td>0.10 EUR</td>
<td>100 %</td>
</tr>
<tr>
<td>Cooling water</td>
<td>to be clarified by legislature</td>
<td></td>
</tr>
<tr>
<td>opencast main drainage with exemptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– for &quot;consumed&quot; share</td>
<td>0.02 EUR</td>
<td>20 %</td>
</tr>
<tr>
<td>– for &quot;commercially used share&quot; / production</td>
<td>0.02 EUR</td>
<td>20 %</td>
</tr>
<tr>
<td>– for &quot;commercially used share&quot; / cooling water</td>
<td>0.005 EUR</td>
<td>5 %</td>
</tr>
<tr>
<td>Irrigation*</td>
<td>0.007 EUR</td>
<td>7 %</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>0.00 EUR</td>
<td>0 %</td>
</tr>
</tbody>
</table>

* Under § 40, 93% of the irrigation water abstracted is deemed to have been "redischarged"; an untenable regulation.
Water abstraction fees: Summary

Water abstraction fees (and the wastewater fee) are currently the most important instruments for attributing environmental and resource costs to users (polluters).

• should be introduced in all states
• great potential to (re)design water abstraction fees in an environmentally sensible manner
• earmarking the revenue for environmental improvements is essential!
• revision of far-reaching exemptions (=subsidies) for mining, the energy sector, hydropower and agriculture
• 2010 would have been a good time for this (article 9 WFD)
• lively debate over the last years
• introduction/adaptation of water abstraction fees in several states
3 Drinking water protection and polluter-pays-principle

Example: Agricultural compensation payments in areas used for drinking water abstraction according to § 52(5) of German Federal Water Management Act [Wasserhaushaltsgesetz] and similar state legislation.

- Drinking water users/waterworks
  - Abstraction
  - Usage claims

- Compensation payments cover resource costs (100%)
  - Competition requires non-use by one party and causes resource costs

- Farmers
  - Discharge

Groundwater resource
Usage options: Abstraction of unpolluted drinking water
Discharge of surplus nitrates, pesticides, etc.

Compensation payments to the farmer turn the polluter pays principle on its head and follow the "pay the polluter" principle instead.
Cooperation of drinking water suppliers and farmers

Payment schemes for farmers should
- promote organic farming
- bring forward additional ecological benefits
- include consultation of farmers (Farm Advisory Systems)

Positive examples from Germany:
- Leipzig
- Munich
- Oldenburg (OOWV)
- (…)

But: We also need much stricter obligations for better water protection in agriculture!
4 Adverse subsidies: Payments under CAP and renewable energies policy
4 Adverse subsidies: Payments under CAP and renewable energies policy

Harmful subsidies:

a) Have subsidies with adverse ecological effects (agriculture, inland navigation, hydropower, flood protection, etc.) been identified and quantified?

b) Have adverse subsidies been revised?

The large number of ecologically harmful subsidies should be evaluated comprehensively in terms of their impact on water resources.

It is necessary to revise such adverse subsidies, particularly in the area of agricultural policy, including biomass payments. This should take priority over the deployment of additional funding.
CAP Reform 2014-2020: No improvements for water protection?

Werner Doose, Ministry for Agriculture and Environment Schleswig-Holstein at the GRÜNE LIGA seminar on CAP, biomass subsidies and water protection in Hamburg (May 2012):

„WFD requirements regarding the reduction of nutrient inputs cannot be met for groundwater, surface waters and coastal waters.

Accordingly, objectives of WFD and MSD will overall not be met.“
What Does the CAP Deliver to Safeguard Europe’s Waters: Public Goods for Public Money?

1. Pillar
   - 3/4 of CAP budget
   - 100% EU-funding
   - 100% of agricultural land

2. Pillar
   - 1/4 of CAP budget
   - 50% EU-cofunding
   - only on part of agricultural land

- Rural Development
  - agri-environmental measures

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Indispensable
- Cross Compliance requirements!

Maximum inefficiency of public spending!

Real improvements
- enough money left?

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Direct payments without greening

Public Goods/ ecosystem services

Baselaisge

Public Bad/ environmental and resource costs

Repair payments

Biomass payments

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Ecological status of water bodies (groundwater, lakes, rivers, coastal waters)

Social return on public money spent*

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* The EU spends an approximate 55 billion Euros per year on agricultural subsidies (www.farmsubsidy.org).
Figure: GRÜNE LIGA Water Policy Office 2012
EEB Position on CAP reform and water

Key recommendations:

1. Ensure strict Cross Compliance including WFD
2. Use ecological focus areas for water protection
3. Ensure sufficient funding for water protection measures and water friendly farming in Pillar 2
5 Conclusions

In line with the polluter-pays-principle, Europe’s waters need

- better integration of water protection with other policy fields
- corrections of adverse subsidies
- better water pricing policies that address cost recovery in a broad sense
Thank you for your attention!

Tobias Schäfer
Co-authors: Michael Bender, Alexandra Gaulke

GRÜNE LIGA
Bundeskontaktstelle Wasser / Water Policy Office, Berlin
wasser@grueneliga.de
www.wrrl-info.de