Commission studies looking at links between water management and economic growth

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Two complementary studies

- Potential for Growth and Job Creation through the Protection of Water Resources, 12 MS on **WFD & FD** *(completed)*
- Potential for stimulating sustainable growth in the water industry sector in the EU and the marine sector, 28MS on **DWD & UWWTD** *(final stages)*

Deliverables: 28 MS Summary recommendation fiches, 28 MS Country fiches, 2 reports and a synthesis.
Keys questions

• What is the macroeconomic importance of the water sector and the water industry in particular? (review)

• Which tools are available to make water policy support economic growth? (review)

• Which are the available investment opportunities that need to be seized for contributing to economic growth and employment? (EU wide modelling)

• Which (innovative) mechanisms to finance water investments and policies? (review)
Macroeconomic importance

- **Water is an economic asset.** In southern MS, irrigated land is not necessarily the largest proportion but it is generally the most **productive and successful at exports.**

- **Hydropower** = 3.3% primary energy production & 16.2% of total primary energy production from renewable sources

- Water industry: 29 billion Euros or **0.26% of the EU total annual added value**; a yearly investment of 7 billion Euros; and around **468,995 full time-equivalent jobs** (2010)[Eurostat]

Relative yield-increase due to irrigation in the EU. Yield index: yield-increase of an irrigation strategy keeping the soil in moderate water deficit (100 mm water deficit) compared with the no-irrigation strategy. (Source: JRC, 2008).
Investment effects

- **UWWTD & DWD:** There are large differences between MS. A substantial proportion of the funding is expected to come from EU Cohesion funding and the European Regional Development Fund (ERDF) for some countries, including Hungary, Romania and Croatia.

- **WFD & FD:** Larger GDP impacts as direct investments (including those of the WFD and Floods Directive) were roughly double. Some effects to last up to 2025.

- To ensure persistent impacts on GDP (and employment), the time horizon of investments needs to be spread out over a relatively long period.
Key messages (1/2)

- Water management is not only expenditure but it is also investment;
- Water is key to strategic activities that are most promising in terms of economic recovery for Mediterranean MS: export-led modern agriculture and tourism;
- Water services are mature economic activities but they are also sources of technological and organisational innovation which are exportable;
- RBMPs can play a role in supporting economic growth strategies;
- Investing European resources into water and sanitation remain a key contribution to growth in most Eastern European MS. Next round of Partnership Agreements (2014-2020) should reflect this.
• Further attention to innovative economic and financial instruments is required in EU water management and policy.

• The management of water resources may require a reviewed economic model based on a re-assessment of the public-private involvement in financing (example: a more explicit “solidarity principle” between direct users and tax payers), without neglecting the high profile “re-municipalisation” cases of outsourced water utility services in order to move towards a more sustainable financing model.

• Water management directions could be more effectively integrated into the Semester process if developed in coordination with other key environmental sectors (in particular, energy, climate change, climate change adaptation).
Looking ahead

In addition to direct financial support, the EU has several areas where it owns leverage to support water management and strengthen its contribution to macro economic growth & employment:

- mainstreaming water management into the European Semester
- improving policy coordination
- orientating future research, monitoring and reporting needs.
Thank you for your attention!

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