Disproportionate costs, funding and affordability: Economic analysis for river basin plans – Practical experience in England

Dr Jonathan Fisher
Jonathan Fisher Environmental Economics
jonathanfisherenvecon@virginmedia.com
Outline

Summary of economic analysis for draft second RBMP recently released for consultation in England

https://consult.environment-agency.gov.uk/portal/ho/wfd/draft_plans/consult?pointId=3034101

- Scenarios analysed
- Methodology
- Main findings
- Key outstanding issues for countries

NB. This presentation is my own personal professional views and does not necessarily represent the views of the Environment Agency in England or the UK Department for Environment, Food and Rural Affairs (Defra)
Scenarios for Economic Analysis

- **All water bodies at good status**
  - Improvements limited by natural conditions or technical infeasibility
  - Additional benefits do not justify extra cost
  - Benefits justify costs, but limited by affordability (2015 to 2021)
  - Protected area improvements
  - Predicted deterioration

- **Current status**
  - Scenario 1
  - Scenario 2
  - Scenario 3
  - Scenario 4
  - Scenario 5
Methodology for economic appraisals at catchments

For improvement scenarios 3-5 for each of 300 catchments

- Qualitative, quantitative and monetary assessments of cost and benefits of bundles of measures
- Set out in Appraisal Summary Tables
- By technical EA RBMP mgrs (not economists) as part of technical appraisals and decision-making
- 2 Central economists set out methodology, QA, summarise
- Proportionate:
  - Step 1 cover most sig impacts – see if clearly B>C or C>B
  - Step 2: if not clear if B>C, then further assess wider Benefits & Costs
  - Refinement after sensitivity analyses for key assumptions and uncertainties
- Main benefits = recreation, aesthetic and existence values
- Applies valuations (eg € per km) from existing studies (eg major WFD benefits valuation survey in 2007 updated in 2012 to fit RBMP2) to changes in environmental outcomes for (lengths of) water bodies in each catchment
- Cost-effectiveness of measures’ database + use local costs if available
- Discount rate = 3.5% (real) for 30 years. 3% for yrs 30-37

http://ea.objective.co.uk/portal/ho/wfd/draft_plans/consult?pointId=s1406201401809#section-s1406201401809

Training available on: https://ea.sharefile.com/i/ia2938a7e56f442aa
Findings of Scenario analysis
Outstanding issues

• How estimate costs and choose measures?
• What is the potential for integrated solutions to tackle water quality and water resource problems and flood risks?
• How deliver and use economic analyses to help determine measures?
• How are the costs, affordability, effectiveness and benefits being presented and used in member states to select measures for specific sectors?
• How communicate economic analyses and engage with stakeholders in the consultations?
• What are costs of measures for chemical status under Art 16 (Priority Hazardous and priority substances) and their benefits in reducing risks? Are they disproportionate?