

AmCham EU's position on water

American Chamber of Commerce to the European Union
Avenue des Arts/Kunstlaan 53, 1000 Brussels, Belgium
Telephone 32-2-513 68 92 Fax 32-2-513 79 28
Email: info@amchameu.eu

Secretariat Point of Contact: Leah Charpentier, leah.charpentier@amchameu.eu; +32 2 289 1015

INFORMATION PAPER

17 February 2012

The European Commission is expected to publish the ‘Blueprint to Safeguard Europe’s Waters’ in 2012. This initiative will be in line with the adoption of the resource efficiency flagship initiative, within which water has been identified as a priority, embodied in the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth.

Water is a key element for Europe’s economic growth especially in sectors such as agriculture and energy, but also has implications for trade, finance and national security. Water is vital for life and for economic development - a commodity for which no substitute can be found.

To make a positive contribution to this policy area, the American Chamber of Commerce to the EU (AmCham EU) would like to underline the cross-sectoral aspects of water-related issues and policies as well as the importance of including water concerns into sectoral policy thinking.

Major challenges

Adequate access to clean water is fundamental to the health and well-being of every human, critical to a well-functioning economy, and necessary for social and political stability. The United Nations estimate that two out of every three people will live in water-stressed areas by the year 2025. **Water supply and access will become a more central challenge.**¹

The pressure on water resources is constantly growing due to population growth, changes in habits, economic growth and the management of pollution. Freshwater resources are unevenly located throughout the world and many countries already suffer or will shortly experience **water scarcity and water stress** episodes. Those shortages could also **escalate food prices, impact energy, restrict trade and create migration movements.**

Although water challenges are global, solutions often need to be local. A comprehensive approach to these challenges will therefore have to be developed at the macro-level, enhancing cooperation and exchanging best practices at the local level, where solutions will have to be proposed and implemented.

In the European context, AmCham EU has identified three principal challenges:

1. Sustainability of resources
2. Supply and access
3. Quality and pollution

Decision-makers, at EU and national level, through effective collaboration with the relevant stakeholders, have an important role to play in assessing the needs and the future challenges, supporting local authorities in identifying solutions and in shaping the transition towards a more sustainable use of this resource.

¹ ‘Vital Water Graphics’, <http://www.unep.org/dewa/vitalwater/article1.html>

This transition will imply a coordinated approach for setting the adequate policy framework that would enhance sustainable demand and supply of water.

This transition should also foster the development of R&D priorities and investments towards sustainable water technology solutions.

For these reasons, AmCham EU believes that it is incumbent upon EU decision-makers and national implementing authorities to prioritise the creation and the implementation of water policies that will ensure, through a sustainable use of water resources, an adequate access for all to clean water.

Sustainability of resources: Water use and water efficiency

A range of policy solutions are available to formulate an answer to the current and predicted water related challenges.

Water efficiency measures can drive behavioural changes regarding water demand. These measures will require the adoption of a standardised measurement system for the comparison of efforts. In addition, while water efficiency measures will primarily focus on the demand side of water, authorities should assess the potential of including the supply side of water such as the efficiency of waste water treatment plants and on the water leakages issue.

Significant improvements in the efficient use of water as a resource can also be achieved with larger use of **water re-use** technologies. A broader application of these technologies not only addresses the water scarcity challenge but also proposes an alternative to water pricing variations where reused water, when possible, should be seen as a profitable alternative. The existing advanced solutions can meet high standards of quality and can offer alternative solutions for many sectors. An appropriate legislative framework should enable the development of such technologies as one of the solution to address water scarcity.

The Water Framework Directive has introduced the obligation for Member States to launch a **pricing policy for water**, which should include the cost-recovery principle of the water cycle. Currently, the policies do not necessarily lead to a more sustainable use of water. We therefore recommend a full implementation of this aspect of the Directive with a **price that should reflect the full cost of the water cycle and its true economic value**.

Moreover, an initiative that would aim at the **internalisation of external costs** of the water cycle should benefit from previous similar experiences in other sectors. If carefully implemented, ecosystem services payments could be a powerful and efficient tool. However, the risk of distorting the markets must be carefully assessed. Therefore we would recommend the following to the authorities in charge of implementing this approach:

- Build a solid calculation method to support the fee applied.
- Incorporate this principle into the EU development policy in order to extend its application of this principle to non EU-countries in order to ensure a level playing field.

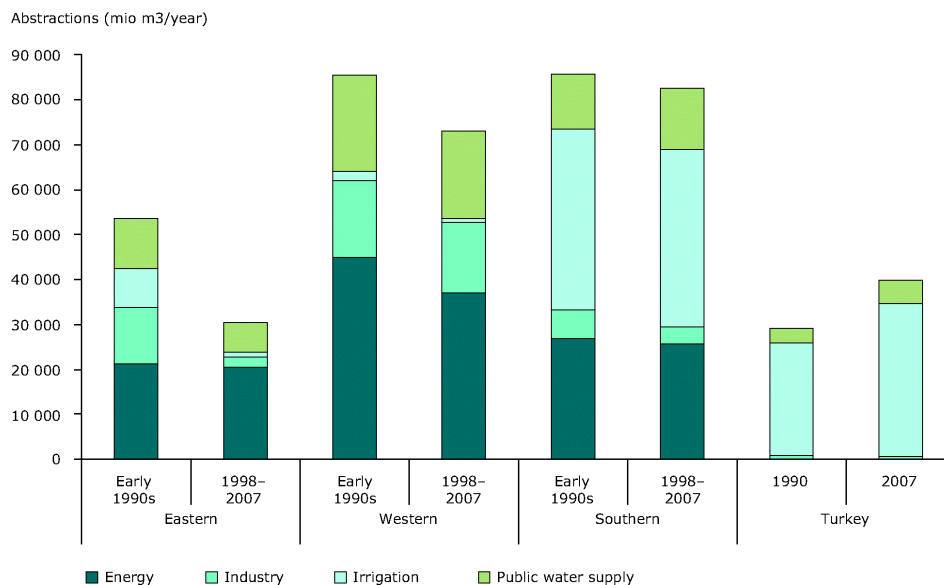
- Develop incentive frameworks (i.e. advantaged tax schemes, attractive pricing for reused water, water trading schemes, etc) for large water-users to invest in better performing technologies that would improve the water efficiency of production systems and/or reward operators returning good quality water to the ground.

All these solutions can be combined in order to create an ad-hoc and unique response to a local situation. They need to be part of a **sustainable water management** plan where different stakeholders have a role to play.

Industry and energy

In Europe, the most important uses of water, in terms of total abstraction, have been identified as **urban** (households and industry connected to the public water supply system), **industry**, **agriculture** and **energy** (cooling in power plants). On average, 44% of total water abstraction in Europe is used for agriculture, 22% for industry and 18% for energy production and 15% for the public water supply. The main water consumption sectors are irrigation, urban and the manufacturing industry.² Most of the water used for energy production purposes is indeed returned into the soil. Nevertheless, this water requires treatment to be cleaned or cooled and can impact the balance of ecosystems.

Water abstractions for irrigation, manufacturing industry, energy cooling and Public Water Supply (million m³/year) in early 1990s and the period 1997-2007³



² European Environment Agency – EEA-ETC/WTR based on data from Eurostat data table: Annual water abstraction by source and by sector

³ Source: European Environmental Agency: <http://www.eea.europa.eu/data-and-maps/figures/water-abstractions-for-irrigation-manufacturing-industry-energy-cooling-and-public-water-supply-million-m3-year-in-early-1990s-and-the-period-1997>

As a concrete example of cross-sectoral impacts, the ‘power-water nexus’ illustrates the intrinsic link between water extraction and purification needs of energy and water needs for energy production (fossil fuels extraction, energy production, biomass irrigation and for power generation).

As global forecasts predict a major increase in energy consumption both in industrialised and developing countries, energy policy choices should also be driven by the water needs of determined technologies. These choices can be implemented through a political support for water efficient technology developments with the appropriate incentive frameworks, i.e. adequate water pricing, efficient public-private partnerships for projects, supportive research and development programs and accurate revision of Best Available Technologies of reference for specific sectors.

A partnership with industry will facilitate the development of ad hoc solutions to these challenges. In this regard, **water efficiency** offers many opportunities for improvement. We therefore welcome the work of the European Commission in this area. It is nevertheless important to highlight that efficiency targets and similar measures are meaningful and effective only if they take into account the specificities of local needs.

Further opportunities to meet efficiency targets reside in the **supply side** of power or other products. Because scales and volumes are larger, efficiency measures at that level can bring significant results.

We see a range of mutually beneficial solutions within this combined approach, for example vapour recuperated from engines, biomass for energy production impacting irrigation needs and others. A broader and more innovative approach should be developed to address these issues and in particular the interdependency of water production/consumption and energy consumption/production.

Agriculture

Agriculture is one of the largest consumers of freshwater, mainly for irrigation, and measures to minimise the impact of scarcity and droughts in this sector need to be carefully assessed and implemented.

Inadequate measures coupled with additional existing pressures on the sector could represent an important issue for the entire food supply chain in Europe.

We would recommend that the forthcoming European strategy on water scarcity and droughts look into current measures, where the inefficiencies lay, where innovative solutions could be implemented and that there is specific consideration of the water issue within the ongoing revision of the Common Agricultural Policy.

Scarcity and droughts/Sustainability of water resources

Adaptation to climate change will require EU Member States to cope with more frequent extreme climate change events including water scarcity, droughts and flood episodes.

We welcome the initiative of the European Commission to work on a strategy for these specific issues.

In this framework, industry can help in providing innovative solutions: adequate supply and access **infrastructure** to prevent flooding disasters, provide access to fresh water and enable treatment of used water, with the aim of ensuring the distribution of the right quantity and quality of water where it is needed and completing the cycle by collecting and treating it after it is used, all this in a sustainable and renewable manner.

Water resources quality/Pollution

Ensuring good water quality will be another important challenge over the next decades. The tools identified in the Water Framework Directive to reach a good quality status of our European Waters by 2015 should be uniformly implemented to assess their effectiveness and the potential need for new ones.

It is also of the utmost importance to include these tools and their related objectives into sectoral policy decisions. We recommend that the European Commission ensures uniform implementation of the current Directives and assesses the complementarity of its tools with other sectoral pieces of legislation. This implies an integrated approach of environmental, agricultural, chemical and energy legislation at European level.

In addition to preventive measures, water treatment technologies can now play a effective role in this area. For this reason, we would recommend the responsible authorities to adopt this complementary approach.

Urbanisation, cities management and the role of infrastructure

Urbanisation has meant that more than half of the world's population now lives in an urban environment and the trend is growing for more and bigger cities.⁴ A growing, increasingly and rapidly urbanising global population will require more food, more energy and water resources to meet its needs.

In Europe, the density of the population in cities and the management of its resources will have an impact on water consumption. The concept of 'urban sprawl' is probably the most adequate for Europe where intensive use patterns of natural resources are happening in order to meet urban population needs (new housing subdivisions patterns, shopping malls, fast-food chains, etc).

An **integrated approach of city management** is therefore needed where water management should be a top priority. The European institutions have a role to play in encouraging best practices and providing the right infrastructure schemes to encourage local investments.

The need for a coherent development of cities will require adequate **infrastructures** through the refurbishment of existing ones or the implementation of new ones. These investments in infrastructures will play an important role for the development of cities, and potentially in the financial

⁴ <http://www.unfpa.org/pds/urbanization.htm>

recovery phases, like the one Europe is facing right now. We therefore encourage decision makers to include any water-related policies to help meeting water quality and quantity targets together with an economic development of the region via job creation, the opening of markets, bringing cohesion and enhancing global competitiveness.

A form of public support through adequate incentive schemes at European, national and/or regional level should also be implemented. These mechanisms also can indirectly help to lead towards a greener society through the choice of most advanced technologies. For this reason, these mechanisms should be included in forms of **green public procurement**.

Conclusion

Water is important for our member companies, for the following reasons:

1. The policy debate around water will become increasingly important at the European and global levels because:
 - a. The resource is rare and needs to be consumed in a sustainable way;
 - b. Business wants to collaborate in meeting the European environmental objectives in Europe; and
 - c. New challenges are arising that will put more pressure on water resources.
2. AmCham EU is committed to being an active stakeholder in the forthcoming debate on water policy at European level. With the broad and diverse experience from our member companies, we are able to bring a comprehensive approach to this debate.

It is vital to adopt a comprehensive approach to water policy considering the existing interconnections between sectors and include it into a broader strategy dedicated to a more efficient use of resources in Europe. The success of water policies will also depend on a constructive collaboration between different stakeholders in the different policy areas.

Water challenges need effective collaboration among business and decision-makers to ensure European citizens with enough quality water for their daily life and for the economic and social developments of the societies in which they live.

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate U.S. investment in Europe totalled €1.4 trillion in 2009 and currently supports more than 4.5 million jobs in Europe.
