


**Reporting from WG3:
Water pricing: can it provide
incentives and change
behaviour?**
By
Sarah Feuillette

ECONOMIC INSTRUMENTS TO SUPPORT
WATER POLICY IN EUROPE

PAVING THE WAY FOR RESEARCH AND
FUTURE DEVELOPMENT

December 9 & 10 2009



Key messages from presentations

- **3 relevant aspects in water pricing:** tariff level, structure & setting process
- **In high scarcity situation, price is not effective** to change the behaviour
- **Room for improving water pricing system**
- **Even if the elasticity is weak, 10% of the volume can be saved** without impacting the bill (not sufficient)
- **Efficiency, equity and cost recovery can be conflicting** objectives
- **Modifying tariff structure can bring more equity**



Topics for research on water pricing (1)

- **Lack of data** & indicators to compare countries
- **Lack of transdisciplinary** approach (including economics, policy, sociology...) taking into account the reality of the field
- Need to explore the different impacts of water pricing: **trade off between efficiency, equity, cost recovery & practical constraints** (technical, sociological, political) for Drinking Water Utilities
- New studies needed on price elasticity using **individual data** for **different types** of domestic users (with or without garden, owners / tenants, detached houses / apartments), for **long term** elasticity (use of long term time series)



Topics for research on water pricing (2)

- Beyond statistical estimates of price elasticity What really changes in consumer's **behavior** ?
 - Water saving ? Changes in practices ? Access to individual water resources (rain harvesting) ?
 - Need for econometric analysis based on households surveys
 - With input from sociologist / anthropologist to identify consumer's adaptation to price increase
- Pricing and incentives to **drill private boreholes**
 - An un-intended effect of incentive pricing
 - How to control it using pricing instruments ?
- Need to **analyze successes & failures** in water pricing efficiency taking the context into account

