

Workshop agenda: Water investment planning and financing

15 - 16 February 2022

The agenda is designed to facilitate knowledge sharing and capacity building across Member States. It builds on the background note on the same topic. The workshop is part of a series of four thematic workshops aimed to facilitate the implementation of the economics of the Water Framework Directive in European Member States. The workshop series is co-convened by the OECD and the European Commission's Directorate-General for Environment.

Xavier Leflaive, xavier.leflaive@oecd.org
Helen Laubenstein, helen.laubenstein@oecd.org

Water Investment Planning and Financing Workshop agenda 15 –16 February 2022

This thematic workshop is part of a series aimed to facilitate the implementation of the economics of the Water Framework Directive (WFD) in European Member States. It is co-convened by the European Commission, Directorate-General for Environment and the OECD and aims at supporting water investment planning and financing decisions.

In three distinct sessions, it will discuss the following topics:

- **Investment planning for uncertainty**, particularly related to climate change
- **From investing in projects to ‘investment pathways’** and the use of analytical frameworks; and
- **Harnessing multiple sources of commercial finance**

It will address challenges faced by Member States and support discussions and sharing of best practices among Member States.

A background note attached to this agenda provides additional information for each topic and serves as basis for the discussion.

Expected outputs from the workshop

- Increased attention to strategic planning for uncertainty and investment pathways
- Raised awareness of conceptual frameworks and analytical tools for investment planning in the context of climate change and resilience
- Identification and dissemination of good practices and emerging approaches related to scenario planning and financing
- Strengthened coordination across stakeholders and beneficiaries in the context of water investment planning and financing

Exchange of experience and knowledge to promote more sustainable, effective and efficient use of financial resources for water-related investment.

Workshop structure

	Day 1 (15 February) 10:00-12:15 <i>Session 1</i>	Day 1 (15 February) 13:15-14:45 <i>Session 2</i>	Day 2 (16 February) 10:00-13:15 <i>Session 3</i>
Theme	Investment planning for uncertainty	From investing in projects to Strategic Investment Pathways	Harnessing additional sources of commercial finance
Topics	- Integrating climate change into RBMPs - Using resilience-based approaches and scenario planning for uncertainty	- Analytical frameworks to better sequence measures and investments	Translating the value of water into revenue streams - Addressing and reducing investment risks - Sustainable taxonomies and water-related investment

Session 1. Investment planning for uncertainty

Recent droughts and floods around Europe are timely signals that past weather patterns are no guide to the future, and that systems resilience is likely to be tested more harshly. For example, drought can happen in countries perceived as not water stressed. The frequency of drought events can test supply systems and challenge assumptions about their reliability. For example, in Northern and Western Europe, severe droughts in 2002-03, 2005-07 and 2011-12 all broke meteorological records in some way, and have led to a re-think about drought planning and supply resilience.

In the context of rising uncertainties, a design for robustness needs to be replaced by resilience-based approaches. Techniques using scenario planning and resilience modelling can help in planning for secure supplies and a healthy environment. This sessions aims to discuss key challenges for Member States to anticipate and manage droughts, floods and other threats to water security in their River Basin Management Plans and to share best practices of the use of scenarios to foster resilience for the water sector. One focus will be on the need to better integrate climate change into water-related planning, in particular as regards long-term investments and how these endeavours can be strengthened under the WFD.

Agenda: 16. February, 10:00h – 12:15h

Moderator: Bettina Doeser, *DG Environment, European Commission*

Time	Agenda Item
10:00 – 10:20	Opening remarks <ul style="list-style-type: none"> Veronica Manfredi, <i>Director Zero Pollution, DG Environment, European Commission</i>
10:20 – 10:30	Planning for uncertainty Keynote presentation: How do Member States plan for uncertainty and climate change in their RBMPs? <ul style="list-style-type: none"> Gloria Depaoli, Acteon
10:30 – 10:50	Country examples: How to plan for uncertainty and climate change in practice <ul style="list-style-type: none"> Spain: Josefina Maestu Unturbe, Advisor to the Secretary of State for the Environment, Spain The Netherlands: Martijn Looijer, Financial/Economic Advisor and deputy director of the staff Delta Commissioner The Dutch Delta Programme and the Delta Fund
10:50 – 11:50	Thematic discussion <ul style="list-style-type: none"> How is climate change reflected in the RBMP in your country? How did it affect the PoM? How could the European Commission support scenario building and planning under uncertainty? How could such approaches be fostered in RBMP and be reflected in PoMs? Which policies can help account for the full range of stressors and encompasses relevant sectors in your planning process? Which barriers do you face in your country for effective planning? Which data, knowledge and tools you consider essential for a resilience-based water management approach? Which ones are you using? Which gaps and barriers do you face? How to incentivise appropriate planning at sub-national levels?

11:50 – 12:10	Next steps <ul style="list-style-type: none">• What role for your ministry / institution?• Expectations from key partners (including the European Commission)
12:10 - 12:15	Conclusion and Wrap up <ul style="list-style-type: none">• Helen Laubenstein, <i>OECD Environment Directorate</i>

Session 2. From investing in projects to Strategic Investment Pathways

Water-related infrastructure investments are sensitive to the broader system of water resources and investments can impact (positively or negatively) on the resource and other users through abstraction, retention, discharges and pollution. Ensuring that infrastructure investments account for the impact on the broader resource system and other users is essential to the sustainable and resilient use of the resource.

The previous session discussed the importance of resilience thinking and scenario planning for effective and sustainable water resource management. This session will focus on the strategic sequencing of water projects, allowing for co-benefits and synergies between multiple projects for the broader water system. Considering water projects individually, rather than in connection to each other, undermines the potential to maximize benefits and efficiency. A project-by-project approach with a narrow focus on “bankability” (the appropriate balance of risks and financial returns) is not sufficient to account for the full range of potential positive and negative externalities arising from water-related investments nor the long-term implications. Further, the value created by a particular investment for the community, the environment and the economy is best assessed in combination with added value at the level of a sequence of projects.

Government authorities and project developers should sequence projects and situate project pipelines within broader strategic investment pathways. The WFD, for example, sets out the River Basin Management planning process as a step-by-step procedure, in which each step builds on the previous one and which includes the establishment of a holistic and appropriate Program of Measures.

This session discusses an analytical framework for the design of strategic investment pathways, which can serve as a source of inspiration and basis for discussion on the implementation of strategic planning approaches in European Member States.

Agenda: 16. February, 13:15h – 14:45h

Moderator: Paul Arnoldus, *DG Environment, European Commission*

Time	Agenda item
13:15 – 13:20	Opening of the session (Moderator)
13:20 – 13:50	<p>Expert presentation and Q&A: Strategic Investment Pathways - A conceptual framework and its applicability</p> <ul style="list-style-type: none"> • Prof. Casey Brown, University of Massachusetts Amherst • Prof. Fred Boltz, <i>University of Massachusetts Amherst</i>
13:50 – 14:40	<p>Thematic discussion</p> <ul style="list-style-type: none"> • What limitations did you experience in current approaches to water-related investment planning? (e.g. lack of synergies or consistency; geographical scale,..) • Could strategic investment pathways support better investment decisions in Europe? • Could some of the analytical tools sketched here be used in your country? By whom? Which difficulties exist? How could they be overcome? Who would be key actors and facilitators? What is the role of central governments?
14:40 – 14:45	Conclusion and Wrap up (Moderator)

Session 3. Harnessing multiple sources of private finance

Achieving the objectives under the WFD requires significant investments, now and increasingly in the future. The total capital investment costs of measures planned in the 2nd RBMPs of the WFD reach at least EUR 130 billion and total flood risk mitigation costs planned in the 1st FRMPs reach at least EUR 14 billion. Operation and maintenance costs of measures from 2016 - 2021 amount to at least EUR 14 billion annually. However, data on funding and financing needs are scattered, heterogeneous and incomplete across EU Member States and few countries report on future investments needs. The need for flood protection will also rise in the coming decades: Without adaptation action, flood damages from the combined effect of climate and socio-economic changes are projected to increase from EUR 6.9 billion/year to EUR 20.4 billion per year by the 2020s.

Currently, investment levels are insufficient to achieve and maintain compliance with the WFD and significant investment gaps persist. As of 2019, over 60% of the River Basin Districts had yet to secure finance for all relevant sectors to implement their Programmes of Measures. 79% of RBD name the lack of finance as an obstacle for the full implementation of their Programmes of Measures. The second River Basin Integrated Assessment concludes that new sources of financing will need to be identified to supplement existing (sometimes limited) funding.

Private finance can play an important role to close and bridge the financing gap, but to the present has been tapped into only marginally. The most widely mobilised source of funding for water management in Europe includes EU funding, revenues from water and sanitation services tariffs and public budgets. Private funding was reported in only 41% of the Member States, whereas surely absent in 11% of Member States.

Private sector investment requires a conducive environment, which is partly lacking in a majority of Member States, as the water sector still presents various challenges for private investment. Public funds can be used strategically to foster an enabling environment, support the preparation of bankable projects and mobilise private finance. This session will discuss options to mobilise additional private finance for water management in European member states, with a focus on how to translate the value of water-related investments into revenue streams and on reducing investment risks. It will further investigate on the implications of taxonomies for sustainable finance for the water sector.

Agenda: 16.2.2022 10:00h – 13:15h**Moderator:** Alex Money, *Oxford University*

Time	Agenda item
10:00 – 10:05	Opening of the session and setting the scene (Moderator)
10:05 – 10:20	<p>Valuing water: Example of innovative valuation of water-related investments, which can support a revenue stream</p> <ul style="list-style-type: none"> • Sophie Trémolet, Water Security Director Europe, The Nature Conservancy
10:20 – 11:00	<p>Thematic discussion:</p> <ul style="list-style-type: none"> • How to enhance water values? Should they be monetised? How? • How can multi-stakeholder and cross-sectoral water-related projects be facilitated to value water? Which policies or institutions create barriers or opportunities? • Could intermediaries help value water and turn that value into revenue streams? • Can you share practical examples how valuing water has formed contractual arrangements and transaction?
10 mins	- Break -
11:10 – 11:25	<p>De-risking. Example of mechanisms that allocate risks and revenues across a range of (public, private) financiers</p> <ul style="list-style-type: none"> • Philippe Rohner, Abic Partners
11:25 – 12:05	<p>Thematic discussion:</p> <ul style="list-style-type: none"> • Which instruments / contractual arrangements are your familiar with, to allocate risks and revenues for water-related investments? • Are the arrangements fit for the future? Is there a risk to see the balanced tilted in one way or the other in the future? • Please share innovative financing mechanisms to de-risk water-related investments and attract commercial finance
10 mins	- Break -
12:15 – 12:30	<p>Keynote: Current developments of the EU taxonomy and its implication for water-related investment</p> <ul style="list-style-type: none"> • Beate Hollweg, Expert Sustainable Finance, European Environment Agency
12:30 – 12:40	<p>Country example: Austrian wastewater treatment upgrade financed by EIB's Climate Awareness Bond</p> <ul style="list-style-type: none"> • Marco Beros, Senior Expert, European Investment Bank
12:40 – 13:10	<p>Thematic discussion:</p> <ul style="list-style-type: none"> • How can water authorities inform definitions of taxonomies? • How to support project developers so that they align with the EU taxonomy? (e.g. capacity building, data generation, project development support)
13:10 – 13:15	<p>Conclusion and Wrap up</p> <ul style="list-style-type: none"> • Helen Laubenstein, <i>OECD Environment Directorate</i>