



Specialist Group
on Statistics and
Economics



ASOCIAȚIA ROMÂNĂ A APEI
Romanian Water Association

Regional Economic Workshop

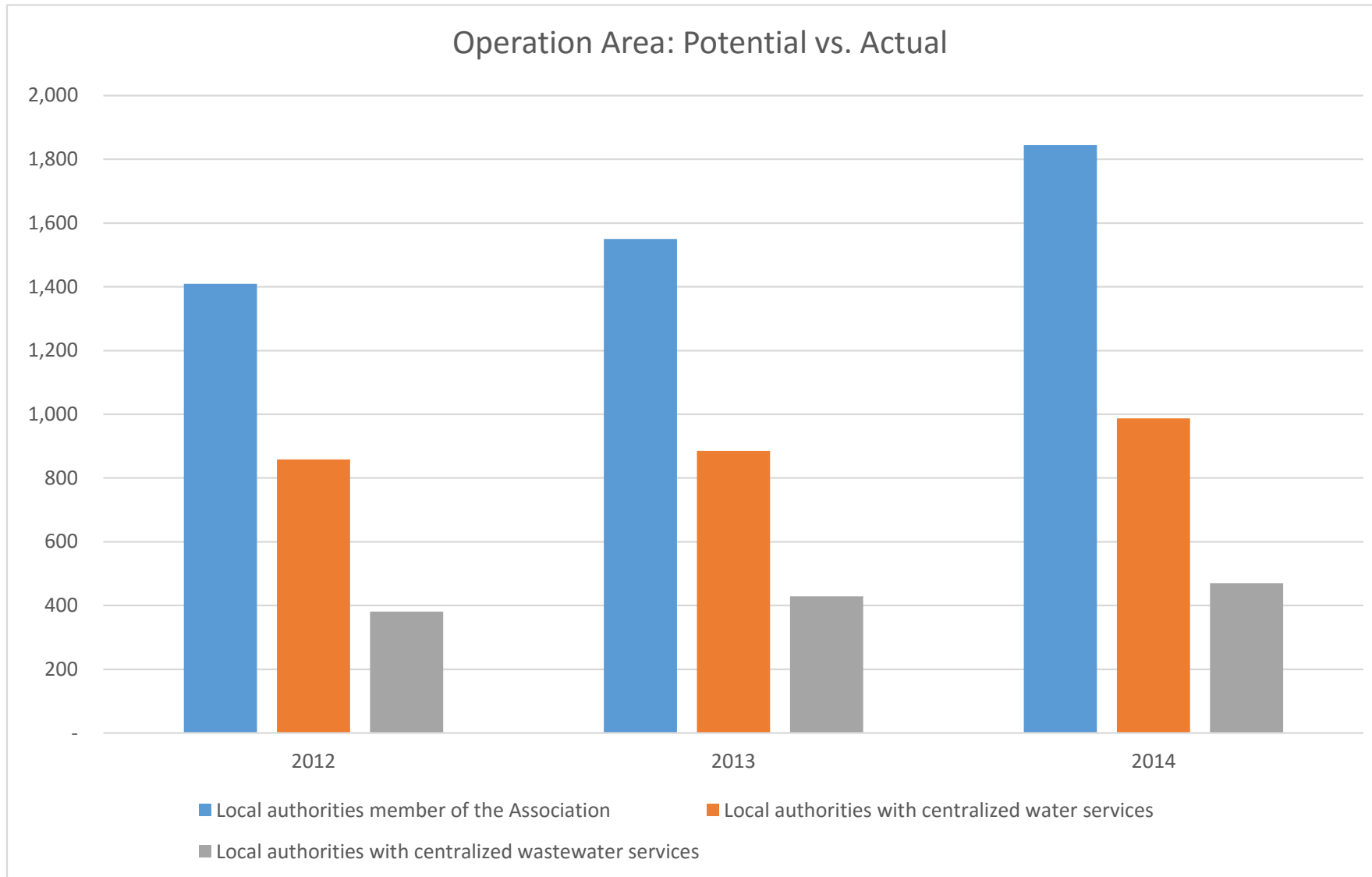
Water tariffs and affordability

Future options for the tariff strategies in Romania

Context (1)

- The Romanian water sector is in an “interesting” moment:
 - The second “wave” of regionalization toward rural areas
 - Large scale investment projects with EU financing focused mainly on rural areas
- Reduction of the VAT for water and wastewater services:
 - 9% for water (from 24%)
 - 20% for wastewater (from 24%)
- Cost-Benefit Analysis Guide with clear financial principles for sustainable development on medium and long-term

Context (2) - Regionalization



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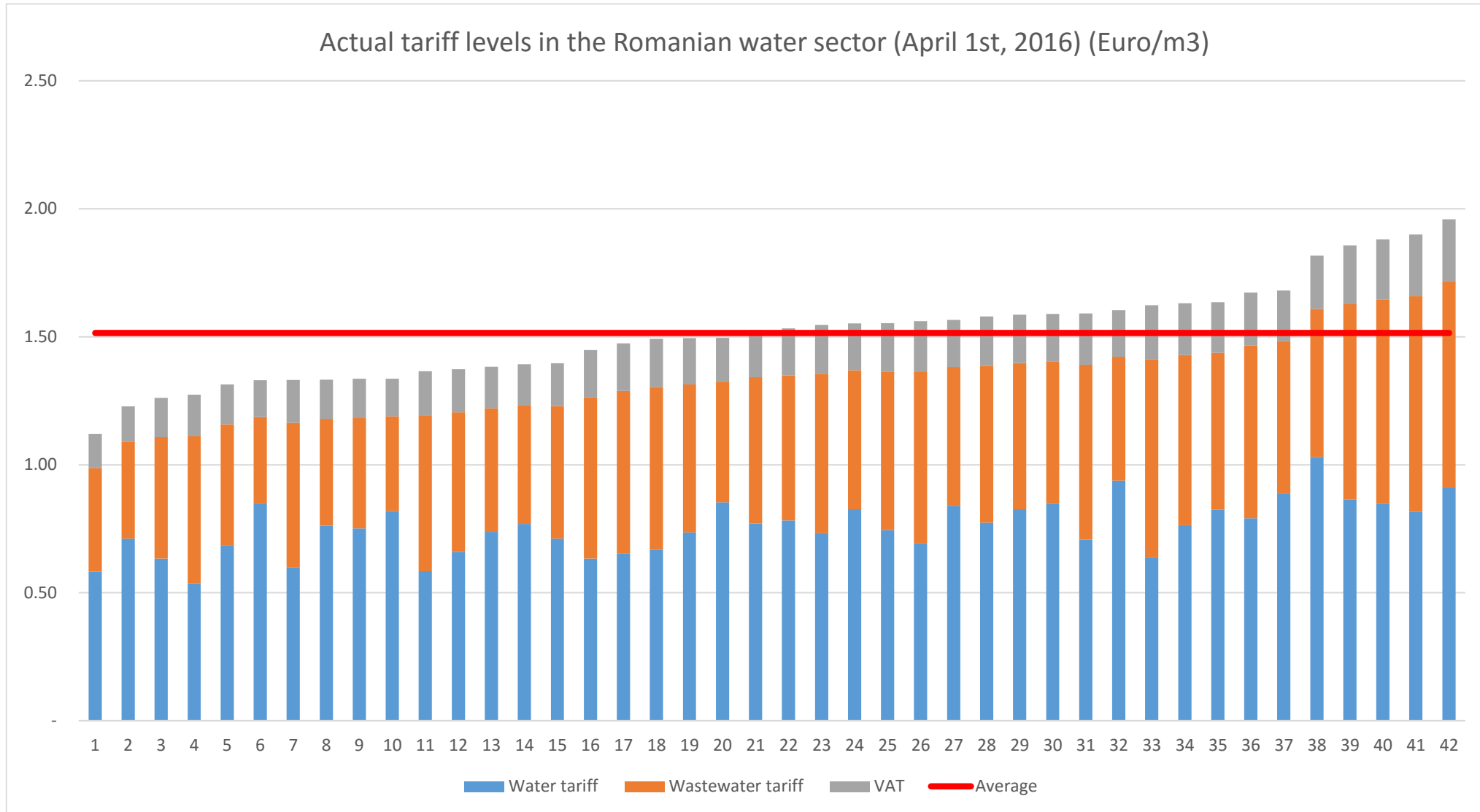
Context (3) – Investments



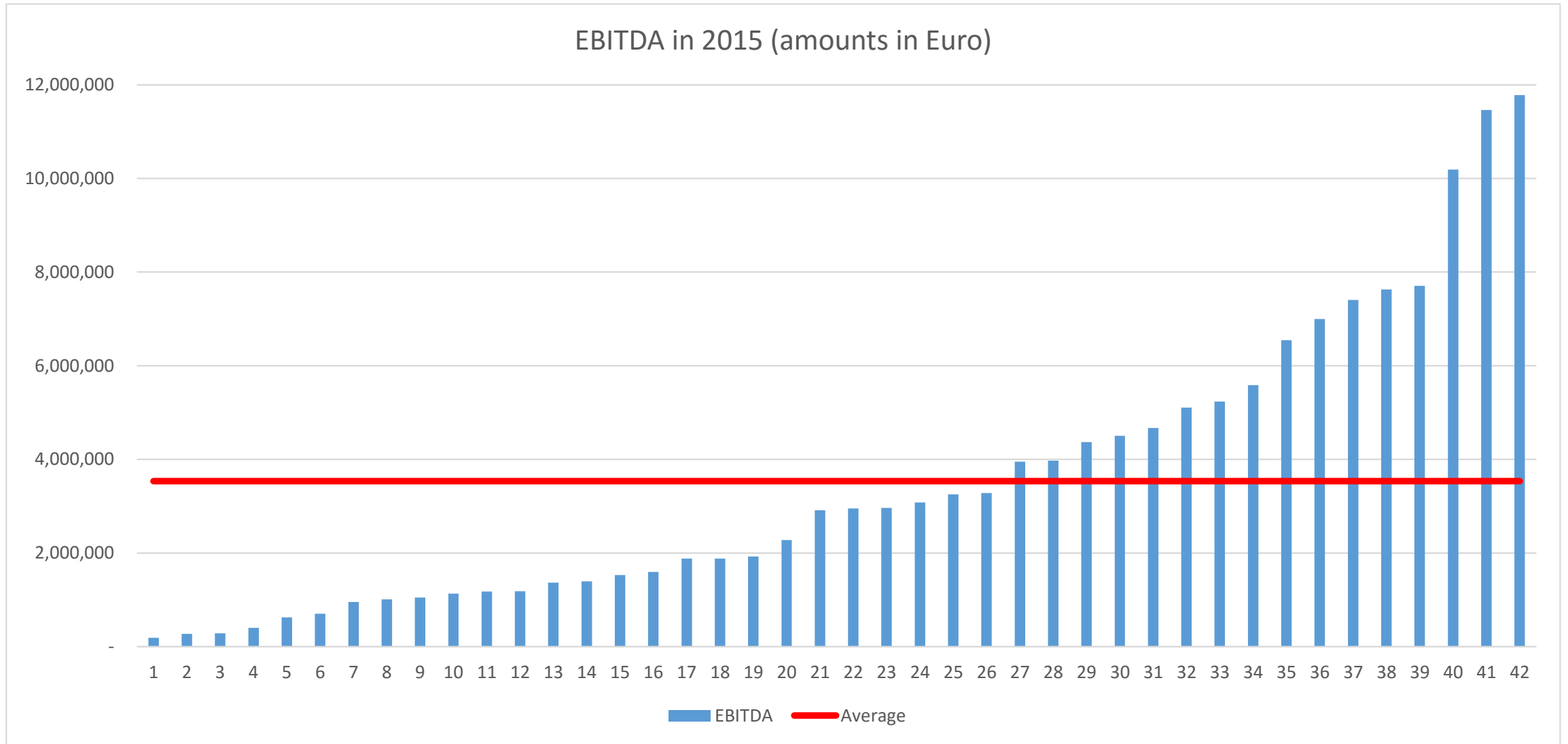
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Context (4) - Tariffs



Context (5) - Profitability



- Minimum level for **affordability ratio** on long-term:
 - 2.5% for the average household
 - Higher level of bill in order to cover O&M costs and depreciation
 - If exceeding 3.5%, social subsidy measures should be considered
- Coverage of **equivalent depreciation of public assets** through tariffs:
 - Scheduled over maximum 30 years considering affordability constrains
 - Follow a linear pattern

Debates for following years...

- Introduction of equivalent depreciation into tariffs:
 - Depreciation of public assets is not accepted as a cost element
 - Profit
 - Concession fee
- Changing the tariff system?
 - Maintaining the proportional tariff system
 - Including a fix component related to replacement of infrastructure (depreciation, concession fee, etc.)

- Each Regional Operator will have a medium term tariff strategy based on the Cost-Benefit Analysis of EU financed investment projects covering the period 2017-2023
- By the end of investment implementation (2021-2022), each operator will need to come with a new tariff strategy to gradual include the depreciation of public patrimony into the tariff

Possible consequences...

- The size of the EU financed investment projects will have a direct impact on the future level of tariff due to maintenance costs and depreciation
- A Regional Operator with high investments, even if they may obtain 100% grant financing, will have higher tariffs than a operator that co-finance the projects via debt
- For some Regional Operators, due to high tariff levels and possible affordability and sustainability issues, it might be more feasible to merge with another operator → consolidation of the sector



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