Water in Europe
- trends, UK, eastern Europe, partnerships with Africa, water resources, multinationals

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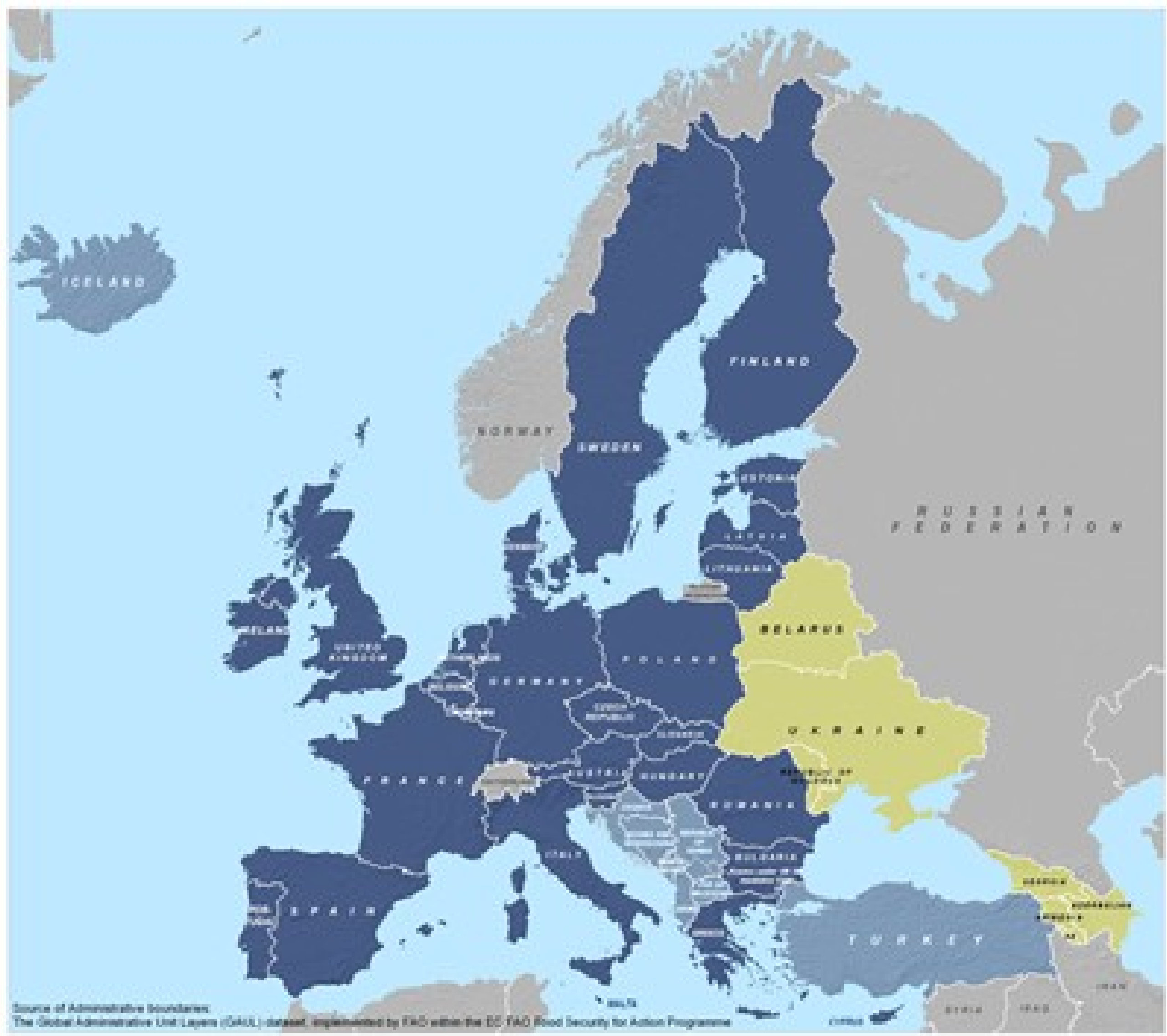
Summary

- General trends in EU
- Water in UK
- Central and eastern Europe and central Asia
- Partnerships with Africa

- Conclusions

- Annexe: private water companies in Europe

EU, accession countries and eastern neighbourhood



Overview - remunicipalisation

- France: city of Paris remunicipalised water 2010
  - Reduces prices by 8%
  - Also some other French cities/communes: Bordeaux, Brest, Varages, Montbeliard, Durance-Luberon, Castres, Cherbourg etc
  - Others do not eg Toulouse
- Hungary: Pecs terminates Suez, remunicipalises
- Eastern Europe/Central Asia: contracts terminated in Ukraine (Odessa), Kazakhstan, Uzbekistan
- Unclear future possibilities:
  - Other central and eastern Europe
    - Tallinn tries to renegotiate/cut tariffs
    - Contracts in Czech rep, Hungary, Poland expire in next 10 years
  - UK England/Wales renewal due 2014, but no campaign
- Remunicipalisation also in North and South America

Overview: resistance to privatisation, concentration

- Public resistance to privatisation:
  - Italy, Berlin, Ireland
- But: EU/IMF austerity programmes force Greece to privatise water
- Private companies: more concentration and state investment
  - even more dominated by Suez and Veolia, including division of joint ventures in France
  - Suez, Veolia, Seche part-owned by government of France
  - international development banks, EBRD and IFC, key investors in east
  - note also EU cohesion funds, EU and govt support for PPPs

Water in the UK - a divided kingdom

	England	Wales	Scotland	N.Ireland
Ownership	Private	Not for profit company	Public company	Public authority/ public company
Operations	Private direct	Contractors	Direct/ contractors/ PPPs	Direct/PPPs
Tariffs	Tax + some charges	Tax + some charges	Tax + some charges	Tax

Ownership of UK water companies

	UK stock exchange	Not for profit	Private equity etc	Multinationals
10 large regional water and sewerage companies	4 (United Utilities, Severn Trent, Northumbrian Water, Pennon Group)	1 (Welsh Water)	4 (Anglian, Southern, Thames, Yorkshire)	1 (Wessex: Malaysian, YTL)
11 smaller water only companies	1 Dee Valley	-	4 (Portsmouth, Southeast, South Staffordshire, Sutton	6 (3 Veolia; 1 Suez; I Chung Kong; 1 Sembcorp (Sigapore)

…what happens in 2014?

- Privatisation 1989 sold assets to the companies
  - Undertakings appointed for 25 years, so > 2014
- But:
  - In 2002, OFWAT gave the companies the right to 25 years notice of termination.
  - So if a different company wins tender, incumbent could still continue for 25 years….
  - Is this permissible under EU competition rules?
- Alternative: return to public ownership

Wales, Scotland and Northern Ireland

- Wales: not for profit company and contractors
  - but no public accountability, not public nor cooperative
  - Regulator requires contracting-out of all services
- Scotland: public company, and contractors
  - Remains public, single national company
  - But regulator created, PPPs for treatment, now plans to contract out operations on 25 year ‘relational’ contracts
- Northern Ireland
  - Was government service, UK govt propose privatisation then corporatisation, plus new additional charge
  - Strong public opposition unites all parties
  - Financial scandal over new company
  - But operational problems for public service in 2010/11

Public finance for private water in CEE/EECA

EBRD finance for private companies €million Euros	Total 1991-2009	Of which equity investments
FCC/Aqualia	80	80
Suez	42	0
United Utilities (now Veolia)	111	17
Veolia	263	175
TOTAL	496	272
Veolia – EBRD finance in non-water (Dalkia, Connex)	208	141
Veolia – IFC investment in V Voda	100	100
Veolia – IFC investment in Veolia AMI	20	20

Private failures to invest in EECA water

Country	City and date	Company	Total value of expected investment	Contract STATU
Armenia	Yerevan	Veolia	€9.1m (10 yrs)	>2014
Georgia	Tblisi (A)	Veolia	?	TERMINATED
	Tblisis	Multiplex	€350m. planned	>indefinite?
Kazakhstan	Almaty	Vivendi/Veolia	€100m. planned	TERMINATED
Ukraine	Odessa	Infox	€44m. planned	TERMINATED
Uzbekistan	Bukhara, Samarkand	Veolia	$62.3m.	TERMINATED

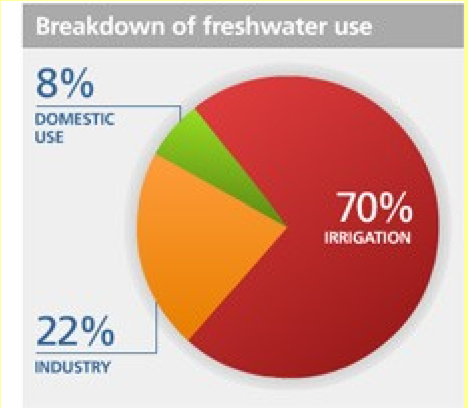
EU-ACP initiative: solidarity PUPs

- 40 million Euros ($55million dollars) for PUPs between EU and African water utilities or public authorities
  - Must be led by public authority, must be not for profit
  - Result of campaigns by RPW/PSI, follows poor response from private sector to previous EU funding

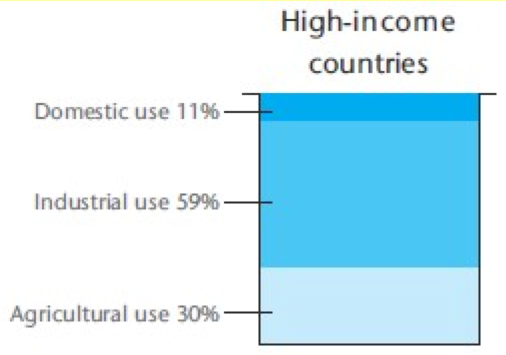
- Over 300 applications in response
  - More than 6 times as many as expected: bottom up!
  - Includes PUPs within Africa eg Morocco/Mauretania
  - Not yet known which European public water operators

Water resources: human uses of water

- How the world uses freshwater:
  - 70 percent for irrigation
  - 22 percent for industry
  - 8 percent for domestic use

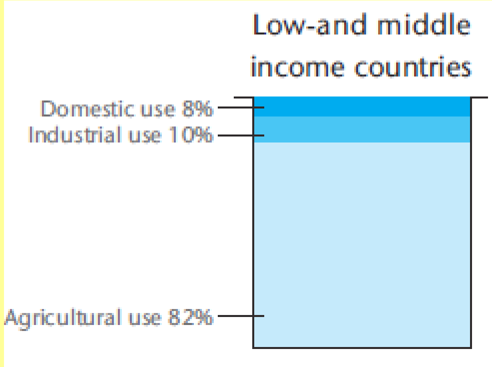


- Water withdrawals are predicted to increase by 50 percent by 2025 in developing countries, and 18 per cent in developed countries.

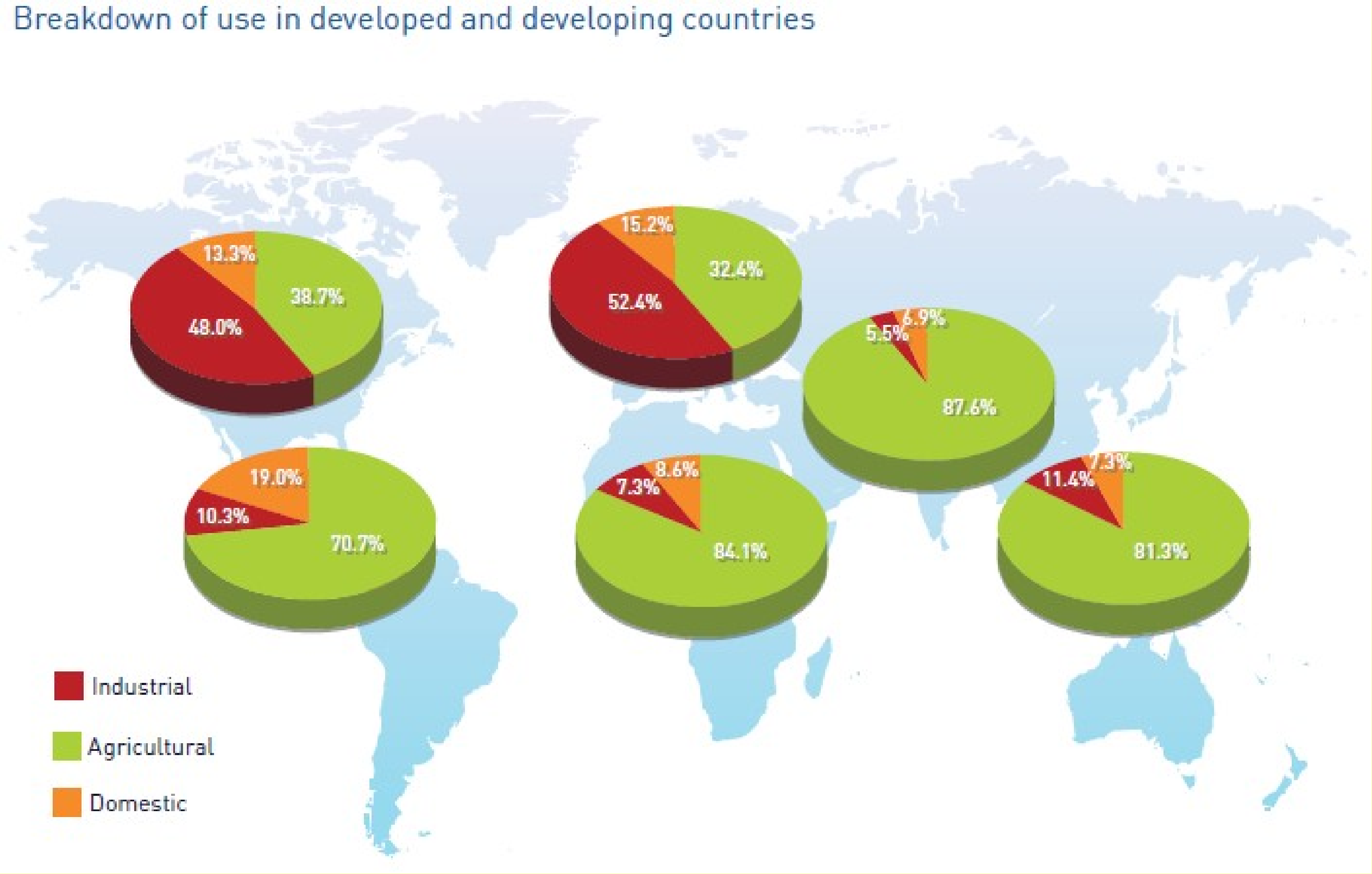


http://www.unwater.org/downloads/Water_facts_and_trends.pdf

See FAO detailed maps on water use by region http://www.fao.org/nr/water/aquastat/globalmaps/index.stm



Uses of water by region



- http://www.fao.org/nr/water/docs/wateratаglance.pdf

Water resources and private companies

- Global initiative by multinational users of water
  - McKinsey report “Charting our water future”
  - Multinationals are the big users of water: drinks eg Coca-Cola, Nestle, mining, agri-business etc – not Suez or Veolia
- Analysis of water demand/supply gap
  - Main emphasis on agricultural efficiency, business selling technology and products, government providing incentives
- Commercial proposals with potential conflict
  - Create private rights to water, water-trading
  - Profit by selling water to public authorities
- Methods include
  - Buy land for water rights eg in Africa; buy glaciers in Iceland
  - Lobbying countries to create markets in water rights
  - Lobbying for minimal/no abstraction charges

Comments and conclusions

- Campaigns and politics matter:
  - Paris, Italy, Berlin, Ukraine etc show what is possible
  - Ideological gains: public-public partnerships (PUPs), UN right to water
- Multinationals re-align
  - new focus on water resources
  - Dependency on state capital
- What kind of public water?
  - Public participation: routine not just for campaigns
    - Italy campaign as model: public debate, wide networks
  - Transparency of public finance and structures
    - Contracts as per Berlin, but also honest public accounting
  - Water resources as community democratic issue?

Annexe on companies: Takeovers and mergers

- United Utilities sells 2/3 operations to Veolia
  - 77% stake in Sofiyska Voda (Sofia, Bulgaria)
  - 33% stake in Aqua SA (Bielsko Bialka, Poland)
  - But: UU still owns 26.5% of Tallinna Vesi (Estonia)

- Suez buys majority control of AgBar
- AgBar no longer listed; sells health division Adeslas
- Suez also owns key stake in Aguas de Valencia since 2008

- Others
  - Biwater sells water operations to Sembcorp (Singapore)
    - Only 1 small UK company, plus international ops
- Gelsenwasser: buys Nantaise des Eaux (France), in Czech Rep
- Energie AG buys Czech companies

Annexe on companies: private companies in EU

Group	Home	Countries (water operations)
Veolia	FR	Bulgaria, Czech Republic, Estonia, France, Germany, Hungary, Italy, Romania, Slovakia, UK
Suez*	FR	Czech Republic, France, Germany, Hungary, Italy, Romania, Slovakia, Spain, UK
SAUR/Séché	FR	France, Poland
Gelsenwasser	DE	France, Germany, Hungary, Poland
Energie AG	AT	Austria, Czech republic, Slovenia
FCC/Aqualia	ES	Spain, Czech republic, Italy, Portugal
Sacyr Vallehermosa/Valoriza	ES	Spain, Portugal

Annexe on companies: Veolia

- Restructuring group (except water, waste) into 50-50 ventures with state
  - Transport, defence services: Dalkia 50-50 with EdF
- France: lost Paris, but retained (larger) SEDIF
- UK: contract services for other water companies
- Still active in EECA, Africa: EBRD/IFC finance

Annexe on companies: Suez Environnement

- Suez Environnement: water/waste division of GdF-Suez
  - separate company, 35.5% owned by GdF-Suez
  - GdF-Suez 35.7% owned by the French state
- Now owns Aguas de Barcelona
- Water activity in Europe has changed little since 2006
  - France, Spain, Italy, UK, Czech, Hungary, Slovakia
- Still operates in Latin America via AgBar: Chile +
  - Still claiming compensation from Argentina
- Grown in USA, China, middle east BOTs
- Still holds corrupt contract in Jakarta, 22% return