



## WES PRESS RELEASE

### Evaluation of new methods to reduce cross-subsidies in the agricultural water tariff

Athens, 12 November 2020

In 2017, Amendment 27 to the Water Law came into force in Israel. One of the significant changes that this amendment made was the replacement of the regulation of water production of previous production levies, with a full tariff regime in the water economy, based on the cost principle. The primary purpose of the amendment was to promote the conversion of the water economy into a closed market so that tariffs charged for production and supply would be based on the cost principle and be used by the water economy.

The rationale for this was that water is a public resource and there is no room for differentiation regarding the regulation and tariffs between the types of water according to the source of their production or purpose for which the water is used. Following this principle, the production component is to be determined by a uniform method, and no distinction is made to whom the water is sold to.

Following this major reform, the Israel Water Authority is now in the process of evaluation, examination and search of new methods to reduce the cross-subsidies in the agricultural sector. The leading principle is that this will be a gradual process taking into account the ability of the agricultural sector to adapt to the new tariff system based on the cost recovery principle.

As part of regional cooperation of Israel in the the EU funded Water and Environment Support project (WES), a national activity entitled: "Evaluation of new methods to reduce the cross-subsidies in the water tariff of the agricultural sector in Israel" was launched at the beginning of November.

During the kick-off meeting of this activity, Gosia Kowalczyk, Head of the Trade Section of the Delegation of the European Union to Israel, emphasised that a regional project like WES is pivotal as water is a common issue in the Mediterranean and it needs to be tackled on a regional basis. She added that "water should be addressed holistically, as there are issues related to climate change, consumption, but also issues of trade are important when it comes to the production and use of water. The EU is therefore keen on supporting the water sector as we believe that by providing technical assistance to this sector, we support enhancing water frameworks and ensuring best practices."

The Israeli Team from the Israel Water Authority emphasized that setting the different mechanisms for the water tariffs is quite a challenge in our country considering that agriculture is a primary water consumer. "With this project, we hope to learn from experiences and successes in other countries but also from failures in order not to repeat mistakes" – noted the Focal Point of WES, Ms. Olga Slepner.

Kees Lakerveld of WES consortium partner Royal HaskoningDHV will lead this activity with the support from Stefanie Stubbé, and their first step will be to get a detailed understanding of various water tariffs. In this view, several OECD countries will also be analysed. "Then we will examine which countries are the most relevant for Israel and see how their structures are working and how we can use those examples for the benefit of Israel. New methods to support the agricultural sector will then be recommended, and we hope that this WES activity will be instrumental in supporting Israel to implement this major reform."





## **Water and Environment Support**

in the ENI Southern Neighbourhood region

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### **WES**

The Water and Environment Support project in the Southern Mediterranean Neighbourhood aims to protecting the environment and improving the management of scarce water resources in the Mediterranean region. It will tackle problems related to pollution prevention and water use efficiency. WES is a regional project with emphasis on the countries of North Africa and the Middle East (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, and Tunisia).

### **Disclaimer**

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