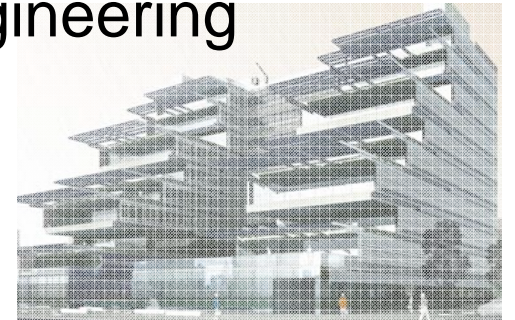


# Water Tariffs in China

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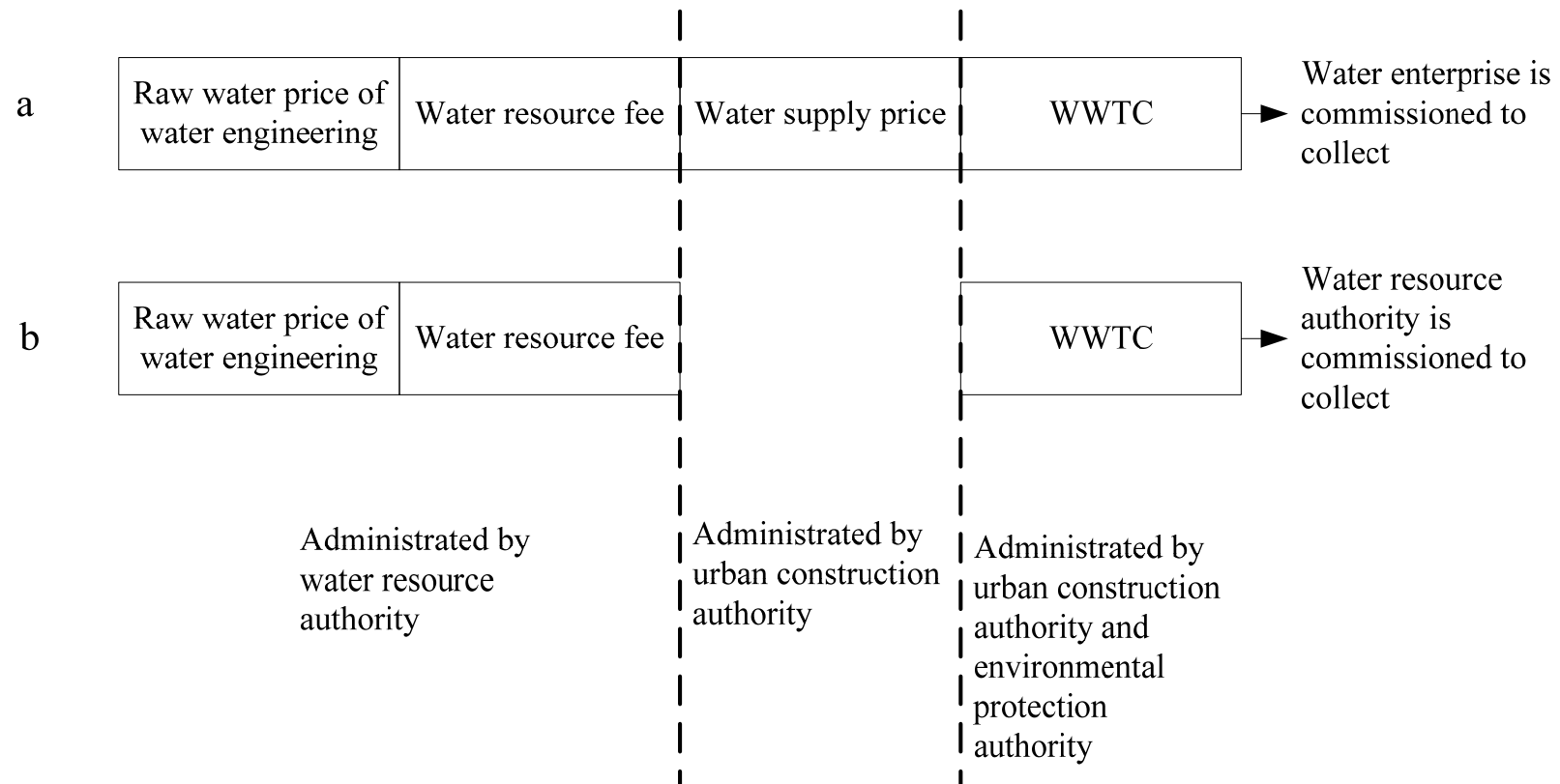
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3 November 2009



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Tsinghua University

# Water Tariff Structure in China



(a) water tariff structure of public water works;

(b) water tariff structure of water self-providers (no water supply price included)

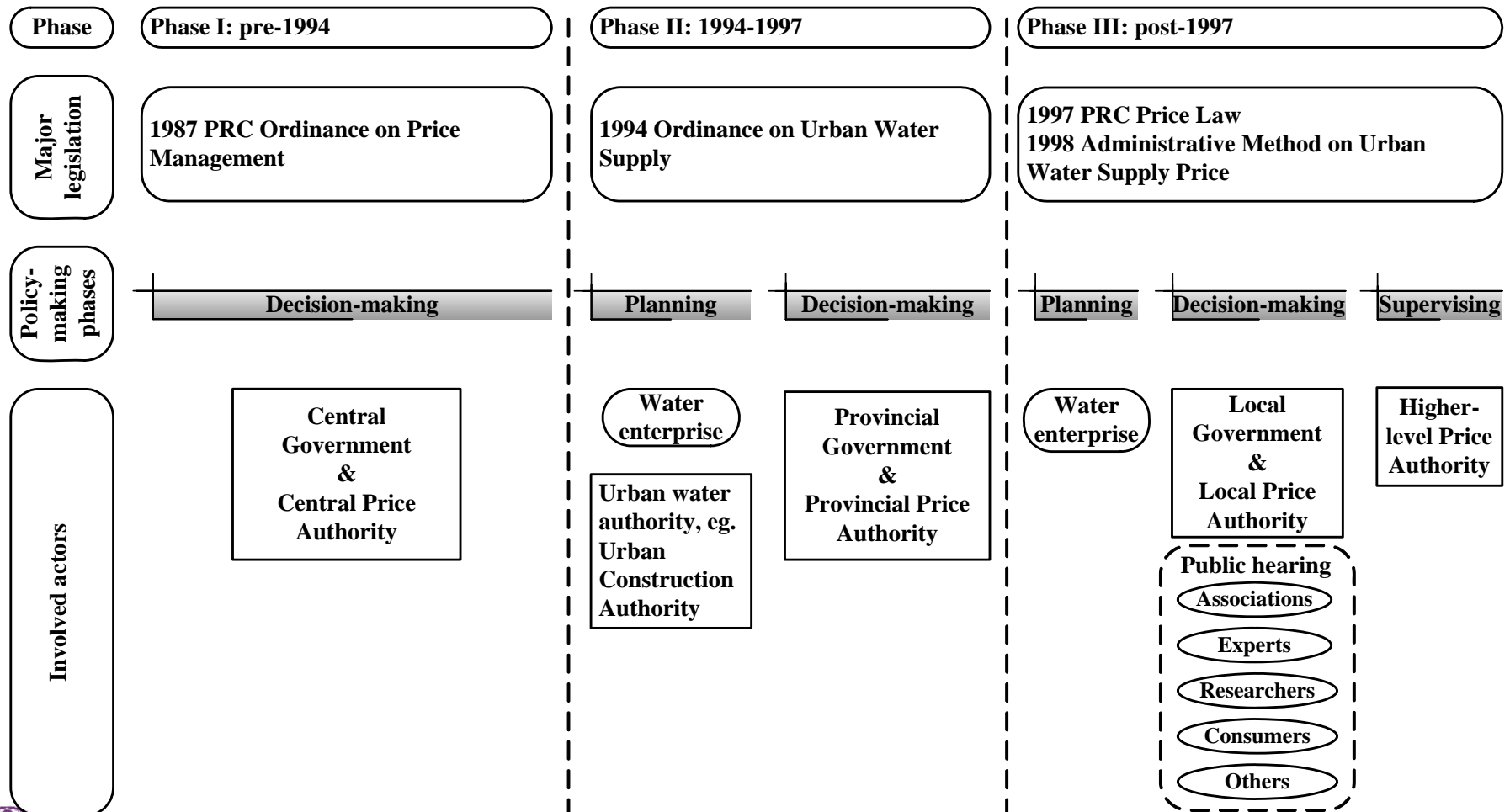


# Water Tariff Policies in China

- Setting the rates of water resource fee according to the degree of water scarcity
  - The current water resource fee ranges from 0.00015 to 0.44 \$/m<sup>3</sup>, differing between provinces
- Setting a price for water supply and add it to the cost of water production in order to make the water provisioning self-financing (1994): Cost-recovery water price is expected
  - The current water supply price (for households) ranges from 0.09 to 0.43 \$/m<sup>3</sup>, differing between cities
  - The average water supply price of 36 Chinese key cities is 0.24 \$/m<sup>3</sup>
- The WWTC level should be set at the level of operation and maintenance cost
  - The current WWTC ranges from 0.015 to 0.17 \$/m<sup>3</sup>, much lower than the cost



# Water tariff setting in China



# Water Tariff Increase in China

- First wave of water tariff increase: 1990s
  - Average 16% water supply price growth in 1990s
  - Wastewater treatment charge scheme started
- Second wave: 2003-2004 (after marketization reform of public sectors)
  - More than 30% growth of WWTC in 2003 and 2004
  - About 17% growth of water supply price in 2004
- New wave: 2009
  - A number of cities increase water tariff, which are reported heavily by media and newspaper, as well as argued heavily by public



# Water tariff reforms and PPP in China

- Increased water tariff attracts more private sectors into water and sanitation sectors, while the marketization reform accelerate the water tariff reforms
- Selection of PPP model has been closely to the local water tariff level
  - water supply vs. wastewater
- Sharp price increase may result in strong public resistance, in particular for cities where private sector has been involved in water and sanitation sectors
  - e.g. the current water price increase in Lanzhou City where VEOLIA purchased 45% shares of Lanzhou Water Supply Group in 2007



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# Thanks !

