



*Lectures*

**MUNICIPAL PRICING OF WATER CONSIDERING THAT WATER IS BOTH AN ECONOMIC AND A SOCIAL GOOD - A PRICING REFORM WITH IMPLICATIONS FOR ROMANIA**

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**Abstract**

One of the basic principles in the European policy to cope with the growing challenge of water scarcity is that water demand management should be considered before opting for additional water infrastructure. The implication of this is that water must be treated as an economic good, which means that the “user’s pays’ principle” has to be implemented. At the same time there is much political consensus that the water price has to be “equitable”. Water can be subsidized without violating the most fundamental economic principle, a price which gives the right incentives to economize with water use. That is marginal cost pricing, combined with a block tariff subsidizing the “basic” water needs, or by addressing the poor households directly, with income support such as water stamps or concession cards.

*Keywords:* water scarcity, water demand, demand management, pricing

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