

Toward A New Market Model

The current water sector model is a closed market for innovation, according to Tomas Michel, Chairman of the [European Water Supply and Sanitation Technology Platform \(WssTP\)](#). To change this, a new market model is needed with *“maximum synergy of public and private investments.”*

Michel and Wim van Vierssen, CEO of [KWR Watercycle Research Institute](#) – a collaboration of Dutch water supply companies – advocated strongly for public-private partnerships as the cornerstone of a new model for the water sector.

“The water market is fragmented and very local,” and so the *“conventional market model”* does not really apply, Michel noted during a presentation on *“Innovation Demand from the Private Sector.”*

Effective governance and creation of new, innovative finance tools are integral parts of this. So are large-scale demonstration sites to showcase and spur adoption of new technology.

Action Groups are needed *“that are involved with the financing, that are involved with the pure market uptake, that are involved with business models, that are involved with all those aspects that are critical, but that are not directly related to research and development, and not related to the technical questions,”* according to Michel.

In a session on *“Connecting Public Sector Needs to Water Innovators,”* van Vierssen proposed a structural change for European Framework Programs (FPs) in the water sector based on the *“allied waters”* concept, which draws in business collaboration, company research teams and financing in the form of both public sector loans and venture capital investment.

The old model for bringing innovations to market moved in a linear way from basic and applied research, much of which took place in a semi-public sector setting, through a commercialization process that was largely carried out through the private sector, before ultimately finding its way to the end users among the general public.

In a new *“allied waters”* approach, the applied research and commercialization phases are carried out under a hybrid, *“triple C”* knowledge management model that brings together different actors in a collaboration that is clustered (in terms of knowledge), complementary and coordinated.

In this system, European innovators should be offering game-changing public value propositions; reaching the top end of the market and being competitive on a global scale; developing products with excellent scientific and public market references; fostering new hybrid companies with total cost recovery models for research teams.

“ The start up phase is now over ... what we are expecting, all of us, are results, concrete results, and things that we can show off to the water community, to the market and also to the politicians to see how we can empower this further and have it further endorsed and also if it's possible-subsidized. This is why I personally advocated in this conference for public-private partnership, which of course is another way of putting resources into the whole matter. ”

Tomas Michel, WssTP

“ Europe needs to organize innovation. ”

Wim van Vierssen, KWR WaterCycle Research Institute

Most efforts to encourage innovation have focused on SMEs, but van Vierssen emphasized that large multinationals also have an important role to play. As part of a collaborative group, they offer the advantage of a market partner with a worldwide network.

Innovation in the sector will also come at a cost – the thorny issue of water pricing will have to be addressed.

“Everybody in the water sector will agree that water is underpriced, and the actual costs of water are not recovered through water tariffs,” Michel said. This, combined with an *“almost religious”* conviction among consumers *“that they have an absolute right to that water at almost no cost”* makes it harder to persuade people to accept new ways of doing things.

To support sector innovation *“bring water – first of all – to full cost recovery, and then start to build into the water price all the future risks, the better quality you want to have, the better state of our natural bodies, etc.”*



“ Great quote on how to keep stakeholders involved and active via @Tygron: ‘Tell me, I’ll forget. Show me, I’ll remember. Involve me, I’ll understand.’ ”

Chrysi Laspidou @CLaspidou via twitter during EIP Water Conference

