20 January 2026

Funding for water services under the National and Regional Partnership Plans

EurEau's position on the Commission's proposal for a regulation

Summary

Drinking water and wastewater services are essential for maintaining vital societal functions and economic activities in the internal market. Funding for cohesion, prosperity and security under the next MFF is an opportunity to contribute to a resilient, sustainable, and climate-neutral water services sector and by doing so to deliver on the Union's commitments under the European Water Resilience Strategy. EurEau welcomes the draft National and Regional Partnership (NRP) Regulation put forward by the Commission and on behalf of European water service providers, presents the following recommendations to help ensure a future-proof water sector is supported within the next 7-year financing cycle.

Specifically:

- The specific objective of ensuring support for territorial services and infrastructure should explicitly allow for funding of water services infrastructure.
- Funding for water services infrastructure must be mainstreamed across horizontal policy objectives on climate, the environment, and security, recognising its cross-cutting strategic role.
- Governance loopholes should be closed by explicitly mandating the inclusion of representatives of local and regional water service providers in NRP Plans decision-making.
- Support should be provided to boost the water services sector's funding absorption capacity.

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Challenges of the water services sector

The European water services sector - serving more than 550 million citizens and (essential) economic activities - faces a substantial investment gap, estimated at several hundreds of billions of euros[1]. **Current investment in the EU water services sector[2] averages around €33 billion per year[3], while the Commission estimates an annual investment gap of €23 billion just to meet the requirements of existing water legislation**. Ageing infrastructure, stricter water quality standards, climate-driven water scarcity and floods, intensive pollution, physical- and cyber-security as well as energy security and energy neutrality requirements amount to significant financial pressures for the sector pertaining to infrastructure modernisation and upgrade. The significant investment needs have also been recognised by the Council in its conclusions on the Water Resilience Strategy[4], stressing at the same time the importance of ensuring adequate and accessible financing by, inter alia, mobilising EU-funding.

During the 2021–2027 Multiannual Financial Framework (MFF), including the Recovery and Resilience Facility (RRF), the EU has been allocating financial resources to support water-related projects with an **estimated total funding of €24–€30 billion**. This funding is channelled through several key EU programmes, each contributing to different aspects of water management, infrastructure, environmental protection, efficiency, and innovation. The **cohesion and regional development funds** have historically represented the largest share of dedicated water supply and wastewater treatment **infrastructure funding**, with an estimated **€16.3 billion** available, including national co-financing contributions, under the 2021–2027 MFF. It is also encouraging that the European Commission proposed a mid-term review of the cohesion policy programmes calling on the Member States and regional authorities to re-programme part of their 2021–2027 cohesion funds towards five investment priorities, including water resilience.

Overall, the cumulative water-related funding under the EU's 2021–2027 programmes does, to a certain extent, reflect the EU's policy commitment to protect our water resources, modernise essential infrastructure, foster innovation, and safeguard the environment. The next MFF, despite undergoing significant design and governance change when it comes to managing the funds, should ensure the water-related funding continuity is preserved and strengthened. Concretely, the European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security (NRP Fund) and particularly the **National and Regional Partnership Plans** (NRP Plans) as its national-level implementing tool should ensure **funding is appropriately tailored and ramped up in amounts commensurate with the water services sector's needs**. Such investments are key to a future-proof water sector able to withstand its multifaceted emerging challenges, ensuring Member States' compliance with the Union's health,

[1] The OECD's 2020 report estimates that the EU27 will require an additional €255 billion in cumulative expenditure for water supply and sanitation by 2030.
[2] Including new infrastructure, development, replacements, and reconstructions.
[3] According to most recent EurEau data survey, to be published in spring 2026, excluding figures for Croatia, The Netherlands, Slovakia.
[4] Council conclusions on a European Water Resilience Strategy, 13390/25, adopted on 21 October 2025.

environmental, and security resilience obligations, as well as the Union's competitiveness ambitions while realising its energy neutrality and resource efficiency objectives.

Specific funding objectives aligned with the implementation of the water acquis and horizontal legislation

EurEau welcomes the fact that **support for territorial services and infrastructure** is a priority specific objective defined under Article 3(1)(a)(i) of the NRP Regulation. This specific objective should stand as the core legal provision for the Member States to justify the eligibility of funding for water supply and wastewater treatment infrastructure in the context of contributing to territorial cohesion, climate, energy, and security policy goals. This should be made unambiguously clear by explicitly outlining the respective area of funding intervention and link it to sectoral water and relevant horizontal legislation implementation.

Recommendation

Eligibility of investments in water services infrastructure should be made clear and unequivocal in the NRP Plans template, Annex V of the draft NRP Regulation. Similar to the provisions under the Cohesion Fund and the European Regional Development Fund Regulation[5], updated national investment plans for water supply systems, wastewater collection and treatment systems, including networks, should be required as enabling conditions for contributing to the relevant funding objectives. The plans should be aligned with the implementation of the updated sectoral water legislation, namely the recast Drinking Water Directive[6] and the recast Urban Wastewater Treatment Directive[7], and other relevant horizontal legislation[8]. This will allow for defining the adequate amounts of funding necessary to bridge the investment gaps, as well as ensure performance tracking and funding efficiency.

Ensuring funding for water is mainstreamed across horizontal climate, environment, and security related specific funding objectives

In Article 3(1)(a), points (iii) and (x) list various areas for funding intervention related to the achievement of the Union's energy and climate targets, as well as support for water resilience, pollution prevention, control and remediation, climate adaptation, climate resilience, and circularity. EurEau underlines the cross-cutting relevance of these areas for the water services sector and strategic implications thereby.

[5] Regulation (EU) 2021/1060.
[6] Directive (EU) 2020/2184.
[7] Directive (EU) 2024/3019.
[8] Such as the CER Directive, NIS2 Directive, Floods Directive, the legal requirements arising from the new Integrated Framework on European Climate Resilience and Risk Management, and other.

The water sector has a significant potential to generate renewable energy and further implement energy efficiency and neutrality solutions. On the one hand, by supplying renewable energy to external users, such as biogas for public transport, heat for district heating or biomethane that can be injected in the gas grid, the water sector can contribute to reducing the dependence on imported energy. On the other hand, by incorporating renewable energy sources (such as solar, wind, and biogas) to cover the energy demand of drinking water and wastewater treatment and distribution processes, water utilities can effectively reduce their carbon footprint and dependence on fossil fuels, thus contributing to climate neutrality in the EU.

Furthermore, **water services are not only substantially impacted by climate change, but also play an important role in contributing to climate adaption**. In this respect, EurEau supports the water services sector inclusion in the EU initiatives related to climate adaptation, such as the future integrated framework on the European climate resilience and risk management. In order to ensure drinking water is supplied and wastewater treated in accordance with the highest EU standards, water operators have to adapt to seasonally reduced availability of water resources, intrusion of saline water (due to rising sea levels) into coastal aquifers used for drinking water as well as in sewers (impacting biological treatment in urban wastewater treatment), increasing frequency and intensity of heavy rainfall events, and to the effect of droughts on dilution in receiving water bodies of the wastewater treatment plant effluent.

In addition, the **potential of wastewater and sewage sludge for resource and nutrient recovery is undeniable, and so is its contribution to the circular economy and the Union's competitiveness in the global markets**. Namely, the raw sewage sludge is the matter resulting from the treatment of wastewater and consists of water, organic matter and nutrients. It contains valuable (also critical) resources, like carbon, nitrogen, and phosphorus that can be used in agricultural applications and industry. As advanced technologies for resource and nutrient recovery are expensive (especially for smaller operators) and, with some exceptions, not mature enough in the EU, financial support is necessary to stimulate technological developments and the construction of such plants and contributing thereby in creating a well-functioning EU market for secondary raw materials and reducing our external dependency.

Finally, Article 3(1)(b) sets out funding objectives related to "strengthening the Union's preparedness to crises and disasters". **Water supply and wastewater treatment operators provide essential services, and are critical entities playing an indispensable role in maintaining vital societal functions and economic activities**. The water supply and wastewater treatment sectors are explicitly recognised as critical under both the Critical Entities Resilience (CER) Directive and the NIS2 Directive[9]. Under the CER Directive, drinking water supply as well as wastewater collection and treatment are designated as essential services, requiring Member States and operators to assess risks, strengthen physical resilience and ensure continuity of service. In parallel, the NIS2 Directive classifies water supply and wastewater operators as essential entities in the water

[9] Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union.

sector, subjecting them to cybersecurity risk-management obligations, incident reporting requirements and supervisory oversight. Together, the two directives provide a complementary framework addressing both physical and digital resilience of water services as critical infrastructure. Water sector infrastructure modernisation and upgrade is therefore essential in order to ensure it copes with contemporary multifaceted security challenges involving physical- and cyber-security threats as consequence of malicious acts (also in the context of the current threats of hybrid conflicts) as well as impacts of climate extremes.

Recommendation

The implementation of the funds under the NRP Regulation should be adapted to this complex cross-cutting landscape involving the role of water services. The **Commission should give clear guidance to Member States on the possibilities to earmark the necessary funds under the NRP Plans and thereby unlocking the potential of the positive externalities the funding for water services infrastructure can have** for realising the joint ambitions under a wider scope of EU policy areas.

Closing potential governance loopholes

Water services in Europe are to a large extent managed at municipal and regional levels. Considering that the NRP Fund architecture will be mainly constituted by the national-level funding plans (the so called NRP Plans) as one of the key implementing tools, **the legal framework should put in place adequate governance structures in order to ensure identification and prioritisation of local investment needs is adequately reflected in those plans**.

The principles of partnership, multi-level governance and a bottom-up approach should be genuinely applied and enforced as a key feature in the preparation, implementation, monitoring and evaluation of the NRP Plans. We welcome in principle the partnership framework that the Commission has foreseen under Article 6. However, the list of eligible partners should be amended to ensure that representatives of essential service providers like utilities (water supply, wastewater treatment, energy, waste) are explicitly invited to the table.

Recommendation

Article 6(1) in point (a) should be amended to include also providers of essential territorial services, such as utilities, at local and regional level, as competent partners.

Boosting funding absorption capacity

In many Member States, the water sector faces a number of challenges when it comes to effective uptake of available funds for water services infrastructure. Funds are not always fully absorbed or efficiently spent because of administrative, project-preparation and capacity constraints at national, regional, or beneficiary level. In this respect, EurEau

welcomes the provisions in the draft regulation that already recognise technical assistance and capacity-building as eligible for funding.

Recommendation

To make EU funding envelopes effective for water services, the NRP Plans should explicitly enable and finance actions under technical assistance, such as **project development as well as public procurement support**, while ensuring capacity building targets both for the public administrations and sectoral contracting authorities.

Particular attention should be given to small and medium-sized water utilities and municipalities, which are predominant in most Member States, by ensuring simplified access to funding, tailored technical assistance, and proportionate administrative requirements.

Also, for sectors with long investment cycles such as water and wastewater services, the NRP framework should allow for multi-annual investment programmes extending beyond a single MFF cycle, providing predictability for large-scale compliance projects.

Conclusions

The water services sector as provider of essential services faces mounting challenges in preserving its key role in maintaining vital societal functions or economic activities in the internal market and thereby contributing to public health, environmental sustainability, as well as the realisation of the Union's climate and energy targets. These challenges should be acknowledged and reflected in the next MFF legal framework while the NRP Plans in particular should deliver on bridging the financial gap arising from these challenges. This will be an essential step towards the realisation of the Union's commitments under the European Water Resilience Strategy.