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RESOURCE

The effects of the universal metering programme on water consumption, welfare and equity

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Description / Abstract

There is consensus that meters are necessary for the promotion of efficient water usage. However, available evidence on the benefits and costs of metering is scant, and often based on small samples. We use data from the first large-scale compulsory metering programme in England to study its impact on consumption, social efficiency and distributional outcomes. We find a decrease in consumption of 22% following meter installation, a considerably higher value than assumed as a policy target. This result implies that, overall, the benefits of metering outweigh its costs. We also document a large heterogeneity in reaction, with many households showing low sensitivity to the new tariff. This novel finding suggests that selective metering, where only more price-sensitive households receive meters, would deliver even higher social welfare. Looking at distributional effects, we find similar reduction in consumption across income groups, although only high-income households gain financially from the new tariff.

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