



What do costs really tell us? Lessons from Xynthia windstorm in France

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Xynthia was a violent windstorm which crossed Western Europe in 2010. Its transit caused the death of 59 people in Europe. France was the hardest country hit by Xynthia: 47 people were killed, most of them from drowning, and direct insured losses amounted to more than 2.5 billion Euros. Strong gusts and waves of several meters of height, associated to high coefficient tides, caused a phenomenon of storm surge in the Atlantic coastal area of France, particularly in the Vendée and Charente-Maritime departments. Sea walls, originally built to defend agricultural land and lacking of maintenance, were not able to protect houses. Around 10,000 people were forced to evacuate after the inundation of their properties. Essentially, a restrictive construction policy is supposed to be applied to these areas. In actual practice, mayors are sometimes not able to resist the pressure of property developers and, since 1999, about 100,000 houses have been built in flood prone areas all over France.

A close study of policies and incentives in place in the local areas hit by Xynthia reveals that economic system and incentives related to land value and land economics (in particular to crucial topics of land scarcity and increase in value), dominates incentives of risk management.

That is to say, independently Policies Plans and Projects in place to govern risk are of adequate designs. However, in practice there are not followed. This raises several questions in terms of costing methodology.

First, does it mean that costing methodology have to take in consideration all the economic parameters and policies at the right level? What does it mean for current applied methodology for direct and indirect costs (e.g. CGE)?

Second, does this reveal the existence of governance costs and is it possible to account for them? What would be the implications in terms of mitigation policies for instance?

Third, it appears then that land value, and in general the way to value resources, is important in the potential costing methodology and subsequent policies. What does this tell us about costing methodology and decision-making practices?