



## Parliamentary Briefing

# Abstraction reform consultation

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January 2014

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### 1. We welcome the proposals set out in the consultation

1.1 In December 2013, Defra published 'Making the Most of Every Drop Consultation on Reforming the Water Abstraction Management System'. This is long awaited, extremely welcome and we are broadly supportive of the proposals outlined. When implemented, the proposals will go a long way towards ensuring that we have a sustainable and resilient water management system that protects the environment.

2.2 There is much to welcome in the proposals: the linking of abstraction to availability, the introduction of smart and graduated abstraction limits, protection for the environment at low flows, charges related to use and availability and increased public transparency about arrangements and procedures. All of these things will address some of the many shortfalls in the current system. Significantly the proposals will encourage flexibility and efficiency and enable collaboration (including through shared use of resources and trading) to maximise the value of water and increase resilience in the water abstraction sector.

2.3. The consultation proposes two options: 'Current System Plus' (based on current system with better links to water availability, improved environmental protection and easier trading arrangements) and 'Water Shares' (abstractors have a share in available water, rather than a fixed volume, encouraging abstractors to take a shared responsibility for water resources in catchments). Both options are a significant step forward from the current system. We would be supportive of implementation of either option. However, providing it is adequately resourced, we recognise the extra value 'Water Shares' will provide in terms of promoting attitude and behaviour change - directly through 'sharing of the risk' and increased collaboration (including development of shared resources and trading) and indirectly (through development of responsive tariffs for water customers).

### 2. Issues we will raise through the consultation process

2.1 Ensuring the legacy of unsustainable abstraction is addressed before transitioning to new regime.

The consultation document references 77 licences that have been amended since 2008. This is welcome but the pace of change needs to be significantly increased. There are at least another 450 to go. It is essential that the legacy is addressed prior to transition to the new regime in order to: ensure that unsustainable quotas are not embedded in the new system, and; give current holders of the ~30,000 licences reassurance that the transition will not be used as an opportunity to 'claw back' volumes for the environment.

Making the Most of Every Drop acknowledges that *“the current process to change most licences that are causing damage to the environment is expensive and time consuming.”* Clause 41 of the Water Bill will provide a significant step forward- the ending of water company compensation rights will effectively bring plans to address abstraction problems into the price review process. We would like the Government to set out how this, and other measures, will ensure that the legacy of unsustainable is addressed, clarifying the number and timetable for necessary licence changes.

## 2.2 Setting the environmental flow

An underpinning principle of the proposed system – and one we are extremely supportive of – is systematically linking access to water to water availability. The assessment of water availability (what’s available to abstract after the environment has its share) is crucial to achieving the Government’s aspiration to “better protect the environment”. The detail of how this will be done is not set out in the consultation; we will be working with Defra and the Environment Agency to ensure it is appropriate and the process transparent.

## 2.3 Ensuring the system is as simple as possible and adequately resourced.

The consultation includes proposals for ‘basic’ and ‘enhanced’ reforms. While we recognise that certain things, such as trading arrangements, may not be appropriate and best value everywhere at the same time, we feel that it is important not to develop a two tier system (one of the failings of the current arrangements). Clarification is needed to show that reforms to protect the environment and reflect availability are to be rolled out everywhere, with additional trading arrangements when and where needed.

There needs to be the right balance struck between added value and costs associated with complexity. However, we advocate the need to ensure that we don’t just chose the cheapest option – the new regime will be in effect long into 21<sup>st</sup> century, in the context of unknown and significant changes in climate and water availability. We need to ensure that the system is based on the best available science and technology and adequately resourced. We have questions over the Environment Agency’s current ability to resource and manage such a system given the current context of cuts.

## 2.4 Timing and parliamentary timetable

The Government opens ‘Making the Most of Every Drop’ with:

*“We are committed to introducing a reformed water abstraction management system able to promote resilient economic growth while protecting the environment.”*

The consultation states:

- *“in advance of reform we must continue to tackle the problem of abstractions that are causing damage now to our rivers and groundwater;*
- *[the Government] “anticipates that abstraction reform should be in progress by the early 2020s for England” , and;*
- *“the requirement for primary legislation, which is subject to space in the legislative programme, makes it difficult to be any more specific about the timetable for implementation.”*

We are extremely concerned that the Government has delayed legislation on abstraction reform until the next Parliament. Despite assurances from the Government and the Opposition that they would bring in abstraction reform, postponing any legislation until after the election makes the likelihood and timescales for reforms extremely uncertain. This is even more worrying given the proposals in the current Water Bill to introduce upstream competition and water trading - provisions that will incentivise use of potentially damaging unused quota on existing abstraction licences.

We would like to see the current Water Bill amended to give greater certainty that abstraction reform will happen. Echoing existing Government commitment through an amendment in this Water Bill will also send a clear signal to abstractors that the Government does intent to reform licences, providing greater certainty and a longer lead in period to adapt. This has the potential of reducing the expense of the transition to the new abstraction regime.

We are proposing a new clause amendment to the Water Bill:

Abstraction reform target for 2021

For the purpose of promoting resilient economic growth and protecting the environment, it is the duty of the Secretary of State to ensure by 2021:

- (a) the implementation of a reformed water abstraction management system; and
- (b) the restoration of sustainable levels of abstraction by the variation and revocation as appropriate of abstraction licences that are causing damage to rivers and groundwater. <sup>1</sup>

Contact	Dominic Gogol; Public Affairs Adviser; WWF-UK Rob Cunningham; Head of Water Policy; RSPB Martin Salter; National Campaigns Coordinator; Angling Trust
Email/Tel	Dgogol@wwf.org.uk ; 07771 818704 Rob.cunningham@rspb.org.uk ; 07884 087962 martinreadingwest@googlemail.com ; 07976 946033
Date	28 January 2014

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<sup>1</sup> There is precedent for this sort of statutory target e.g. Section 1 of the Climate Change Act 2008: *The target for 2050 (1)It is the duty of the Secretary of State to ensure that the net UK carbon account for the year 2050 is at least 80% lower than the 1990 baseline.*