

**Response by Cyfoeth Naturiol Cymru / Natural Resources Wales to the Joint
Welsh Government / Defra Consultation titled:**

***'Making the Most of Every Drop, Consultation on Reforming the Water
Abstraction Management System, December 2013'***

Thank you for consulting Natural Resources Wales on the joint Welsh Government / Defra consultation on reforming the Water Abstraction Management System.

As Natural Resources Wales, we work as a regulator, partner and advisor to businesses, non-governmental organisations, Local Authorities and communities to help deliver Welsh Government and European Union policies and priorities. We take an ecosystem approach to promoting sustainable development that delivers social, economic and environmental benefits to the people of Wales.

On average over 12 billion litres of water are abstracted from our rivers and groundwater sources in Wales every day. One of Natural Resources Wales' duties is to 'conserve, redistribute and otherwise augment water resources, and to secure their proper use'. The abstraction licensing system is the primary tool that we use to deliver this duty.

Wales is perceived as being water rich and so the availability of water for new abstraction is not generally seen as an issue. But in significant parts of Wales, there are no further reliable supplies of water available for new abstractions. The availability of water is likely to become a bigger concern in the future if the effects of climate change take hold as currently forecast. This will inevitably have implications for long term growth in those areas.

In view of the above, we believe the current water abstraction licensing system is in need of reform because it:

- **Lacks flexibility**. The system does not enable us to respond to changing pressures associated with increasing demand from an expanding population and the uncertain implications of climate change, whilst continuing to protect the environment.
- **Does not treat abstractors equitably**. The majority of abstractors in Wales have historic licences issued before 2001 that are not linked to water availability and do not have adequate, if any, environmental controls attached to them. They are also not subject to review. Conversely, licences issued post 2001 have had increasingly more restrictive limits and conditions applied to them to ensure the environment is adequately protected and therefore there is a lack of equity in the system.
- **Does not allocate water efficiently**. The system is not allowing us to make best use of this valuable resource. For example, many abstractors have more water than they need but we cannot reallocate the unused water to those who need it for growth because it is tied up in abstraction licences.

By addressing the issues outlined above, a new abstraction management system would contribute to the Welsh Government's current agenda, as set out in its Programme of Government, and in the recent Environment Bill White Paper consultation 'Towards the Sustainable Management of Wales' Natural Resources'. In particular, we believe that a reformed system will:

- help us to better manage water resources at the river catchment scale, in line with the 'area-based' approach and so ensure our water environment and natural resources are sustainably maintained, sustainably enhanced and sustainably used and
- support our drive for resource efficiency, making the most of the opportunities that Wales' natural resources provide.

In considering what reform proposals to take forward, it will be important for Welsh Government and Defra to maintain their close working relationship. Should differences in approach arise, it is important that these do not affect our ability or that of the Environment Agency, to manage the significant cross border river catchments, namely the Dee, the Wye and the Severn.

In addition, as the scope of any reform in Wales becomes clearer, Natural Resources Wales will need to continue to work closely with the Welsh Government to ensure that the costs and resource implications associated with a new system are fully understood and that the system itself can be delivered and operated efficiently, with least disruption to our abstractors.

As we are working closely with Welsh Government, Defra and the Environment Agency on developing the evidence base that supports the current reform proposals, we have not responded to the individual questions set out in the consultation. We have, however, made some additional comments in support of the need for reform in Appendix 1 of this response.

Please do not hesitate to contact the following member of staff in Natural Resources Wales if you would like to discuss our views on this matter in more detail:

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Yours sincerely,



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Ein diben yw sicrhau bod adnoddau naturiol Cymru yn cael eu cynnal, eu gwella a'u defnyddio yn gynaliadwy, yn awr ac yn y dyfodol.

Our purpose is to ensure that the natural resources of Wales are sustainably maintained, enhanced and used, now and in the future.

Appendix 1

Most abstractors who abstract more than 20 cubic metres of water per day require a licence from Natural Resources Wales to do so. But the current system for managing abstraction of water from rivers and aquifers was designed more than 50 years ago. Protection of the environment, the ecosystems approach, increased demand for water and the implications of climate change were not understood and therefore not taken into account at this time.

1. Managing Water Resources better at the River Catchment Scale

Improvements to the current system have been introduced over time, for example through the Water Act 2003. Most of the changes, however, such as the introduction of time-limited licences, only affect around twenty percent of the current 1,100 licences in Wales. This means that the majority of abstractors in Wales still have historic licences that are not linked to water availability and do not have adequate, if any, environmental controls attached to them. Those abstractors can therefore continue to take water when flows are low even though this may be impacting upon the environment (and therefore its ability to provide multiple ecosystem services) or indeed other abstractors.

These historic licences are granted in perpetuity without review and compensation is normally payable where changes to licences need to be made. This is an expensive and time consuming process that delays resolving unsustainable abstraction and also impedes our ability to effectively manage water resources on a catchment basis.

Managing our available water resources is likely to become more of a challenge in the future with an increasingly varied climate, the increased demand for water from a growing population and the need to continue to protect our environment. Having the ability to review all licences within a catchment would give us greater flexibility in how we manage our water resources in the future. Instead of the small percentage of abstractors with time limited licences taking the brunt of any future changes needed, we can achieve our outcomes by making proportionate changes to all licences in an equitable manner.

The current abstraction management system is also unusual when compared to other regulatory regimes, in that those causing or likely to cause damage are compensated where changes are required. This is contrary to the 'polluter pays principle'. In addition, the compensation money is raised via a charge levied against all abstractors, known as the Environmental Improvement Unit Charge. This includes those abstractors that have modern environmental controls attached to their licences or who have invested in efficiency measures. This anomaly needs to be addressed.

The required solution:

- a. Remove time limited licences and make all licences reviewable irrespective of when they were granted (pre or post 2001);
- b. Develop, with abstractors, a set of rules for each catchment that would:
 - i. Include environmental triggers, which if exceeded would place the catchment under review.
 - ii. give abstractors a fixed notice period within which to make necessary changes
- c. Remove the need for compensation for any licence changes required, subject to any necessary period of notice being granted.
- d. Introduce a regulatory minimum control that would prevent all abstractors from impacting upon the environment, or other abstractors, at low flows.

2. Making the best use of our water resources

On average only 45% of the annual volume of water licensed for abstraction was actually abstracted between 2002 and 2011. Many abstractors do not take the full volume of water they have been allocated.

As stated above, compensation is normally payable where changes to historic licenses need to be made. This means that we are unable to recover and reallocate the large volumes of licensed but unused water tied up in these licences or make changes to protect the environment in a timely manner. When determining water availability in a catchment we have to take fully licensed volumes into account. In catchments that are already fully licensed, even if all the water is not used, no further licences can be given to new or existing abstractors who need water. As a consequence we are not making the most of the available resource. This potentially acts as a deterrent to new businesses looking to locate in Wales, as it appears reliable water is not available to abstract.

In addition, where catchments are currently over licensed but not over abstracted, there is a risk that if unused water was to be abstracted in the future, there could be significant deterioration of the environment, and potential non-compliance with Water Framework Directive objectives. We would need to be mindful of this when allocating this unused water for new abstractions.

The required solution

To have the ability to remove licensed but unused volumes of water from existing licences in a timely manner, without the need to follow a complex and expensive process.

3. Valuing our water appropriately and therefore using it efficiently.

We fully support the aim of encouraging more efficient use of water but we are not convinced that extending the use of the two part tariff in Wales will achieve the necessary outcome. The cost of abstracted water is very cheap. For example, in Wales it costs 1.5p to abstract 1000 litres of water. We do not think that applying the two part tariff to all abstractions will provide a big enough incentive for abstractors to reduce their water use significantly. Additionally, the cost of water does not incentivise abstractors to surrender the licensed but unused volumes of water tied up in their licenses.

The only current use of a two part tariff, which is based on a 50-50 split of the charge to the volume authorised and the volume actually abstracted, occurs for spray irrigation. This was a decision made in 1963 based on concern by farmers that during wet summers they would still have to pay for their licence. The system has now been in place for 50 years but there is little evidence that the approach has encouraged efficient spray irrigation practices.

We look forward to continuing to work closely with Welsh Government, Defra, the Environment Agency and others to further explore how to best incentivise more efficient water use.

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