

Department for Environment, Food and Rural Affairs

**Llywodraeth Cymru
Welsh Government**

What Abstraction Reform Means For Me

A Summary Guide for Abstractors

February 2014

Introduction

Defra and the Welsh Government are consulting on reform of the system of water abstraction management in England and Wales. Detailed proposals are set out in the consultation document *Making the most of every drop*. We want your comments on these proposals. This document should be read alongside the consultation. It explains what the changes could mean for abstractors. It is based on the current proposals and therefore may change as a result of responses to the consultation.

The proposals for reform have been designed to meet increasing demand for water and to prepare for the effects of climate change. The current system was introduced in the 1960s and was not designed to meet these challenges. It does not help abstractors trade easily or provide incentives for abstractors to manage water efficiently. Because abstraction is often not closely linked to water availability the system does not make the most of water when it is abundant or provide sufficient environmental protection when it is not.

We are considering possible changes to the way that water abstraction is managed in England and Wales. These changes would affect anyone who takes more than 20 cubic metres of water per day from rivers or aquifers to use for farming, business or other uses¹. The changes would also affect people who are not currently abstractors but who wish to abstract water in the future.

Making the transition

In future, abstraction licences would be known as 'abstraction permissions'. All permissions would continue to set a limit on how much water you could abstract in a day and over a longer period, such as a year.

We expect changes would start to take place around 2020. Before then, based on the existing proposals in the consultation, the Environment Agency or Natural Resources Wales would review your current licence based on your previous use of water and the amount on your licence, and the overall amount of water available in your catchment. This would inform the abstraction permissions you would receive on day one in the new system.

The Environment Agency or Natural Resources Wales would also publish rules for your catchment. These rules could cover how frequently water availability would be reviewed, detail common abstraction conditions such as hands off flows and, in some cases, explain when and how water trading could be pre-approved.

Do you hold a seasonal or time limited licence?

¹ Note, some types of water use such as trickle irrigation, quarry dewatering and navigation do not currently need a licence. We expect that these will be brought into regulation before we move to a new abstraction management system.

If you currently hold a seasonal licence we are proposing to replace it with a permission that has no seasonal conditions. This would give you more flexibility to abstract water irrespective of the time of year, provided that water was available at that time. Seasonal abstractors would maintain an annual limit, or receive water shares, based on their historic licence as well as their historic usage.

If you hold a time limited licence we propose to replace it with a permission that has no time limit. This would mean your abstraction permission would not expire. Instead, the Environment Agency or Natural Resources Wales, would be able to make changes to abstraction permissions under certain circumstances after providing notice (see section on reviewing abstraction permissions).

How would charging work?

Today most abstractors pay charges based on the amount of water they are allowed to abstract (known as the 'licensed volume'). In practice they often abstract less than this amount. Some people who abstract water for spray irrigation are charged using a two-part tariff. In these cases charges are based in part on the amount of water they are licensed to take, and in part on the amount of water actually abstracted in a year.

We are considering the idea of extending the use of two-part tariffs to more abstractors to encourage efficient water use.

Does your licence have a Hands-off Flow condition?

Today some licences have a Hands-off Flow condition meaning that you have to stop abstracting if the available water falls below a certain level. In future, these conditions would be replaced by permissions that provide varying levels of reliability.

- High reliability would mean that you could take water at high and low flows – for which you would pay a higher charge
- Low reliability would mean that you could take water only at high flows – for which you would pay a lower charge.

There would be different levels of reliability and different levels of charges depending on local conditions. Under Current System Plus the level of reliability would be defined by hands off flows. Under Water Shares, reliability would be defined by the type of shares you hold. The reliability of your new permission would be broadly similar to the reliability of your existing abstraction licence.

Two possible options

We are looking at two possible options for how we will allocate water in the new system:

- Current System Plus would allow you to abstract up to a fixed annual volume of water as long as you continued to operate within a daily limit and other conditions. If you have a Hands-off Flow, this would be converted into a similar condition. The Environment Agency or Natural Resources Wales would also set a regulatory

minimum level for water flows below which all abstractors would have to stop abstracting.

- Water Shares would convert your abstraction limit into a share of available water with broadly similar reliability to your historic licence. The amount of water you could abstract over the year would be broken into shorter time periods called allocations. You would be able to abstract up to your allocation limit in any time period. You would still need to operate within your daily limit and other conditions. The Environment Agency / Natural Resources Wales would regularly define the total allocation of water to be abstracted in your catchment depending on water availability. In exceptional cases the allocation could be reduced to zero in which case you would have to stop abstracting.

Reviewing abstraction permissions

Under a reformed abstraction management system, the Environment Agency / Natural Resources Wales would be able to review abstraction permissions over time and, if necessary, make changes in response to:

- Changing water availability driven by, for example, climate change;
- Changing environmental standards.

With both the Current System Plus option and the Water Shares option you would be told in good time about plans to change conditions that influence the amount of water you could abstract. These changes might affect only a particular part of the catchment or could apply to all abstractors in a catchment.

Serious Damage

If abstraction was causing serious damage the Environment Agency / Natural Resources Wales could reduce the amount you were allowed to abstract without giving notice, as is the case now.

Compensation

In a reformed system you would not receive compensation for any changes to the amount you are allowed to abstract. Because of this, the Environmental Improvement Unit Charge that you currently pay to fund compensation would be phased out.

Discharges

Discharges can increase river flows which can benefit the environment and provide water for abstractors downstream. We want to develop a system that allows the water resources from discharges to be reliably allocated to abstractors downstream. If you were discharging a proportion of the water you abstract close to where you took it before the transition to the new system, you would be required to continue doing so. You would be charged for the water you consume, defined as the difference between what you take out and what you put back.

Enhanced catchments

The changes described above would apply in all catchments. Some catchments would be known as 'enhanced catchments'. Enhanced catchments would be those where:

- Little water is available; and / or
- The environment is particularly sensitive; and /or
- There is significant demand for water trading in the catchment.

We expect that in 2020 around 30 per cent of all catchments in England and Wales would be enhanced catchments. We expect this to rise to around 50 per cent by 2050.

In enhanced catchments, it would be easier to trade water:

- With Current System Plus, temporary trades would be pre-approved if they met standard rules set at the catchment level;
- With Water Shares, a wider range of temporary trades would be pre-approved in the catchment including trades that move abstraction upstream.

In enhanced catchments the Environment Agency or Natural Resources Wales would also monitor the availability of water more closely and could require you to make changes to your abstraction more often than with the occasional reviews described above. This could involve:

- When less water is available, reducing abstraction before levels are reached at which it stops. This is to delay the need for abstraction to cease and reduce the impact on abstractors;
- When more water is available, allowing you to abstract more than your annual limit, or increasing your allocation, at very high flows.

You would need to have a smart meter installed to monitor water use over shorter time scales. This would record the amount abstracted as well as the time it was abstracted. As in all catchments, you would need to stop abstracting at very low flows.

Do you abstract from groundwater?

Our proposals apply to groundwater and surface water abstraction. To abstract from groundwater you would need an abstraction permission that would detail daily and annual abstraction limits. Because groundwater levels are generally significantly slower to respond to rainfall than flows in surface water it is generally not necessary to link abstraction to water availability as closely.

Our proposals for linking abstraction to water availability would usually work over longer timescales for groundwater abstraction than for surface water abstraction. This makes the differences between the Current System Plus and Water Shares options less relevant. We therefore propose that the approach to linking groundwater abstraction to water availability should be consistent between the two options. In enhanced catchments, both the Current System Plus and Water Shares options would allow total abstraction from a groundwater

unit, an area within which groundwater abstractions are hydrologically linked, to be altered slowly in response to long term changes in groundwater availability.

Are you a new abstractor or do you want to expand?

Where there is water available in a catchment you would apply to the Environment Agency or Natural Resources Wales for a new permission or new shares, or to increase your abstraction permission or number of shares. Where there is little additional water available, we want to make it easier for you to buy additional shares or permissions. The Water Shares option offers greater scope for trading than the Current System Plus.

At the point of transition to the new system (around 2020), we are considering the idea of holding a 'reserve' of water in a catchment which could be made available to new abstractors or to abstractors who need more water to expand their business.

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