

Consultation on Environment Agency Water Resources Charge Proposals from April 2022

Blueprint for Water Response – November 2021

Wildlife and Countryside Link is a coalition of 62 organisations working for the protection of nature. Together we have the support of over eight million people in the UK and directly protect over 750,000 hectares of land and 800 miles of coastline.

Blueprint for Water, part of Wildlife and Countryside Link, is a unique coalition of environmental, water efficiency, fisheries and recreational organisations that come together to form a powerful joint voice across a range of water-based issues.

This response is supported by the following Link members:

- Angling Trust
- Floodplain Meadows Partnership
- Friends of the Earth England
- Institute of Fisheries Management
- Rivers Trust
- Salmon and Trout Conservation
- The Wildlife Trusts
- Waterwise

For further information, please contact Wildlife and Countryside Link:

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Questions:

Charge framework consultation questions

Do you support investment in water resources management to increase future security of water supply and increase resilience to drought?

Yes.

Do you agree with the proposal to introduce a cost reflective charging scheme where an abstractor's charge relates to the service received?

Yes.

Additional comments - charge framework

Please provide further explanation to support your responses to any of the charge framework questions, if you think it would be helpful.

Blueprint for Water recognise the importance of amending the charging framework as part of a wider and ongoing reform of the abstraction regime, which is necessary to ensure that abstraction is sustainable; i.e., fully takes account of the needs of the environment. Abstraction reform is necessary to protect water resources, secure economic benefits, and deliver protection to the water environment, including protected sites and precious chalk streams. We broadly support the proposals set out, although have some concerns around the potential impact that increased charges may have on abstractions which are for environmental benefit; the regime must guard against the risk that changes make the management of wetland habitats, or the creation of new features such as fish passes, unviable.

As environmental stakeholders, our aim is to see that a) potentially damaging licences are properly assessed, and b) environmentally beneficial licences are not deterred. We expect that the proposed changes as they stand will broadly satisfy the first expectation, but may fall short on the second.

Application charge consultation questions

Do you agree with the proposal to introduce an application charge that is cost reflective of the service received? This will be dependent on the type of application being made.

Yes.

Do you agree with our proposal that only customers requiring additional work are charged the relevant additional application activity charge?

Yes.

Do you agree with the activities included in the additional charge factors? Please respond agree, disagree or do not know to those listed below.

Enhanced pre-application service: Agree

High public interest applications: Agree

Advertising charge: Agree

Water undertakers (as regulated by Ofwat) and is for the purpose or supports the provision of water supply: Agree

External consultation: Agree

Conservation assessments: Agree (with caveats)

Amending application during determination: Agree (with caveats)

Competing schemes when applications are competing for the same water: Agree

Do you agree with our proposal to charge time and materials for specific application activities?

Yes.

Do you agree with our proposal to apply a discount to the application charge where an application is being made for more than one activity and those activities are reasonably considered to be part of the same operation?

Yes.

Do you agree with the proposed approach for application charges on renewal of a time limited abstraction licence?

No.

Do you agree with the proposed approach of charging for variations so that the charge is proportionate to the amount of work we carry out?

Yes.

Additional comments - application charge

Please provide further explanation to support your responses to any of the application charge questions, if you think it would be helpful.

We welcome the proposal to scale application charges depending upon abstraction volumes and water availability, reflecting the level of activity required to properly assess the potential negative impacts of the abstraction. This approach also recognises that those abstracting the largest volumes, such as water companies, or other businesses operating for profit, are most able to finance such application fees (for example, via shareholder investment or customer bills). However, we note the risk that significantly increased application charges could act as a 'barrier to entry', either dissuading applicants from undertaking environmentally-beneficial works, or pushing abstractors towards

activity outside of the permitting regime (i.e., illegal abstractions). Both of these could be environmentally detrimental.

Environmental licences: To illustrate this concern we have considered a licence recently applied for by Suffolk Wildlife Trust, and have applied the new application charges to determine what the application fee would have been under the proposed regime. The application was for a transfer licence, with the abstracted water used to maintain water levels in grazing marshes and ditch systems in a SSSI, under a Higher Level Stewardship agreement. The abstraction is for up to 295,650m³/year, or 295ML/year, and the groundwater status in the area is poor / CALS maps show restricted water available at Q95, meaning that application costs according to the Draft Environment Agency EPR and Abstraction Licensing Charging Scheme 2022 would be **£9,141** (Chapter 2, Charge reference 1.9.3). This scale of application fee is likely to be cost prohibitive for many environmental enhancement schemes, given that the costs of permits are often not eligible to be reclaimed under grant agreements, and that abstraction licences may often be accompanied by other costs such as for impoundment licences or Environmental Permits. It is a significant concern that abstraction licence application costs would therefore dissuade farmers and conservationists from including proposals for wetland habitat management or enhancement in their applications to the future ELM Scheme; particularly as larger landowners and conservation organisations may be faced with multiple such costs across many sites. The proposals could also see rivers remaining separated from their floodplains; floodplain reconnection projects and accompanying habitat restoration to tackle flooding and water quality issues are likely to be impacted by these higher charges. Such costs may deter vital schemes aimed at sediment and nutrient trapping, by dissuading farmers from restoring habitats such as floodplain meadow and other wetlands. We suggest that the Defra family considers means of limiting this risk, for example:

- By splitting cost band 3 (greater than 120 and up to and including 1,400 megalitres a year) which is quite broad, into two or more bandings (with environmental schemes likely to benefit by being in the lower end of that range);
- By ensuring that there is support for applicants with environmental permit costs through ELM;
- Or by taking the principles of section 126 of the Water Resources Act which enables the abatement of annual charges, and applying this to application fees for relevant eligible licences as well (most likely by amending statute).

The abatement of annual charges for these types of licences, whilst no doubt appreciated by licence holders, could be considered insignificant in comparison to the large application costs – which, in contrast to other abstractors operating for profit, land managers delivering environmental schemes have little opportunity to recoup or offset.

Renewal Fees: We understand from discussions with the Environment Agency that time-limited licences renewed on the same terms can feasibly be charged at only £135 because review requires only ‘the press of a button’. This concept holds true where nothing has changed within the catchment. However, if the circumstances within the catchment have changed such that the licence can no longer be considered acceptable, and cannot simply be renewed, we do not feel that the full cost burden of alterations should fall to EA; a purpose of issuing time-limited licenses is that the environmental impacts of a licence can be periodically reassessed; it seems that the resources to perform that assessment will not be provided in this case as where a change is considered as ‘EA-enforced’ it is proposed that it will not be charged for. Instead, we suggest that cost scaling is applied, dependent on the scale of the changes needed and the ability of the applicant to recoup

costs, (for example, if changes to water company licences agreed under the WINEP process could be counted as eligible WINEP costs accepted by Ofwat, then a fuller fee could be charged). Without such an approach, and with greater ambition to correct historic over-abstraction, an increasing

number of licence changes are likely to be EA-driven in future, which would increasingly place abstraction control on an unsustainable financial footing once again.

Conversely, where fees are charged for licence alterations, this could dissuade applicants from *reducing* the amounts they are licenced to abstract. We suggest that EA consider whether licences altered to return water to the environment (a reduction) could be charged at £135, if it is felt that the alternative fixed fee currently proposed (for a 'Minor variation') would be a disincentive – provided that such licence changes require minimal additional work when compared to an increase in abstraction.

Annual charge consultation questions

Do you agree with our proposal to introduce an annual charge that will be applied to all customers, based on the source of supply, amount of water a licence authorises and the use for that water (loss to the environment)?

Yes.

Do you agree with our proposal that only customers that require additional work are charged for the relevant additional charge factors through their annual charge?

Yes.

Do you agree that the additional costs incurred by us in regulating water undertakers are recovered through a separate additional charge?

Yes.

Do you agree with our proposal to extend the schedule of supported sources?

Yes.

Do you agree with our proposal to retain the mechanism to raise the compensation charge in the new charging approach?

Yes.

Do you agree with our proposals to charge for specific activities on a time and materials basis?

Yes.

Do you agree that we continue to offer an abatement of annual charges under the new charging scheme to abstractions that meet the criteria set out? This would mean that when all criteria are met, all or part of the annual charge is removed.

Yes. We would welcome if this could be offered for application fees also.

Do you agree with the criteria for the other special charges we propose to retain and introduce? Please respond agree, disagree or do not know to these 2 special charges.

Two-part tariff: Agree

Winter only abstraction discount: Agree

Do you agree with the principles proposed to calculate the charge for licences with more than one point, purpose, or aggregate quantities?

Do not know.

Is the charge indicator tool helpful in working out your charge?

Yes.

Would you like this tool available once the scheme is in place?

Yes.

Additional comments - annual charge

Please provide further explanation to support your responses to any of the above annual charge questions, if you think it would be helpful.

As environmental stakeholders, our aim is to see that a) potentially damaging licences are properly assessed, and b) environmentally beneficial licences are not deterred.

The analysis presented of the expected impacts upon environmental licences shows that over half of all licences would see an increase in annual costs of between £0 and £100. Some would see a decrease in costs. We do not feel that these costs will be prohibitive for the majority of licence holders, whilst a very small number (0.6%) could face an increase of over £1000/year - we would encourage the agency to work with those facing the more significant cost increases to look at ways

to mitigate these changes. We understand that abatement of annual charges under section 126 of the Water Resources Act (where part of all of the annual fee is removed), is currently possible, and will remain so, for environmental abstractions. The Agency should highlight this opportunity to holders of environmental licences facing high annual charges.

List of additional questions

C1. Please tell us if you are responding as an individual or on behalf of an organisation or group. Select one answer only from the following options:

Responding on behalf of an organisation or group.

If you are responding on behalf of an organisation or group, please tell us who you are responding on behalf of and include its type, for example business, environmental group:

Blueprint for Water – environmental group.

C2. Please tell us how many staff are employed in your business or organisation?

Blueprint for Water is a coalition of over 20 eNGOs, and is part of Wildlife and Countryside Link.

C3. Are you an abstraction or impounding licence holder?

Yes (some Blueprint members).

C4. Please tell us which primary purpose of abstraction best describes the sector you represent:

Environmental.

C5. Please tell us in which region you operate:

National.

C6. Can we publish your response?

Yes.

C7. Please tell us how you found out about this consultation:

From the Environment Agency.