



CIWEM

The Chartered Institution of Water
and Environmental Management

26th March 2013

Stephen Beddoes
Finance and Networks Division
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Dear Mr Beddoes,

Setting price controls for 2015-20 – framework and approach

The Chartered Institution of Water and Environmental Management (CIWEM) is the leading professional and qualifying body for those who are responsible for the stewardship of environmental assets. The Institution provides independent comment, within a multi-disciplinary framework, on the wide range of issues related to water and environmental management and sustainable development.

CIWEM welcomes the opportunity to provide comment in response to the consultation paper on setting price controls for 2015-20 – framework and approach. We consider this period to be crucial in continuing to move towards a longer-term, more strategic and well integrated way of thinking about how the water industry invests for the future.

We note the challenges to the industry mentioned on page 1. Climate Change is prominent amongst these and we consider that OFWAT is well aware of the direct challenges it poses to the industry, as water, its availability and management are directly influenced by present and future climate and weather. We are pleased that in its approach to PR14, OFWAT appears to be keen to encourage longer-term investment schemes and innovation to manage water more sustainably.

We are concerned, however, that the water industry must also take its duty to contribute to the carbon emissions reduction targets set out under the Climate Change Act 2008 far more seriously. To this end, we consider that OFWAT must now begin to put in place mechanisms, within the periodic review process, that set a regulated trajectory towards a low-carbon water industry by 2050.

We consider that there is presently an overt conservatism embedded within the water industry; research and development investment has declined since privatisation despite many other improvements elsewhere in the industry. There is an increasingly urgent carbon mitigation case for the UK as well as the international community to answer, for

which early planning and action is essential and to which the water industry is not immune; it is an energy intensive industry, but one with significant potential to achieve significant emissions reductions and renewable energy potential.

CIWEM is currently producing a report examining how the water industry might contribute to an 80% carbon emissions reduction across the UK economy by 2050. Our thinking within this work is that the industry should be incentivised to achieve as close to an 80% reduction as possible, consistent with Climate Change Act targets. In line with OFWAT's position, we consider that water companies should be afforded the flexibility to determine themselves how they are best placed to deliver these reductions.

Our view is that in preparing their 25 year Strategic Plans for PR14, companies should clearly set out their long term strategies for achieving these carbon reduction targets, in the context of their long term business management and investment proposals.

We consider that the proposed framework and approach would be appropriate to deliver such a requirement to the industry. We will keep you informed as we finalise our position and would be keen to meet to discuss this in further detail once our report is complete, around early May 2013.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nick Reeves', with a stylized flourish at the end.

Nick Reeves
Executive Director