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Consultation response: Ofwat's emerging strategy

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INTRODUCTION

Globally, freshwater ecosystems are in crisis. WWF's Living Planet Report has shown that populations of freshwater species are declining at more than twice the rate of those in forests or oceans. Causes include pollution, over-abstraction of water, and poorly planned and operated water infrastructure. Rivers, lakes and wetlands are not immune. Less than one fifth of the water bodies in England and Wales are in good ecological health.

WWF has a long history of working to ensure better management of water resources and freshwater ecosystems for the benefit of people, businesses and wildlife. In England, our focus has been on working with a wide range of partners to address the three main reasons why water bodies fail to achieve legal standards set out in the Water Environment Regulations (2017): over-abstraction of water, pollution from sewage, and pollution from farming (see Further Reading). Increasingly we view these issues as integral to, and inseparable from, the wider challenge of securing and restoring natural capital across the country. Mismanaged water resources pose risks to businesses and the economy as much as they do to wildlife.

As well as in securing safe, reliable and affordable public water supplies, Ofwat has a key role to play in tackling the specific reasons for failure and in this wider challenge. WWF therefore welcomes this opportunity to respond to Ofwat's emerging strategy.

The document setting out Ofwat's emerging strategy is brief and includes little specific detail about priorities. WWF understands that this is because the strategy is at a relatively early stage of development. While we welcome aspects of the emerging strategy, the lack of detail inevitably means that we also have questions about elements of the emerging strategy. We would welcome further opportunities to explore all of these issues with Ofwat and other stakeholders.

WWF'S RESPONSE

WWF welcomes the following aspects of Ofwat's emerging strategy and would like to see these aspects maintained in the final strategy:

1. We are pleased that environmental aspects are a consistent thread throughout the document. This should be maintained and should cover, as priorities, both climate change concerns (reducing water sector emissions and ensuring resilience to climate change impacts) and the urgent need for substantial measures to ensure recovery of terrestrial, freshwater and coastal habitats and wildlife and restoration of natural capital.
2. We also welcome the emphasis on the role of water companies in delivering wider public value. This could be a significant shift in emphasis if Ofwat follows through with specific actions, and even more so if it works with other utility sector regulators on joint approaches. For example, energy and water utilities could work together to deliver public good outcomes from simultaneously reducing greenhouse gas emissions and water demand. We would like to see wider public value reflected more explicitly in the shared vision.
3. The need for a long-term perspective is repeated several times throughout the document. The nature of the water sector is such that long-term strategies should be routine and comprehensive, but this has not always been the case especially with respect to tackling pollution from waste water and land/agriculture.
4. While we know that water companies have made progress on environmental issues, and there are elements of good practice to be found, this has been insufficient and inconsistent. Moreover, there have been notable instances of very poor practice with severe environmental impacts. So we appreciate the explicit acknowledgement that water companies have sometimes not helped themselves through their behaviours. Where misdemeanours have been large-scale and/or systemic, we would like to see a greater emphasis on understanding and addressing the root causes.
5. The recognition that per capita consumption is high relative to other European countries, and that the way we use water needs to change, is important. Bringing water efficiency up to the benchmark set by other countries is a pre-requisite for resilience and for restoring river health. We would like to see this emphasised more in the final strategy.

WWF has concerns or questions about the following aspects of Ofwat's emerging strategy:

1. We broadly support the shared vision – but we note that it is a shared vision “that companies, regulators and governments are creating for the sector” [our emphasis]. This seems overly technocratic and runs counter to the emphasis elsewhere in the document on the need to deliver public benefits [again, our emphasis]. Civil society and stakeholders must have a meaningful opportunity to help create the shared vision, beyond just responding to consultation papers.

2. While we welcome the recognition that Ofwat's strategy, and water sector performance, must contribute to the wider policy context (pp. 10-11) we would like to see this explicitly mention legal provisions and targets for nature and for river health as set out in, for instance, the Conservation of Habitats and Species Regulations (2017) and the Water Environment Regulations (2017). These controls and targets must be foundational to any regulatory strategy for the water sector.
3. We are concerned that the emphasis in the document is very much on "affordable" and "low cost" environmental solutions. This seems unnecessarily limiting. Higher cost solutions could still offer good value if rewards are also high, in terms of resilience of water resources, recovery of nature and delivery of wider public good. It is important that Ofwat's economic tools and models do not bias against higher-cost interventions where these might offer substantial public benefit.
4. On a related note, WWF welcomes the achievements of water company funded environment programmes and would support the strengthening of this vital work to solve shared risks at source. To this end, we were surprised that there was so little emphasis on the innovative and promising work some water companies are doing to support improved catchment management with partners (such as rivers trusts and wildlife trusts, often through CaBA partnerships) or through their own specialist workforce. Some of these projects are excellent examples of how water companies can deliver wider public benefit. These efforts need to be scaled-up and replicated. Regulators have a key role to play in encouraging this and Ofwat can help by allowing, and encouraging where necessary, water companies to invest in such work as a core element of their business plans.
5. We are pleased that the document mentions the need for increased efforts to join up regulatory efforts within the water sector (including with the Environment Agency) and between the water sector and other utility sectors. At this stage, it is unclear whether the measures being considered will be truly transformational. We await further information on this and would be keen to support relevant conversations, including those about how Ofwat and the Environment Agency can set joint medium and long-term targets "to give a stronger focus on the natural world" (p.28). Better enforced, rules-based regulation will be essential to protect water quality. However, there may be instances where a greater focus on environmental 'outcomes' is merited, in keeping with the direction of travel in sectors like agriculture.
6. Given the emphasis on innovation, we were surprised that there was no mention of the relevant applied research underway in academia. WWF doesn't hold a complete overview of such research, but we are aware that projects like TWENTY65 (led by the University of Sheffield) and some of the water-related work of the GW4 group universities (Exeter, Cardiff, Bristol, Bath) could offer helpful insights to future water sector challenges. To what extent is Ofwat collaborating with these, and other, academic groups, stakeholders and UK Research and Innovation to gain insights from existing research and guide future science?
7. If water companies (and other sectors) are to deliver wider public value, and to be regulated on this basis, Ofwat and others will need to use indicators to measure company performance. It is not clear from the document how Ofwat envisages the

process of developing these indicators. WWF could be interested in engaging with this process, especially if supports water company delivery against the aims and objectives in the government's 25 Year Environment Plan.

8. The “strategy on a page” infographic at the end of the document emphasises improving supplies but makes no mention of managing demand. We hope that this is an oversight rather than any indication of that Ofwat sees demand management as a secondary priority.

CONTACTS

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FURTHER READING

From Risk to Resilience: Does Your Business Know its Water Risk? (2015),
<https://www.wwf.org.uk/what-we-do/projects/water-stewardship>

Flushed Away: How sewage is still polluting the rivers of England and Wales (2017),
<https://www.wwf.org.uk/updates/flushed-away-0>

Water for Wildlife: Tackling drought and unsustainable abstraction (2017),
<https://www.wwf.org.uk/updates/water-wildlife>

Saving the Earth: A sustainable future for soils and water (2018),
<https://www.wwf.org.uk/updates/saving-earth-sustainable-future-soils-and-water>