



Bilateral markets call for information
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Bilateral markets - Call for information

From The River Chess Association

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1. Introduction

This response sets out a number of comments we believe should be addressed in the ***Bilateral markets - Call for information***

The River Chess Association was established in 2009 as a response to repeated pollution incidents in the River Chess. We have 10 committee members representing local landowners and businesses, farmers, environmental groups, academics and residents. We have a strong local support group including teams of volunteers looking at riverfly, flow rates and water quality data gathering.

The River Chess is a chalk stream that rises in Chesham in Buckinghamshire and runs through the Chess Valley to Rickmansworth, where it becomes a tributary of the Colne.

The Chess Valley is part of the Chilterns Area of Outstanding Natural Beauty and partly falls in Chiltern District Council, of which chalk streams are a characteristic feature. The Chess is home to a variety of important wildlife, such

as water voles, brown trout, migrating ospreys, green sandpipers and stream water crowfoot. This scenic river is enjoyed by walkers, fishermen, photographers, wildlife enthusiasts and has become an important destination for educational field trips for thousands of children every year.

The Chess faces many threats, including low flows caused by abstraction for the public water supply, sewage discharges, road, urban and agricultural pollution and invasive species such as North American mink and Japanese knotweed. For these reason the River Chess Association was formed to protect and enhance the River Chess for future generations.

2. Environmental Outcomes

We have limited our response to section 4.3 in the document, below are our comments in red.

“4.3 Environmental outcomes

Bilateral markets would allow and incentivise the transfer of water resources from water-rich to water-poor areas. There are potential environmental benefits from reducing abstraction from water-stressed systems *(this can and will go both ways creating greater stress for water-poor areas)*. Bilateral trades may also displace or defer the deployment of energy-intensive alternatives such as desalination systems (this would be beneficial where the energy required to transfer the water in the bilateral trade is lower than the alternative it is displacing).

There are some environmental risks that are associated with holders of abstraction licences changing the way in which they operate *(create a financial incentive and watch an immediate change in the way they operate)*. These fall broadly into two categories:

- Licence holders increasing their abstractions, within their licence limits (therefore not bringing about an opportunity for EA to review the licence) to put water into a distribution network *(without controls this will happen)*; and
- Water resources being diverted into a distribution network, leading to a reduction in the quantity of water discharged into a river, impacting the river or other abstractors downstream, *(create a method of monetizing excess licence capacity and watch water torrent out of the catchment)*.

Increased use of water could lead to a risk of over-abstraction (genius).

The EA has powers to limit abstractions if it considers these to be unsustainable *(we would like to think that this would happen but the jury is still out based on past EA performance, case study R Chess and R Bulbourne Catchments reduce abstraction in the Bulbourne and see abstraction in the Chess increase to damaging levels).*

Transfers of water (whether through bilateral markets or other forms of water trading) can bring other environmental risks.

There are concerns about the spreading of invasive species in cases where water is exchanged across river basins.

Where water is abstracted from one river system and then transported across, used and discharged into another river system there may also be issues around the volume and quality of water discharges. As these risks are similar to other options that involve the transfer of water across river basins, the regulation of bilateral markets will need to remain consistent with the regulation and mitigation requirements of other transfers, which is likely to be considered by Rapid.

⁹ Bilateral markets provide an opportunity for abstraction licence holders to abstract more water. Equally under the status quo licence holders do not have strong incentive to use water efficiently, as abstraction licence fees are not based on the actual volume of water abstracted.

It is important that the regulatory framework can ensure that these risks can be sensibly managed. If it can, then overall, bilateral markets are expected to have a positive impact on the environment, through reducing the strain on over-exploited water resources and reducing carbon dioxide emissions by delaying capital intensive solutions.“

We have major environmental reservations about this initiative. It will require strong controls especially from the EA, controls that do not shrink and wither under pressure from commercial and regulator needs.