

Committee on Climate Change
7 Holbein Place
London SW1W 8NR

Dan Rogerson MP
Parliamentary Under Secretary of State
Department for Environment, Food and Rural Affairs
Nobel House
17 Smith Square
London SW1P 3JR

17 March 2014

Dear Dan

Consultation on water abstraction reforms – the case for Water Shares

I am writing on behalf of the Adaptation Sub-Committee (ASC) on the proposed reforms to the water abstraction regime. As you know the ASC has statutory roles to provide advice on climate risks and report to Parliament on the steps being taken to prepare for climate change.

Our analysis has shown that there is currently no relationship between the price of water paid by abstractors and its scarcity, creating little incentive to use water efficiently. The current abstraction licensing system does not allow timely changes to licences that are damaging the environment. These issues are problematic now, and are expected to become more problematic with climate change, development and population growth.

Reform of the abstraction regime is therefore necessary, and should be implemented as soon as possible. It should be designed in accordance with the following five principles, in order to manage risks appropriately and reduce the costs of adaptation. The future system should:

- encourage efficient use of water by abstractors, through unit prices that change to reflect water scarcity;
- protect the environment, especially in times of water stress and drought;
- be flexible, given the uncertainties around projections of future rainfall and the potential behaviour of abstractors;
- promote a fair and efficient allocation between abstractors; and
- not encourage perverse behaviour by abstractors before the reforms are introduced.

We believe the Water Shares option provides the best mechanism for achieving these objectives. Compared to the Current System Plus option, it will allow greater flexibility for

trading, enabling water to be allocated more efficiently between users and creating clearer signals to abstractors where water is in short supply.

The transition to any new system will need to be carefully handled. If future allocations or shares are based on abstraction levels between now and the start of the regulatory changes it will encourage current licences to become more fully utilised before the new measures take effect. As the consultation document recognises, that could lead to significant deterioration to the environment in some catchments. Proposals for transitioning to the new arrangements should be reviewed and clarified to avoid abstractors seeking commercial advantage and in doing so potentially damaging the environment.

The proposal for designating water-scarce areas as ‘enhanced catchments’ and keeping these under review will be an important element of any future scheme. This is because there remains a high degree of uncertainty over future seasonal rainfall projections and the frequency and intensity of extreme events such as droughts. Research should be undertaken to improve our understanding here. The Met Office has recently made proposals to Defra that I trust you will treat as a priority for funding. This will be important evidence for the second Climate Change Risk Assessment, due in 2017, which we launched on your behalf last month.

I am copying this letter to the Secretary of State for the Environment, Food and Rural Affairs.



PROFESSOR LORD KREBS Kt FRS
Chairman, Adaptation Sub-Committee