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The role of Water UK is to promote a sustainable water industry. But what does that mean?

There are lots of definitions and interpretations of sustainability, but for me they come down to four themes

1. Getting the essentials right
2. Putting people at the heart of what we do
3. Working in partnership
4. Preparing for the challenges ahead

I'd like to talk about each.

First, getting the essentials right.

Water and wastewater services is really about enhancing public health and improving the natural environment. In the UK, we take this for granted, but access to basic services is as we know still a shocking challenge in many parts of the world.

As Vice-Chair of WaterAid, I recently had the privilege to visit Mali, a landlocked West African country, twice the size of France and with a population of around 14 million.

Mali is grindingly poor, ranked 174 out of 177 countries by the United Nations', with around two-thirds of its population living below the poverty line. In this primarily rural country, life expectancy is just 48, with one in five children dying before the age of five. There's poverty, poverty and more poverty.

It's hard to persuade any government with limited resources of the economics of providing clean drinking water and sanitation. It seems a luxury behind for example building a road. It isn't so surprising, because

there is real ignorance about the effects of drinking contaminated water, about lack of hygiene and adequate sanitation.

Clean water and sanitation can bring health improvements, but also the ability to grow crops, keep livestock, barter, and free up girls' time for education.

It's impossible to ignore the problems of the developing world for humanitarian reasons but also because sustainability does not respect national boundaries. Of course we must seek solutions for our own societies and spheres of influence but in the end we are all connected and we must never forget it. Not even in our current economic crisis.

In the UK, getting the basics right means maintaining what we have achieved and building on it. To understand how to do that, we need to explore my second key theme – putting people at the heart of what we do.

The credit crisis and recession have turned the business and financial world upside down. For us, this creates pressure for two main groups.

- First, hard-pressed customers

Successful companies make customers' wishes and needs the number one priority. Successful water companies are no exception – and this is true even though they have a lot of other obligations which customers pay for, often without knowing.

For the 09 price review we've carried out the biggest-ever consultation with customers. There has been willingness-to-pay research, deliberative qualitative research, and national quantitative research. At each stage stakeholders, including the Consumer Council for Water, were involved.

There are several important messages.

One is that customers are pretty satisfied with their water service. The most recent work was carried out last autumn with the financial crisis head-lining every news bulletin. But levels of satisfaction were in the middle eighty per cents in every company area.

Another is that the basics are non-negotiable. Time after time, customers show they're willing to pay for maintenance and renewal, to secure current standards, and for necessary improvements.

It's also true that a substantial minority already feels that bills are too high and won't be happy with any price rises.

- Our second group of key people is investors – who tend to be rather nervous at present.

The industry invests to maintain and improve customer service, the quality of water, and the environment. This is significant in economic terms. The sector and its contractors together employ up to 100,000 people at any one time.

In the current situation the government should be crystal clear about the value of the industry. We may be small in the big picture of value-added, but not in strategic terms – if anything the downturn highlights the difference.

We need long-term certainty for investment in the two things that matter most – quality and resilience.

Water infrastructure must be made resilient in the face of climate change, population and housing growth, water scarcity, and the reliability of very old networks. We have to maintain and replace mains, sewers, treatment works, pumping stations and reservoirs – but also the newer technologies of a modern service – monitoring, scientific and communication hardware and software.

Many of these challenges were highlighted by the industry's own, review of the 2007 floods independently chaired by Sir John Baker. Since then, we've been working with companies to ensure appropriate steps are taken. We will be publishing an update report outlining action taken in the summer.

This is investment for the medium and long-term and its national value shouldn't be in doubt. But we need regulators and government to recognise and act on this. They must reassure companies and investors that the ship won't be blown off course by the financial storm.

Water companies face different challenges because of differences in the climate and geography of their catchments, the condition of their networks, and the communities they serve. So the needs for investment and the impact on bills is also different. There is no 'one-size-fits-all' blueprint for a secure water supply or clean environment.

The connecting factor between customers and investors is that both want the same thing – long-term certainty.

Customers want the tap to run, and the loo to flush, on every occasion, forever and ever, amen – no bother, no fuss, with minimum effort on their part. To get this they're willing to pay a fair price – and they accept that it has to cover investment to make up for the neglect of past generations.

Investors recognise and respond to this demand – and to the industry's commitment to meeting it. Long-term security, in every sense of the word, is at the heart of a well-run utility business.

Whatever our interests in the industry, we can all help to strengthen the promises these businesses make to the community in these anxious times – and to the environment, which is the basis of everything they do.

My next key sustainability theme is preparing for the challenges ahead.

There are many – but let me focus on two – climate change and growth.

- Climate change

The water industry is at the forefront in the face of climate change. Our raw material depends directly on the natural environment.

By understanding our energy consumption and through carbon management we are working hard to reduce our contribution to climate change. At the same time, we're taking account of the current and future impacts of climate change in our business and investment plans.

I'm proud of the immense amount of work that water companies have done to understand, plan and prepare for the impacts of climate change, and manage their own emissions. We're committed to continuing this work, but we can't adapt to climate change or achieve big reductions in emissions on

our own. We need political and regulatory support, whether it's for research, anaerobic digestion, or agreeing funding for adaptation measures.

We're about to get the starkest warning yet of how climate change could disrupt our way of life. The floods of 2007 and droughts of 2005 and 2006 are there to remind us how we feel when nature asserts itself.

- Growth

Another challenge that we need to face is that population growth and movement are putting pressure on countries that are often already water scarce. Look at the international angle for a moment.

The world's population continues to grow. It is growing at an annual rate slightly over 1.2 percent, producing some 77 million people a year - 97 percent in developing countries.

Migration will become more of an issue in the future, made worse by climate change and lack of access to water services.

The World Bank expects dwindling water supplies to become a major factor inhibiting economic growth. By 2015, 40 per cent of the world's population – about three billion people – are expected to live in countries where it is hard or impossible to get enough water to satisfy basic needs. About half of the world's available fresh water is being used for agriculture, households, or industry. To prepare for these challenges, we need to innovate.

I have no truck with those who say that our water industry isn't innovative. We are, and have been for years. It may not be about glamorous advances in technology that fit in your pocket or beep annoyingly at inconvenient moments. Our innovation has tended to focus on the rather important task of delivering high quality services efficiently.

But there's no doubt that we need to innovate harder to meet current and future challenges.

Innovation can also help address my other sustainability themes.

Take catchment solutions for example. Ofwat has recognised that if companies can work with farmers and others to stop pollution at source, we can meet water quality standards at lower cost and cut carbon emissions.

That's not just innovative. It also involves working in partnership and, crucially, there's a real customer benefit.

You don't need to look far for other examples. The water industry has virtually eliminated waste sent to landfill. This benefits our customers, who avoid paying the ever increasing Landfill Tax. But there are big environmental benefits too. Until quite recently, we used to see sewage sludge as a waste. Even today, there are those who don't recognise its value or potential. Fortunately, these people are in the minority, and we are increasingly using treated sludge to provide fertiliser and a fine source of renewable energy.

We can also innovate to save money and carbon in other ways. But the support of regulators – all regulators, is essential.

One way is to replace wastewater discharge consents based on absolute standards with variable consents. This would give companies flexibility to meet their obligations by working with the water environment, rather than wasting resources in processes that in many cases are unnecessary. The result would be genuine financial and environmental benefits.

Another example is to focus directly on carbon reduction. The industry has a strong record for change and innovation here, and it's excellent to see this being publicly recognised by the Carbon Trust, among others.

My final theme is partnership – no-one can meet all the challenges alone

Take water efficiency.

Water companies have been rolling out trials for large-scale water efficiency projects which involve customers, by refitting homes with efficient devices, subsidising water-saving equipment and providing water audits. They're also investing in water efficiency education in schools and local groups.

But however many there are, initiatives of this kind by single sectors can't motivate people enough to make a difference. To improve the uptake of schemes, we need active partnerships. The companies are seeking links with social housing providers, local authorities, retailers, energy companies and others.

In the end, avoiding waste – of water or anything else – is a society thing. Companies can supply. Regulators can help or hinder. NGOs can run campaigns. Governments can set policy. But unless there's a collaborative effort to explain why it matters, it's very unlikely to be successful.

The Government's Water Saving Group made a joint commitment to reducing per capita consumption, recognising that water efficiency is a shared responsibility. It's too early to say whether this is working, but it's a step in the right direction.

Understanding behaviour and driving behaviour change is key – behaviour of businesses, governments, regulators, other organisations, individuals. In Australia, every child learns the value of water from an early age. We should be doing the same here.

So, I've set out what I believe are the important aspects of a sustainable water industry. But how do we know if we are becoming more sustainable?

One way is through reporting. Last year, Water UK's published its first State of the Sector report. Many organisations aspire to be sustainable, but it's not easy, which is why it makes sense for companies, governments and stakeholders to discuss, agree and guide each other on the best approach.

Sometimes it means taking stock to see if we're going in the right direction. The report asks if the sector is making progress and becoming more sustainable. As you might expect, there is no easy answer.

We've made good progress in many areas.

- > There's been massive investment without affecting affordability, at least for the vast majority.
- > Rivers, lakes and bathing waters are cleaner and safer than at any time since the Industrial Revolution.
- > The report also highlights a lot of change and innovation which to me shows an industry finding sustainable solutions and putting these into action.

However it's not all good news.

The report lists some stubborn problems for the future, including:

1. The volume of water society wastes. This means working together to raise awareness of the benefits of taking action.
2. Sewer flooding. This is very challenging against a backdrop of population growth, and more frequent heavy rainfall.
3. Greenhouse gases emissions. On current trends, with growth, and the pressure to meet higher environmental standards, companies will be using more, not less, energy.
4. Improving network quality and performance. This can often be neglected in favour of the other needs.
5. Affordability – maybe the most crucial challenge because all the essential investment depends on a steady cash flow.

So in conclusion

I doubt if there has ever been a more interesting or important time for the water industry. We're facing global, national and local challenges in the teeth of a deep recession. We have a responsibility to find the right, sustainable solutions.

We've done it in the past and added immeasurably to the nation's health and wealth – even if not all of it shows up in Gross Domestic Product. We've done it by setting up WaterAid, to help people less fortunate than ourselves, and by setting up Waterwise in the UK, to promote water efficiency.

There will be new challenges. But one thing we've learned is how to build partnerships to solve problems that otherwise would be a real struggle. This is a vital lesson and I'm certain that this CIWEM conference will add a great deal to our collective knowledge.

Thank you.