

**Consultation on the Adaptation Reporting Power in the Climate Change Act 2008  
DEFRA**

**Water UK response**

**9 September 2009**

**Summary**

1. Water UK is the industry association that represents regulated UK statutory water supply and wastewater companies at national and European level. We are a policy-based organisation and represent the industry's interests with Government, regulators and stakeholders in the UK and in Europe. Our core objective is sustainable water policy – actions and solutions that create lasting benefit by integrating economic, environmental and social objectives.
2. Water is where many of the impacts of climate change will be felt first and most acutely. **This puts the water industry at the forefront of adapting to a changing climate.** Climate change will impact all areas of the water industry – the quality and availability of water sources, the infrastructure vital to services, demand for water, and the further treatment that will be required to meet quality standards. And of course we will see more frequent and severe droughts, flooding and weather events, all of which will impact the industry's assets and services.
3. Water companies have a wealth of experience in planning for climate change and have for many years been working to embed the effects into long-term plans, based on the best available evidence and extensive research.<sup>1</sup> Continued adaptation is essential to maintain high, reliable levels of service. Water UK recently hosted the first projections-in-practice event following the launch of the UKCP09 projections.<sup>2</sup> We have also developed an adaptation planning tool for water companies.<sup>3</sup>
4. The water industry welcomes this consultation and strongly supports the need for key organizations and sectors to take measures to adapt to climate change. This can bring benefits in terms of risk management, improved resilience, better business planning and ensuring existing regulation is compatible with adaptation objectives. Climate risk assessments are essential in ensuring the long-term success of an organisation. The UKCP09 projections provide the tools to understand those

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<sup>1</sup> Further information can be found at <http://www.water.org.uk/home/policy/climate-change>

<sup>2</sup> A summary of this event is available at <http://www.water.org.uk/home/news/press-releases/water-sector-launch-ukcp09>

<sup>3</sup> Water UK: A climate change adaptation approach for asset management planning (2008). Freely available on request

potential risks in more details and to build those risks into decision making processes.

5. We particularly welcome the flexibility in the draft proposals. Adaptation is an iterative process that needs to evolve and neither reporting nor specific actions should be based on prescriptive tools or methodologies.
6. We support the principles of better regulation. Our key concern with the draft proposals is that the reporting power should align with and complement existing water industry action, duties and reporting frameworks. It should not be seen as an additional burden or result in separate reporting to Ofwat and Government.
7. Although Water UK will not be required to produce an adaptation report, all of our members will. In preparing this response, we have therefore consulted extensively with all Water UK member organizations.<sup>4</sup>

## **Response to specific questions**

### *Who should report?*

#### **Q1. Are there any other sectors which you believe should have been included in this list?**

Water industry inset appointees should be included, since some of these are larger than some of the statutory water companies. Therefore, we do not understand the justification for excluding these (4.41c).

Also, the insurance and agricultural sectors represent a big gap in the current proposals and we think the ABI and NFU/CLA should in the first instance, be encouraged to report on behalf of these sectors.

#### **Q2. Do you agree that the criteria for identifying eligible authorities are reasonable? Are there others that might be useful?**

Yes, the criteria are reasonable. We note the future intention set out in paragraph 4.25 to embed adaptation into the key regulatory regimes and welcome this, as we are keen to streamline reporting and minimise duplication. However, it is important that the regulatory regime operates in such a way that it does not prejudice the ability of regulated companies to meet all their existing obligations as well as any new ones.

#### **Q3. Do you agree that Option 2 should be the preferred option given costs and benefits (including those detailed in the Impact Assessment)?**

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<sup>4</sup> A list of Water UK members is available at <http://www.water.org.uk/home/our-members>

Yes

**Q4. Are there any authorities which the Government proposes to Direct which you believe should not be included in the priority list; or any authorities which have not been included in the list which you believe should be?**

We acknowledge that the water industry has a leading and important role in adapting to climate change. However, we do not believe that water companies meet criteria c in methodology (“those authorities that have a limited or no regulatory framework that requires them to look long term at, and report on, the need for adaptation of its functions, assets and business”).

Adaptation to climate change is a key component of both water company Strategic Business Plans (SBP) and Water Resource Management Plans (WRMP). These are produced every five years and thoroughly audited by Ofwat and the Environment Agency. They incorporate an assessment of the projected impacts of climate change over the lifetime of the plan and an investment programme which takes account of the need to adapt. These plans are widely consulted on and publicly available.

We therefore suggest that, as climate change is already embedded within existing systems in the water sector, water company adaptation reports largely consist of signposting to the relevant sections of SBP, WRMP and other pertinent material. We also suggest that, to reduce the burden on companies and ensure consistency, Water UK works with Defra to coordinate a standard reporting format for water companies that would meet the requirements of the new power and minimise the need for additional reporting.

We think that, if the water ‘sector’ is required to report, all the industry’s key regulators should be involved. As well as Ofwat, the Environment Agency and Natural England, it is important that the Drinking Water Inspectorate is asked to consider and report on climate change impacts and actions it is taking. Without this, there is likely to be a disconnect between understanding of and actions to address climate change in the sector.

We also think that local authorities and regional development agencies should be specifically included within the power, as they have a significant impact on measures to address climate change. At present, we understand that only a minority of local authorities report against N188, and the level of reporting is extremely variable amongst those that do report.

**Q5. Are there any other authorities that would like to be invited to report on a voluntary basis?**

We believe that other, currently excluded, sectors more closely match the reporting criteria proposed. For example the agricultural sector is vulnerable to climate change, responsible for key aspects of national infrastructure (food supply, food security, environmental protection and enhancement) and has no existing frameworks in place. The same applies to large suppliers and retailers, e.g. supermarkets.

It would be useful to understand how those that will be invited to report voluntarily, e.g. Highways Agency, will be monitored. We suggest that the government publishes list of those organisations invited to report and how the organisations respond, including those that decline the government's invitation.

**Q6. Do you agree with the additional situations in which reporting authorities may be asked to report? Are there any others that you can suggest?**

We agree

*What needs to be done?*

**Q7. Are there any changes you would like to make to the way the Direction has been drafted?**

No

**Q8. What in your view are the areas, if any, in which we should make specific changes to the Direction for a particular sector or organisation?**

The Direction is well drafted. Our key concern relates, not to the Direction itself, but to step 8 of the adaptation reporting power timeline (p.57), which states: "Reporting Authority takes on board comments and submits final reports to the Secretary of State".

It is important that the government explains clearly how potential conflicts involving the government and regulators will be resolved. For example, if the measures in the report and being taken by a reporting authority are required by another body (e.g. Ofwat or Environment Agency), then the reporting authority may not be in a position to take account of comments received. Alternatively, the reporting authority may not receive funding from the economic regulator to implement plans agreed by the Secretary of State. This situation has occurred recently with statutory WRMP, where ministerial directions have conflicted with the determinations of the economic regulator.

The government should also consider coordination and timing around providing comments on water company reports. It may be helpful for the government to review draft water company reports at the same time as reviewing those of others in the water sector (e.g. Ofwat). There are likely to be synergies across plans that the Secretary of State would find informative.

We do not support the requirement to submit "three hard copies" of the report to the Secretary of State (5.22). The government should reflect its commitment to sustainability and require electronic versions only. The report may need to include additional material, annexes, etc and it would be onerous and unnecessary to supply three hard copies of all the information that may be pertinent.

**Q9. If your organisation is a proposed priority reporting authority how long do you think it will take to respond in the detail outlined here and in the Statutory Guidance?**

If the report largely consists of signposting to existing plans and programmes in place that take account of climate change (preferred), then a meaningful and effective report could probably be prepared within 12 months. If the report addresses every aspect of the draft Guidance set out in Annex B and requires existing information from a number of sources to be reviewed and collated, it could (like the SBP and WRMP) take much longer than this.

Consideration should also be given to existing duties and priorities of reporting organizations. For example, water companies prepare SBP, WRMP, drought plans, annual reports and accounts, environment reports, etc. Climate change managers are also currently working on UKCP 09 projections, carbon pricing and a range of other areas. Therefore, a flexible approach with sufficient account of other priorities should be taken.

It is important that the government considers not just time taken to prepare report, but also the resources required. As climate change affects all aspects of a water company's activities, the report is likely to involve many different people and entail a significant resource cost. A more straightforward 'signposting' approach as described previously is therefore preferred.

**Q10. Are there any particular confidentiality issues that you believe will need to be taken into account in your sector/organisation?**

We think that joint reports, though not proposed for the initial phase, would be problematic. For example, inset appointees will be reluctant to discuss any measures they are taking with the water company serving the area in which they operate, since they are in direct competition. Information required to complete the report is likely to be commercially confidential.

Security issues also need to be considered. For example, WRMP have been reviewed by companies and Defra to ensure they take account of security considerations.

**Q11. What additional help, guidance and support might an authority want from the Adapting to Climate Change Programme?**

Our key concern relates to the potential for conflicting expectations and requirements. For example, Ofwat has not allowed any climate change driven investment related to water resources for the period 2010-15, because the "evidence available to companies when they prepared their final business plans was out of date". In these circumstances, programmes and policies proposed in a water company's report to government may never come to fruition, unless the implementation of those programmes and policies becomes a statutory obligation.

**Q12. Do you agree with the proposed role for the ASC in considering the reports? If not, what alternative or changes would you envisage?**

We agree with the proposals

*How should it be done?*

**Q13. Is there any more detail that you would like to see in the draft guidance?**

The draft guidance is comprehensive and covers all the relevant areas. Our key concern relates to the links to existing frameworks, measures and reporting. These were highlighted in response to question 4.

A further concern relates to the potential for overlap and complex interdependencies (this is discussed rather briefly in the draft Guidance, 1.17-1.19). Water and sanitation services will be key aspects of many other adaptation plans and reports, for a variety of sectors (e.g. water resources are mentioned in the City of London case study on p.44). These will obviously need to draw on the information and expertise held by water companies. Similarly, water companies are dependent on a range of other sectors, including energy and transport. Finally, a number of adaptation options are likely to be possible or cost-beneficial only if undertaken in partnership. Examples of interest to the water industry include surface water management, sustainable drainage and water efficiency. Reporting authorities will not always be able to ensure commitments by 'partner' organisations are delivered.

The government needs to ensure that such interdependencies are adequately considered and the new power does not result in dozens of organizations consulting with each other and asking dozens of other organisations for the same information. This could paralyse or stymie effective action. In addition, the role of organizations outside the reporting framework, but on which priority reporting authorities are dependent, should be considered. For example, water treatment works and can not provide potable water supplies without constant supplies of chemicals such as chlorine.

We would suggest that, whether an organization has *identified* the type of links and interdependencies described above should be sufficient for reporting purposes. It should then be the role of the ACC programme to identify any gaps or issues. However, we would welcome further detail on *how* the reports will be used to produce the CCRA.

**Q14. Would you be able provide us with other examples or case studies that we could use to support this guidance? If so, please provide details.**

Water UK has recently collated a number of case studies showing how the water industry is aiming to be come more sustainable. Many of these relate to climate change and can be

found in the *Sustainable Water: State of the Water Sector Report*, and in the *Additional water company case studies* reports.<sup>5</sup> There are also further case studies on the climate change section of our web site.<sup>6</sup> Additionally, case studies may be available from Water Company WRMP and SBP. We would request that the government seeks the permission of the relevant water company before using any of these case studies.

***What are the costs and benefits?***

**Q15. Is climate change one of the risks you account for currently in your decision making?**

Yes, climate change is integral to all aspects of water industry long term planning. However, the costs and benefits of policies and proposals to adapt to climate change are very difficult if not impossible to estimate. Adaptation measures are never taken in isolation and many measures which are compatible with adaptation would be taken anyway or do not have climate change as the primary driver. Examples include leakage management, water efficiency and increasing resilience.

**Q16. How do you incorporate climate change risks into your decision making?**

Water companies use a number of methodologies developed by the water industry in partnership with regulators which are based on the latest climate change scenarios and projections. Examples include the WRMP guideline<sup>7</sup> and the *Asset resilience to flood hazards*<sup>8</sup>. The industry also has an extensive and ongoing research programme around climate change, used by companies to inform their planning.<sup>9</sup>

**Q17. Do you carry out the risk assessment in-house or contract an external consultant?**

Water companies a variety of approaches, with most using a combination of in-house and external support.

**Q18. What resources are currently spent on analysing climate change risks (number of staff/number of hours/hourly wage)?**

Since climate change is integral to water industry planning processes, companies do not generally have staff dedicated to analysing climate change risks. For most companies, the risks are taken into account by all staff engaged in long term capital investment and operational planning. Therefore, it is not possible to provide a resource estimate.

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<sup>5</sup> <http://www.water.org.uk/home/news/press-releases/sustainable-water/>

<sup>6</sup> <http://www.water.org.uk/home/policy/climate-change/adaptation-briefing>

<sup>7</sup> <http://www.environment-agency.gov.uk/business/sectors/39687.aspx>

<sup>8</sup> [http://www.ofwat.gov.uk/pricereview/pr09phase2/ltr\\_pr0912\\_resilfloodhaz](http://www.ofwat.gov.uk/pricereview/pr09phase2/ltr_pr0912_resilfloodhaz)

<sup>9</sup> <http://www.ukwir.org.uk>

**Q19. What's your timescale for assessing climate risks (5-10 years, 10-30 years, or >30 years)?**

Generally, planning timescales are 25 years. Of course, many water industry assets have much longer lives than this and the recent UK Water Industry Research report, *Climate Change - A Programme of Research for the UK Water Industry*, looks at risks and adaptation options to 2100.

**Q20. Do you agree with the list of benefits? Are there any additions that you would make?**

**Could you quantify any of these benefits?**

We agree with the list but, for the reasons given in response to question 15, find it difficult to quantify the potential benefits.

**Q21. What adaptive measures to reduce the vulnerability of your activity to climate change would be in your remit?**

- **Changes to regulatory framework**
- **Changes to infrastructures**
- **Others**

Water UK has developed an approach to incorporating climate change in asset management (A Climate Change Adaptation Approach for Asset Management Planning). This identifies the nature of potential climate change, how this might impact on company operations, and possible responses to mitigate these impacts. In effect it provides a useful checklist and framework of the available responses to developing climate change.<sup>10</sup>

Generally, measures proposed and incorporated into WRMPs and SBPs are within the remit of water companies. These include changes to infrastructure but also less tangible measures such as water efficiency. However, they require regulatory support and approval. A number of other measures, such as diffuse pollution and source controls, reduced highways run-off and sustainable drainage systems can only be delivered through partnership working.

A supportive regulatory framework is crucial in a heavily regulated industry such as ours. Whilst companies can identify the need for and propose actions to address climate change, they cannot be implemented without regulatory approval.

**Q22. Do you have the internal capacity to fulfill the reporting obligations stated in the Statutory Guidance, i.e. compiling the forms and submitting them to Government?**

Water UK is not able to answer this question but we would refer the government to responses submitted by individual water companies.

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<sup>10</sup> <http://www.water.org.uk/home/policy/climate-change/adaptation-briefing>

**Q23. How much time and resource would you expect to put into producing this report for your organisation in terms of personnel and hours (5-10 hours, 10-20, 50-100 hours, or more than 100 hours)?**

Even if the report largely consists of signposting to existing plans and programmes in place that take account of climate change (preferred), then a meaningful and effective report is likely to require well in excess of 100 hours input.

**Q24. How much of the information required under this power is already available within your organisation (in percentage terms)?**

Again, this depends on the compatibility of the report to existing frameworks. If the report largely consists of signposting to existing plans and programmes in place that take account of climate change (preferred), then probably more than half of the information is already available.