

Date: September 2008

Water UK response to Defra's consultation on CAP Health Check

1. Water UK is the industry association that represents regulated UK statutory water supply and wastewater service providers at national and European level. Our core objective is sustainable water policy – actions and solutions that create lasting benefit by integrating economic, environmental and social objectives. Dealing with diffuse agricultural pollution is one of the most pressing challenges for implementation of the Water Framework Directive. The water industry has been impacted by the adverse effects of diffuse agricultural pollution for decades, particularly from nitrate, pesticides and micro-organisms such as cryptosporidium. The practice to date is contrary to the polluter pays principle, and provides no incentive to polluters to reduce their impact.
2. Water UK welcomes the opportunity to comment on the proposals for the "Health Check" of the EU Common Agricultural Policy (CAP). Water UK has also responded to the European consultations on the Health Check of CAP and the subsequent proposals through the pan-European association, EUREAU. Pamela Taylor, Chief Executive of Water UK, chairs the EUREAU Task Force on agriculture and therefore we have been considering the issue very closely. We have also met with DG Agriculture who is now aware of our interests and we intend to continue our dialogue and cooperation with DG Agriculture and DG Environment to ensure that water management will be and remain a key priority in the European agricultural policy initiatives.
3. The Defra Future Water Strategy and Statements of Obligation call on the water industry to work with farmers on catchment protection measures. However it is unclear how such schemes will be funded to achieve the objectives of the Water Framework Directive. It is also unclear how Defra's impact assessment for the CAP Health check addresses the cost and benefits of measures associated with the protection of drinking water source protection.
4. We have focussed our comments on the Defra Impact Assessment and related policies.

Date: September 2008

Impact Assessment – overview

5. Water UK supports the Government's aims for the Health Check. In particular, Water UK supports:
6. (I) decoupling support of direct farm payments – Agricultural reforms should continue to move towards de-coupling subsidies.
7. (II) the proposal for compulsory modulation – CAP should act as an incentive to improve environmental standards for all farmers (please see point 18 for a proposal to ensure that funds will only be devoted to one challenge);
8. (IV) simplifying the system of cross-compliance and targeting the system better at delivering environmental objectives - We understand that simplification of the cross-compliance system is necessary, however it remains an important regime to secure that environmental improvements are delivered. We welcome the proposal for better water resources management through cross-compliance and call for the integration of the Water Framework Directive into the regime. We have suggested a way forward as to how this could be done and would be happy to share those suggestions with you. This integration will be one of the priorities for the water industry for future negotiations, including those which will concern the CAP beyond 2013. It is important to initiate the process promptly because the time lag between putting the measures into effect and the actual improvement or recovery for some water bodies might take decades;
9. (VII) Ending set-aside but putting measures in place to capture the key environmental benefits - Water UK supports to some extent this objective and the need to retain the environmental benefits following the abolition of the set-aside. There is also a legal WFD requirement to prevent deterioration in water quality. We note the environmental benefits that have resulted from set aside, e.g. for surface waters in the case of riparian strips. With the expected expansion in cereal production in the near future, we are concerned that this may result in increased:
 - a) pesticides in water abstracted for drinking water;

Date: September 2008

- b) nitrates in drinking water supplies;
- c) soil erosion and mobilisation in catchments, leading to increased turbidity in waters used for drinking water.

All of these will lead to increased water treatment (processes) for drinking water supplies, as well as being detrimental to the environment. Therefore we strongly recommend a major review of environmental management, so that intervention in the cereal market and increased cereal production is coupled with effective environmental management at the local level where drinking water supplies are sourced. Withdrawal of set-aside without a substitute measure may threaten the quality of drinking water supplies. It would be further appropriate to initiate pilot experiences in selected areas to assess whether environmental benefits are maintained and in particular assess the potential effects of abolishing set-aside on water bodies. We think the cost of the adverse impact should be quantified and reflected in the Impact Assessment. So far the IA accounts for only the reduction in Administrative Burden.

Impact assessment – economic analysis

Impact assessment – environmental impacts and Annex D: Environmental background and assumptions

10. Soil conservation and water quality (page 17) and water quality (page 36)
– Water UK supports the statement on the potential negative impacts of removal of set-aside (see point 7 above). However introducing a single requirement for buffer strips alongside water courses might not deliver the expected benefits for water quality. Buffer zones are necessary, albeit not sufficient – they will not necessarily prevent leaching through field drains or surface run-off which is one of the main pollution pathways. It should be noted that deterioration of water quality caused by such actions will be a legal breach of the Water Framework Directive requirements.

Date: September 2008

Impact assessment – Annex C: Summary of the principal impacts of each element of the Health Check

11. Water UK welcomes the framework set in Annex III (Good agricultural and environmental condition referred to in Article 6) in relation to water management – it represents a beneficial step towards the protection of water resources and the water industry trusts that it will be consulted on how to address the issues listed in Annex III.
12. Water UK supports the statement that the end of milk quotas could have mixed consequences. The water industry is concerned that further expansion in dairy production will result in additional phosphorus and nitrate loads in rivers from the agricultural sector, which results in well-established environmental impacts. The water industry is also a discharger of phosphorus and our industry is regulated very rigorously, resulting in additional treatment requirements for wastewater discharges and subsequent costs for our customers. Our concern is that the water industry is seen as the most effective provider of phosphorus-control in rivers, as the agricultural sector is much harder to regulate. Furthermore, expansion of dairy production may result in additional load of microbiological contamination of water used for drinking as well as bathing waters and shellfish waters. The water sector is concerned that expansion in the dairy sector may result in additional costs for water treatment and wastewater treatment in some locations. We think these costs should be reflected in the impact assessment, as is currently not the case. Where growth in dairy production is expected, we are looking for the coupling of any changes to the quota system with effective environmental management on dairy farms.

Impact assessment – Annex F, Rural-Proofing list

13. Point 9 – the policy will also impact the water industry in particular as regards the removal of set-aside and expansion of dairy production. There are presently challenges in relation to water and agriculture for the water industry, e.g. availability and quality of resources (in particular for drinking water purposes), ecosystem quality, costs of pollution removal, costs of diffuse pollution and over-abstraction of the resources – Diffuse pollution contributions mean that water company discharges are required

Date: September 2008

to remove disproportionate amounts from their discharges as an 'easy target' in order to achieve 'good chemical and ecological status'. In respect of expensive water and wastewater treatment these processes use large amounts of energy and other chemicals and as such are not sustainable. There are risks to public health from agriculture such as chemicals getting into the water supply or pathogens such as cryptosporidium. Intensive animal husbandry can result in microbiological pollution of rivers, lakes and the seas resulting in non-compliance with the bathing water directive. This undermines the huge investments by water companies in treating discharges to meet bathing water requirements.

UK response to the communication from the European Commission on CAP Health Check

14. Water UK would like to participate in the assessment of the specific changes that Defra would like to see to improve the scope of cross-compliance.

The consultation letter also asks for views on the proposals put forward by the Commission following the consultation on the Communication on the Health Check of the CAP. Water UK sent the following suggestions to the Secretary of State Hilary Benn in advance of the last Council of Agricultural Ministers.

15. We would like to see the integration of the Water Framework Directive into the cross-compliance regime. Although Article 5 of the Council Regulation establishing certain rules for direct support schemes – Statutory management requirements – includes directives which are basic measures, it is advisable to include a more specific reference to Article 11.3 (a). Water UK, in the EUREAU response, has developed on this particular provision and we will be happy to share our response.

16. We welcome the reference to water in the proposed amended Regulation 1698/2005 and would like to emphasise that preserving water quality and quantity is of utmost importance.

Date: September 2008

17. However we would support a minimum threshold for the amount of support devoted to each new challenge. We need to ensure that the funds available from the modulation provision are not only devoted to one challenge, with no obligation to deliver on the other challenges.

18. We would like to see reference to Article 38 and support linked to the Directive 2000/60 (the Water Framework Directive). The future Regulation should ensure that there is a core set of measures delivered to reduce qualitative and quantitative pressures on water resources.