

# making the most of every drop

## 1 Two options for reform

We are looking at two possible options for how we could allocate water in the new system:

- **Current System Plus** would allow people to abstract up to a fixed annual volume of water. Abstractors would also have daily limits and conditions similar to current Hands-Off Flow conditions.
- The **Water Shares** option would mean the Environment Agency / Natural Resources Wales would decide on the total allocation of water to be abstracted in part of a catchment. Each abstractor would then have a share of the allocation.

Proposals apply to both groundwater and surface water abstraction.

## 2 Linking water allocation to availability

### Current System Plus

- Additional abstraction at high flows
- Refine Hands-off Flow conditions
- Introduce a regulatory minimum level to stop abstraction at very low flows

### Water Shares

- Give each abstractor a share of available water that varies depending on availability.
- In exceptional cases the allocation could be reduced to zero in which case abstraction would have to stop.

### Groundwater

- Groundwater allocations linked to long-term groundwater availability.

Seasonal licences would be replaced by permissions with no seasonal conditions. This would give abstractors flexibility to abstract water when needed, irrespective of the time of year, provided that water was available.

## 3 Charging for abstraction

Today most abstractors pay charges based on their licensed volume. We want a charging system that reflects water use and reliability.

We are considering:

- Charges based on a combination of permitted volume and the amount of water actually abstracted
- Charging abstractors who can only abstract at high flows less than those who can abstract at high and low flows.

## 8 Moving to a new system

We expect changes would start to take place around 2020.

Currently significant volumes of water are licensed but unused. If this water is used, for example, as a result of increased trading in a reformed system, this could cause environmental deterioration.

To reduce the risk of environmental deterioration we would review the amount people are able to abstract based on their previous use of water and licence conditions.

In moving to a new system, we would consider creating a 'reserve' of water that could be allocated to new or expanding abstractors in a catchment.

## 4 Reviewing abstraction permissions to protect the environment in the future

In future, abstraction licences would be known as 'abstraction permissions'.

The Environment Agency / Natural Resources Wales would review the availability of water in a catchment over time and make changes if necessary.

- With **Current System Plus** this review could lead to a change in the annual volume people would be allowed to abstract.
- With **Water Shares** the Environment Agency/Natural Resources Wales could alter the allocation of water available in a catchment. In that case abstraction would have to change in proportion to the size of an abstractor's share.

Abstractors would be told in good time about these changes. Where changes are needed there would be no compensation paid to abstractors. Because of this the Environmental Improvement Unit Charge that abstractors currently pay would be phased out.

## 7 Proportionate implementation

The main changes would apply in all catchments. Some catchments would be known as 'enhanced catchments'. Enhanced catchments would be those

- where little water is available, and / or
- where the environment needs special protection, and/or
- where there is demand for water trading in a catchment.

In enhanced catchments it would be easier to trade water using pre-approved trades. Enhanced catchments would also link abstraction to water availability more closely. For example:

- reducing abstraction limits more gradually as flows decrease
- allowing people to abstract additional water at very high flows.

## 6 Facilitating trading to promote efficiency & resilience

Trading is possible now, but each trade needs individual approval. We want to make it easier and quicker to trade in any new system.

### Both Options

- Published rules would set out the types and volumes of trades abstractors could make without individual approval (pre-approval)
- Trading would only be allowed between those who have a direct interest in abstracting water.

### Current System Plus:

Preapproved trading would be limited to low risk trades, for example, selling water downstream for a set period of time.

### Water Shares:

Water Shares allows for pre-approval of a greater range of trades, including shorter-term trades and trades that move abstraction upstream.

## 5 Discharges

Some abstractors use all of the water they take; others only consume some of what they take and return (discharge) the rest to rivers or the sea.

Discharges to rivers can increase flows which can benefit the environment and provide water for others to abstract.

We propose that all abstractors who discharge water close to where they take it should be required to continue to return a proportion of what they take.

We will also explore how a reformed system could increase the reliability of discharges that are geographically separated from abstractions.

