

## Natural England's Summary of Water Company 25 Year Strategic Direction Statements

### 1.0 Background

- 1.1 The 2009 Periodic Review of Water Company Prices (PR09) will address the spending period 2010-2015. For the first time, Ofwat has required each water company to complete a 25 year Strategic Direction Statement, bringing a longer term view to water industry planning.
- 1.2 Natural England's role in the PR09 process is to ensure that water companies can deliver their statutory obligations for Natura 2000 sites, SSSIs and Biodiversity Action Plans (BAP). Natural England also has an objective to promote more sustainable methods for tackling water quality and water resource problems at source through catchment based approaches that deliver multiple objectives, and to promote climate change mitigation and adaptation.
- 1.3 Natural England believes that Strategic Direction Statements (SDSs) should provide a framework for delivery of these obligations and objectives and that water companies should set out their strategic approach towards sustainable development and climate change, providing clarity for customers, regulators and stakeholders. They should also commit to customer education and water efficiency objectives. We have reviewed the SDSs on this basis, against the level of clarity they provide for both customers and stakeholders and any issues they may raise for Natural England.

### 2.0 Summary of Consultation

- 2.1 Natural England was consulted on the development of 20 out of 23 company Strategic Direction Statements (SDS) through meetings, consultations on emerging documents and/or draft documents or final documents, with our regional teams.
- 2.2 A small number of companies did not contact us directly. For example we have not been involved in Cholderton Water SDS and have not commented directly on it.

### 3.0 Summary Assessment of SDS Content

- 3.1 The level of company involvement and impact on the environment and the contribution they can make to Natural England's objectives varies between each company depending on whether they are water and sewerage companies, or water-only companies, on the nature of their land holdings, water resources, and development pressures and on the natural environment which their operations influence. For example, many water-only companies have limited opportunities to influence the condition of designated sites in their area.
- 3.2 The table at Annex 1 presents an overview assessment and ranking of the SDS content against Natural England's objectives for PR09. The customer education/awareness ranking relates to work the companies propose to improve customer awareness of what they do for the environment and to promote water efficiency. **Overall we consider this suite of SDSs to be an excellent start in outlining the priorities and commitments of companies for the natural environment and in moving the industry as a whole towards a more sustainable future.**
- 3.3 We believe a number of companies have undersold themselves by not mentioning the good work they already do on designated sites and for biodiversity, or what they are planning for the future. Severn Trent, United Utilities, Northumbrian, Yorkshire Water and South Staffordshire all undersell their work and this has influenced our overall view of their SDS.

Some of these companies have chosen to avoid the use of reference to SSSI and BAP and have deliberately kept the text simple and high level, for their customers.

- 3.4 Natural England is aware that these companies are already doing good work for the environment and are planning to continue to do so. Therefore our analysis includes a ‘+’ symbol where we consider that the SDS undersells the contribution these companies make to the natural environment. Natural England believes that the SDS is a vital part of the process of raising awareness with customers on the work that companies do in support of their business planning and to help customers understand the benefits that can be achieved and we will seek to improve this information in future revisions of the SDS.

#### **4.0 Additional issues arising**

- 4.1 A small number of companies have highlighted concerns about the cost benefit of some of the environmental standards that they are required to meet. We believe that there is a legitimate debate to be had on these issues but that such concerns should not deflect companies from committing to make progress across the breadth of Natural England’s objectives.

##### Impact of regulatory regime

- 4.2 The following companies consider that existing regulatory regimes will be limiting in the future: Anglian Water “challenge the need for higher environmental standards in line with their objective of limiting customer bills”. Severn Trent considers “that regulation needs to adapt to encourage innovation and long term sustainable solutions”. Yorkshire Water considers “the regulatory regime should evolve to reflect an integrated catchment management approach and investments in environmental improvements should include an assessment of carbon and wider environmental impacts”. Southern Water “challenge proposals that are more damaging for the wider environment or represent poor value to customers”. South West Water states that “the regulatory systems should be developed to provide appropriate incentives to meet the Government’s sustainability objectives”. Wessex Water would like “a regulatory system to find incentives for sustainable catchment management strategies”. Bristol Water would like “alternative solutions such as grey water use, use of most environmentally friendly sources of water and carbon footprint as key drivers in investment decisions, not just financial”.

##### Impact of cost-benefit analysis

- 4.3 Companies which have highlighted concerns over costs and benefits and state that their environmental programme will not be justified by the assessment of costs and benefits are: Anglian, Severn Trent, Southern and Bristol Water.

## Overview Assessment of SDS Content against Natural England's Objectives for PR09

😊😊	Objectives strong & clear
😊	Brief mention, but could be stronger & clearer
+	Company known by Natural England to be doing much more than indicated in SDS
✓	Limited opportunities & considered sufficient for the size of company – WoC only
-	No mention

### Water and Sewerage Companies (WaSC)

Water Company	Designated sites & BAP	Catchment Proposal	Climate change (mitigation & adaptation)	Carbon Reduction	Customer education/ awareness work	Overall view of SDS in relation to NE objectives
Anglian & Hartlepool	😊😊	😊😊	😊😊	😊😊	😊😊	😊😊
Northumbrian & Essex & Suffolk	😊😊	😊😊	😊😊	😊😊	😊😊	😊😊
Severn Trent	😊+	😊😊	😊😊	😊	😊😊	😊
Southern	😊+	😊	😊	😊	😊😊	😊
South West	😊😊	😊😊	😊😊	😊	😊+	😊
Thames	😊😊	😊😊	😊😊	😊😊	😊😊	😊😊
United Utilities	😊+	😊😊	😊+	😊😊	😊+	😊
Welsh Water	😊😊	😊	😊😊	😊😊	😊😊	😊😊
Wessex	😊😊	😊😊	😊😊	😊😊	😊+	😊😊
Yorkshire	😊+	😊😊	😊😊	😊	😊+	😊

### Water-Only Companies (WoC)

Bournemouth & West Hants	😊😊	✓	😊	✓	✓	😊
Bristol (+ SDS supplement)	😊😊	😊😊	😊😊	😊😊	😊😊	😊😊
Dee Valley	😊	-	😊	😊	😊😊	😊
Cambridge	😊😊	😊😊	😊😊	😊😊	😊😊	😊😊
Folkestone & Dover	😊😊	-	✓	✓	😊😊	😊😊
Portsmouth	😊+	-	😊😊	😊	😊😊	😊
South East & Mid-Kent	😊+	✓	😊	😊	😊😊	😊
South Staffs	😊+	😊😊	✓+	✓+	✓+	😊
Sutton & East Surrey	😊+	-	😊	😊	😊	😊
Tendring Hundred	😊😊	-	😊😊	😊😊	😊😊	😊😊
Three Valleys	✓+	✓	😊😊	😊	😊😊	😊😊