

A CIWEM-CMS Conference  
Regulating for a Sustainable Industry  
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**Are the benefits of reduced abstraction  
justifiable and affordable?**

**Is it time for clear direction on  
sustainability.**

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# Sustainability reductions

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- Pressure is building from local groups, NGO's and politicians.
- South-east is water scarce.
- Public resistance to new resource development eg. reservoirs.
- Up to 40% of licences are being investigated for revocation.
- Major investment implications for new infrastructure to replace resources.

*But nothing in water resources plans after 2015*

# PR09 – Sustainability Reductions

- Only confirmed and notified sustainability reductions included in WRMP investment plans.
- Justification of further sustainability reductions was unclear – why was this?
  - Inconsistency of demand and supply forecasts
  - Evidence of wider benefits weak
  - Customer willingness to pay was varied
  - Attitude depends on current conditions which varied from drought in 2006 to recession in 2008
  - Alternatives mostly focussed on replacement of resource rather than least cost supply/demand options
  - Customers find it difficult to offer an opinion on the future value of either water or the environment

# Why do sustainability reductions cost more?

- Current incentive to minimise costs, local with least pumping and energy use, best quality water used in preference eg. groundwater.
- Rivers under threat are dominated by groundwater fed.
- Replacement water needs to be pumped further and need more treatment. This requires infrastructure and increases operating costs beyond efficiency gains.
- Abandoned assets written off prematurely.
- The alternative of reducing demand is also higher cost and has greater uncertainty - water efficiency, metering and leakage are all more expensive than local groundwater.

# So what next?

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- Customers need to be able to understand potential cost-benefits so they can offer an informed opinion on affordability.
- Supply forecasts – best estimates with uncertainty.
- Investment plans take account of uncertain investments due to absence of discontinuity of timing and difficulty of conclusive cause/effect in catchments.
- Economic appraisal to take account of social and environmental costs and ‘wider benefits’ or WTP.
- Better tools needed for ‘value of water’.
- Local shadow price of water might overcome difficulty of customers not being able to assess future requirements.
- SPW allows political decision to be taken on best outcome for society on the basis of imperfect data and can be set to increase over time. Synergy with carbon.