

Nutrient neutrality and the 25 Year Environment Plan

Guy Thompson - Group Director, Environmental Futures

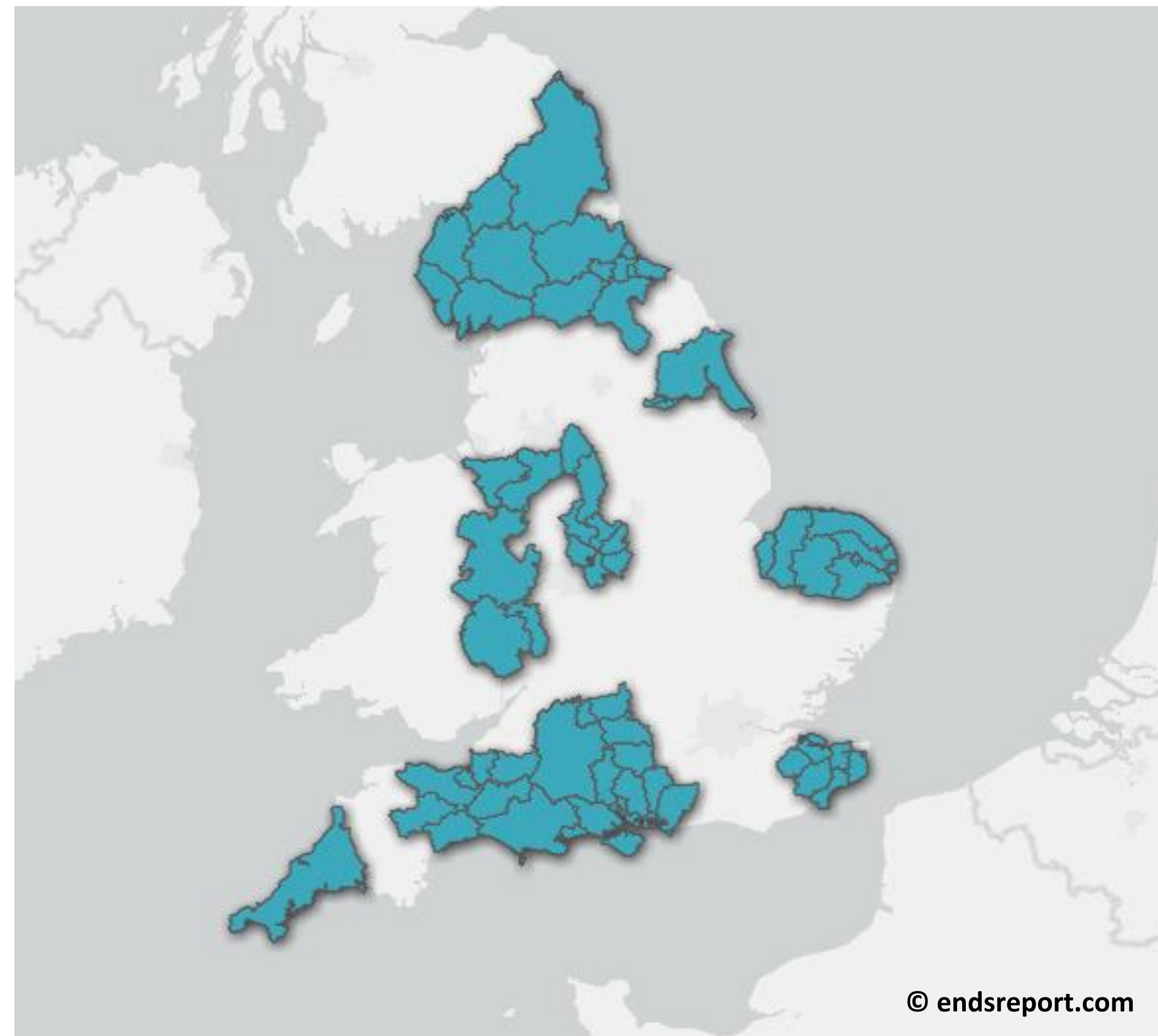
Wessex Water

YTL GROUP



Nutrient neutrality

- Further 20 sites added in March 2022, bringing total LPAs affected to 74
- Impacted areas could see delays in 50-70% of applications (Savills, 2022)
- Planning for about 100,000 homes currently delayed (HBF, 2022)
- Cost range to solve mitigation of £1k to £13k per house (RICS, Nov 2021), Average cost to mitigate of £5k per house (HBF)
- Total economic output reduction £0.3B - £2.2B¹ (Lichfields, 2022)



The challenge

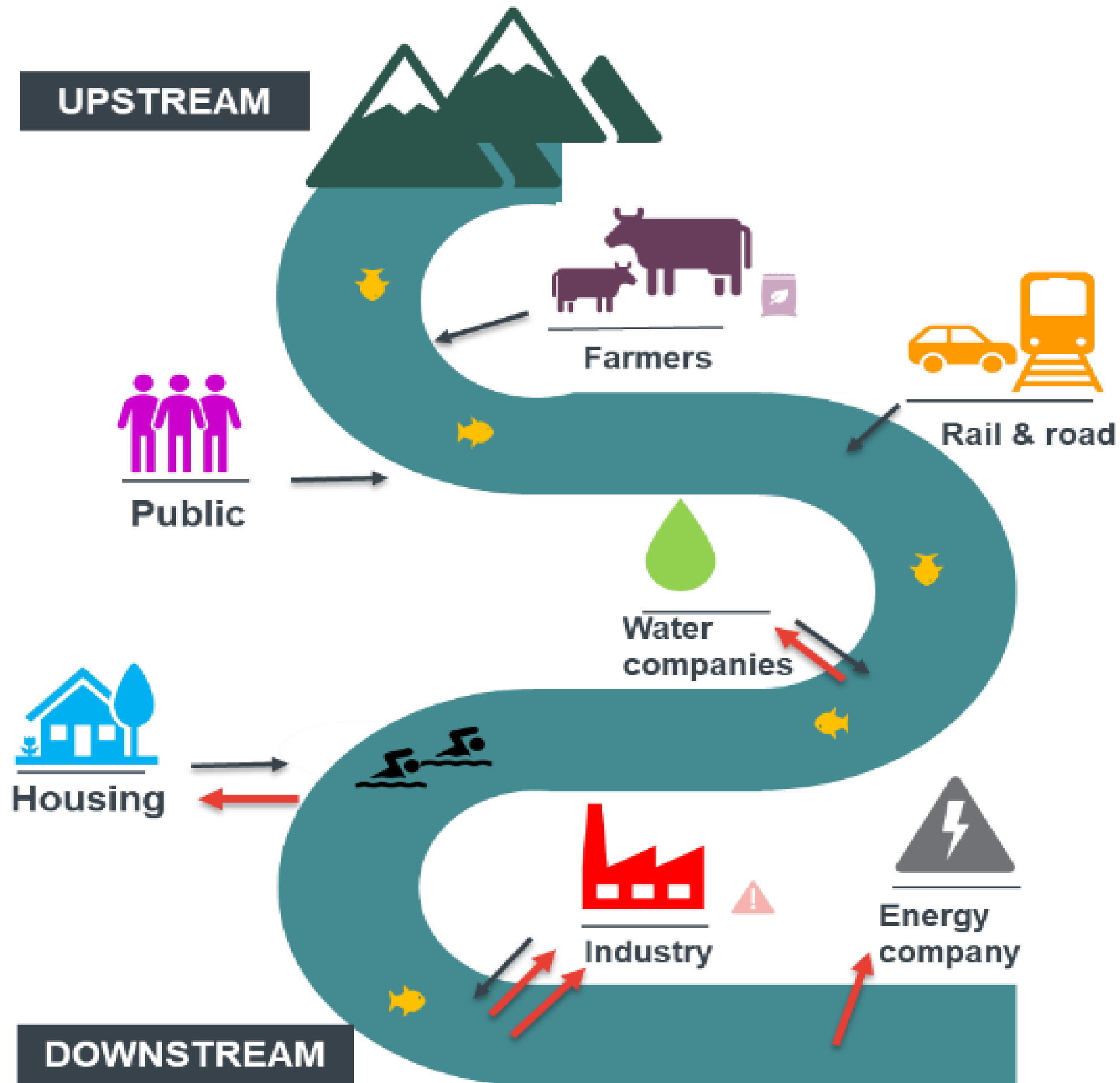


- 25 Year Environment Plan
- No strategy to finance delivery
- Benefits of nature are not properly valued
- Economics of land use a barrier to action
- Limits on public funding
- Siloed delivery
- Distrust of markets and private finance



At the heart of the problem lies deep-rooted, widespread institutional failure

Water catchments are subject to multiple market failures



Common pool resource leads to tragedy of the commons

Positive externalities not captured



Post-Brexit architecture

The Environment Agriculture Act provides a new architecture for environmental improvement.

But delivery mechanisms need to be joined up to facilitate investment.

We have a narrow window to act.



Overcoming barriers to private investment

Access to capital is not the problem.

What is lacking is scale, certainty and liquidity.



The opportunity for rapid action

The UK is well positioned to harness the power of markets and private investment in nature-based solutions.

A blueprint for mobilising private finance to help address the climate and nature emergencies – two of the biggest challenges facing current and future generations.

Financing UK Nature Recovery



July 2020

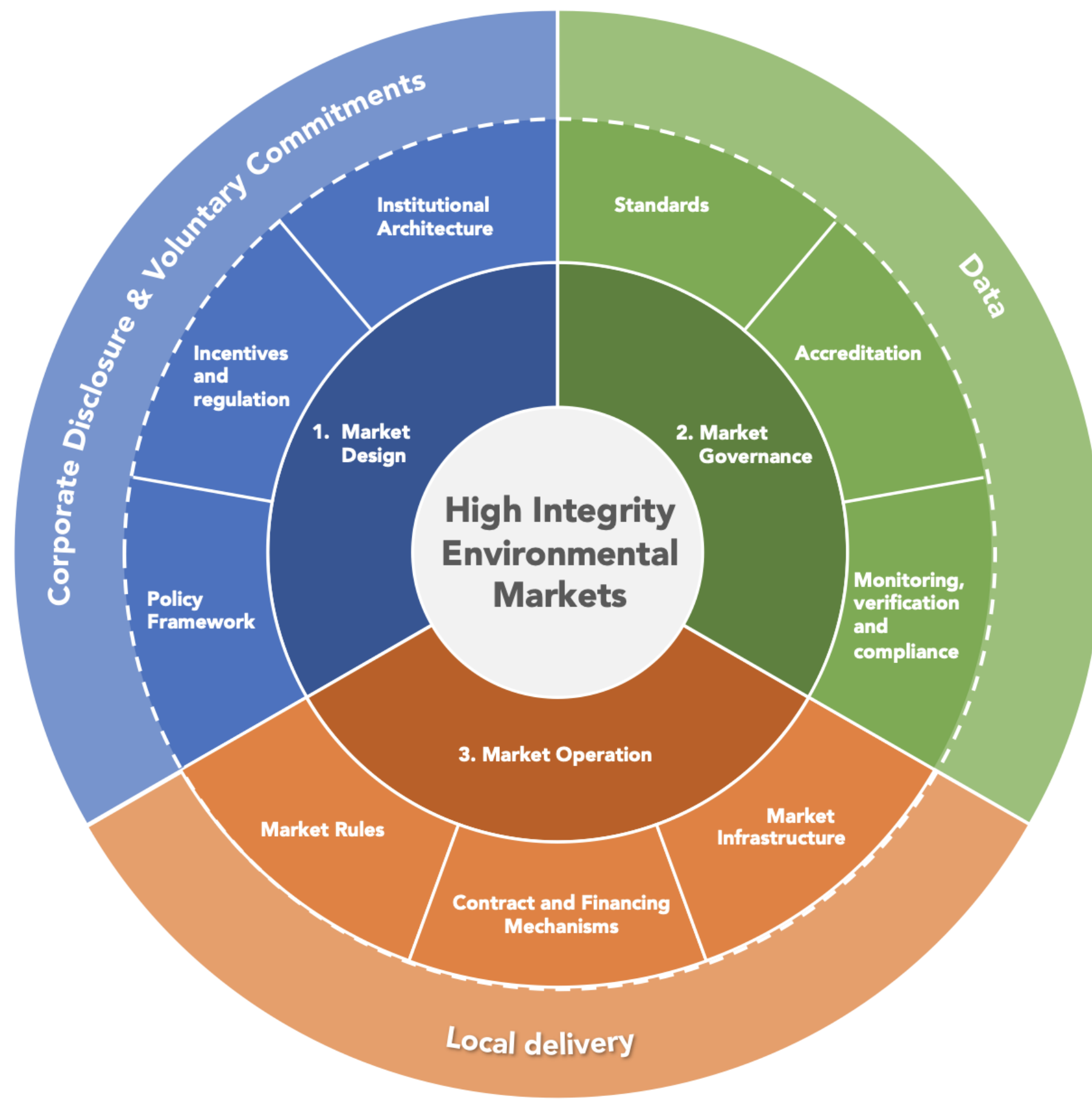
Wessex Water
Catchment
Market
Demonstrations



December 2020

Financing
UK Nature
Coalition

Financing UK Nature Recovery



- Public funding alone will not halt nature's decline.
- Markets are needed to attract private investment and drive nature's recovery.
- Regulatory reform is needed to incentivise more efficient delivery of environment outcomes.

DEFRA's 25YEP has ambitious goals that need to be delivered in the context of a cost of living crisis



Transforming environmental solutions



Asset based solutions



Catchment based solutions

Nature based solutions

Transforming environmental solutions



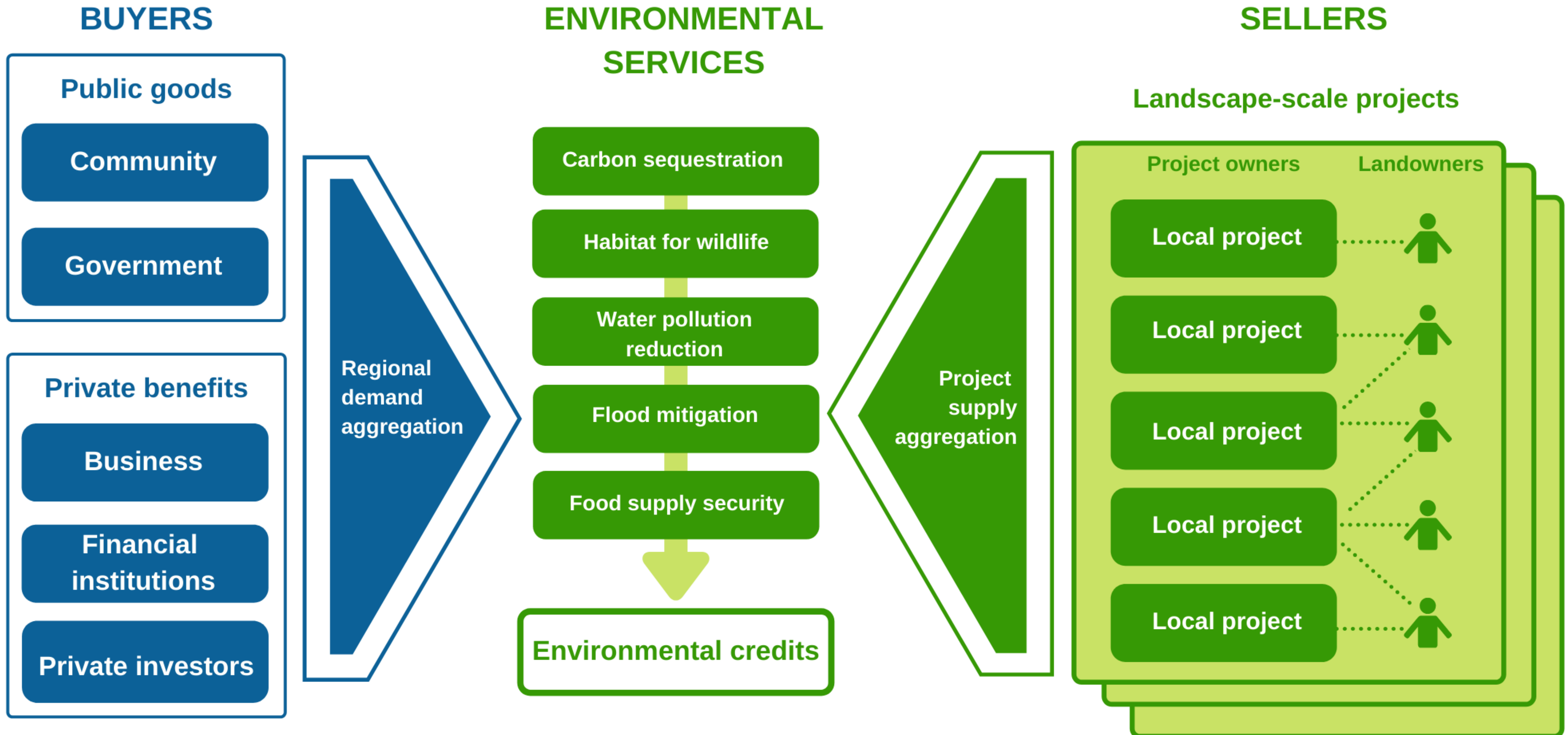
Asset based solutions

Catchment based solutions

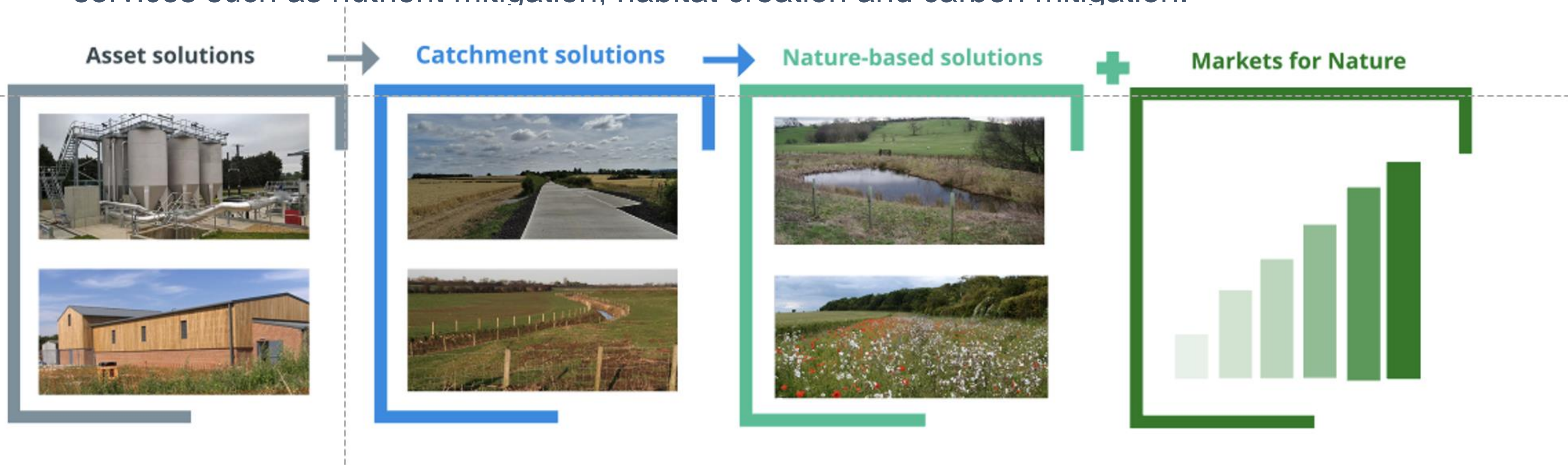


Nature based solutions

The market for environmental services

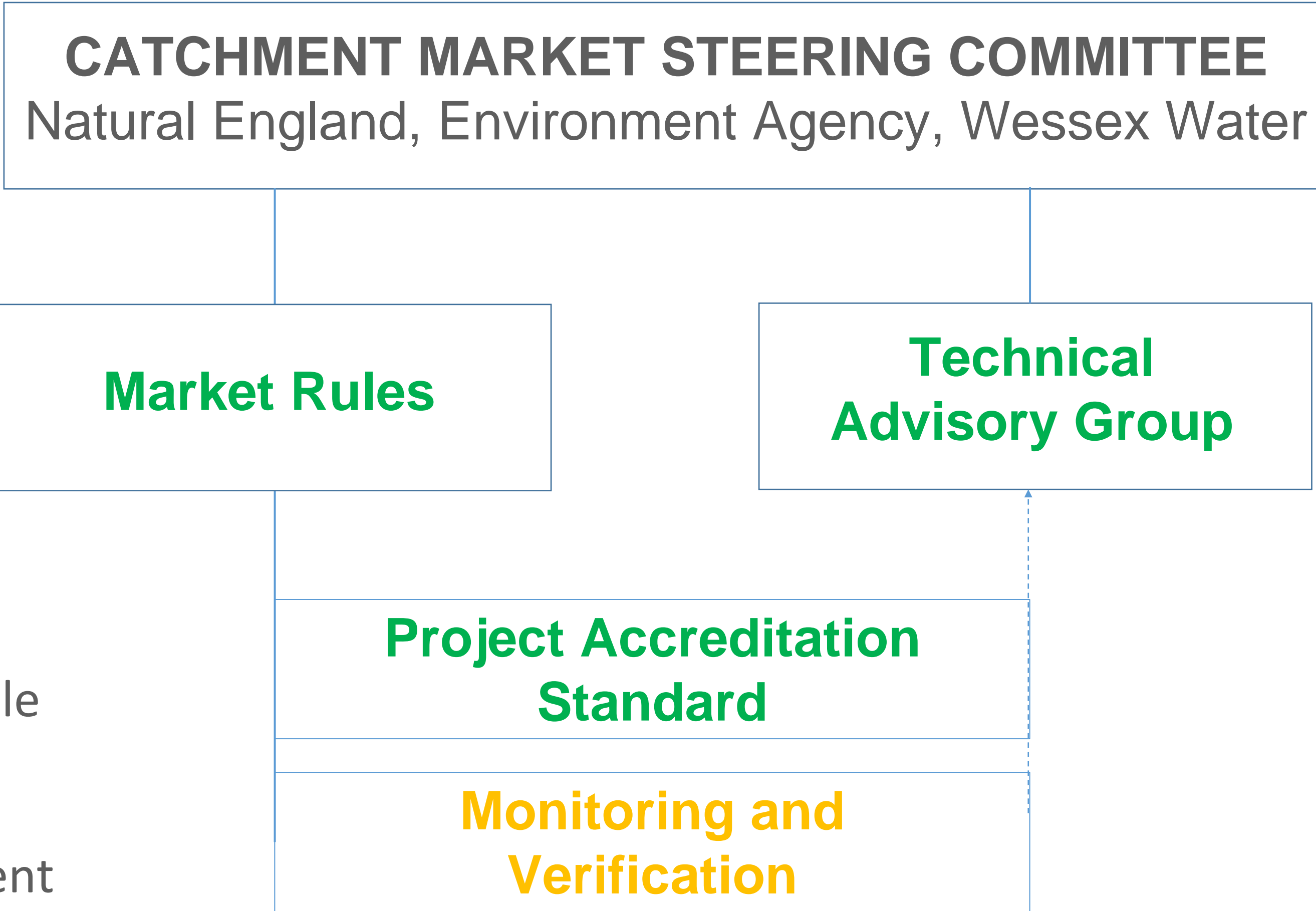


- EnTrade is a Wessex Water business that creates and operates online markets for nature-based solutions.
- The organisation has already established over 30 marketplaces for a range of environmental services such as nutrient mitigation, habitat creation and carbon mitigation.



Catchment Market Trials

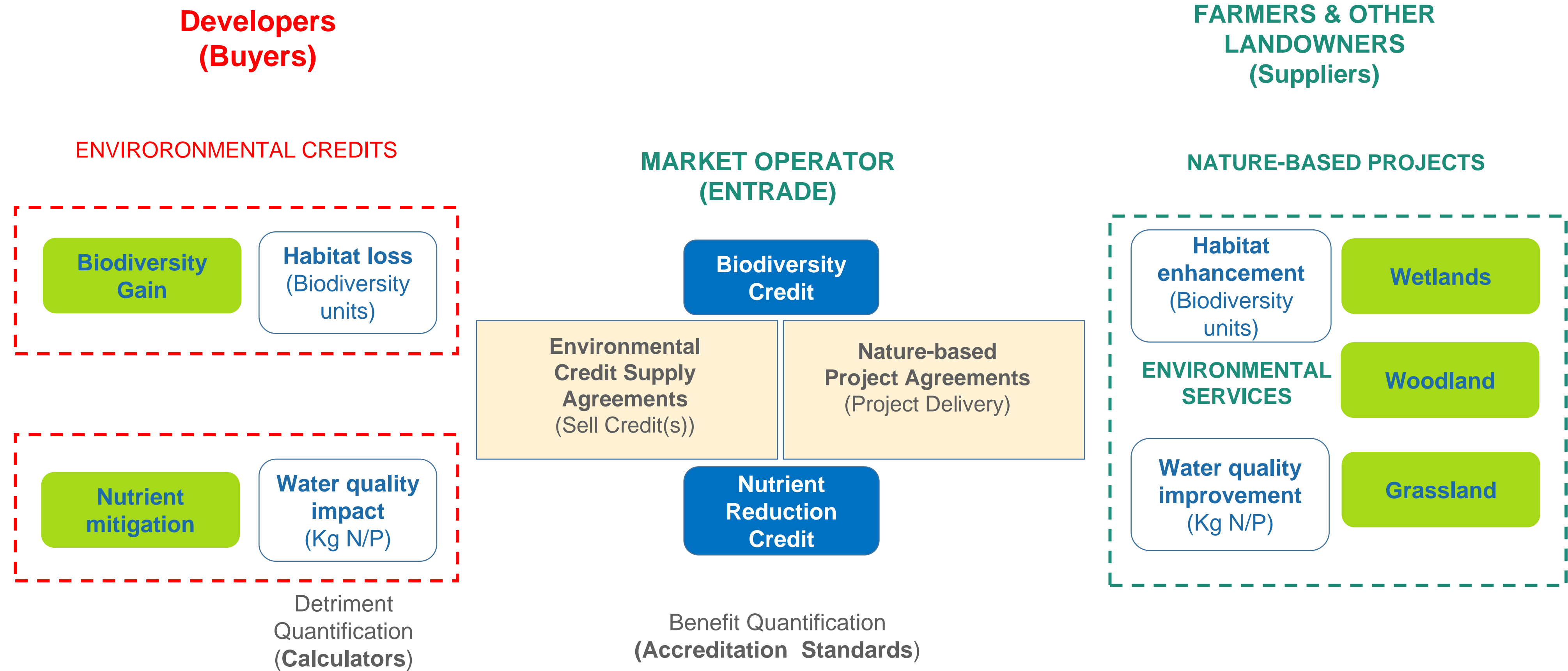
Green Recovery - Defra



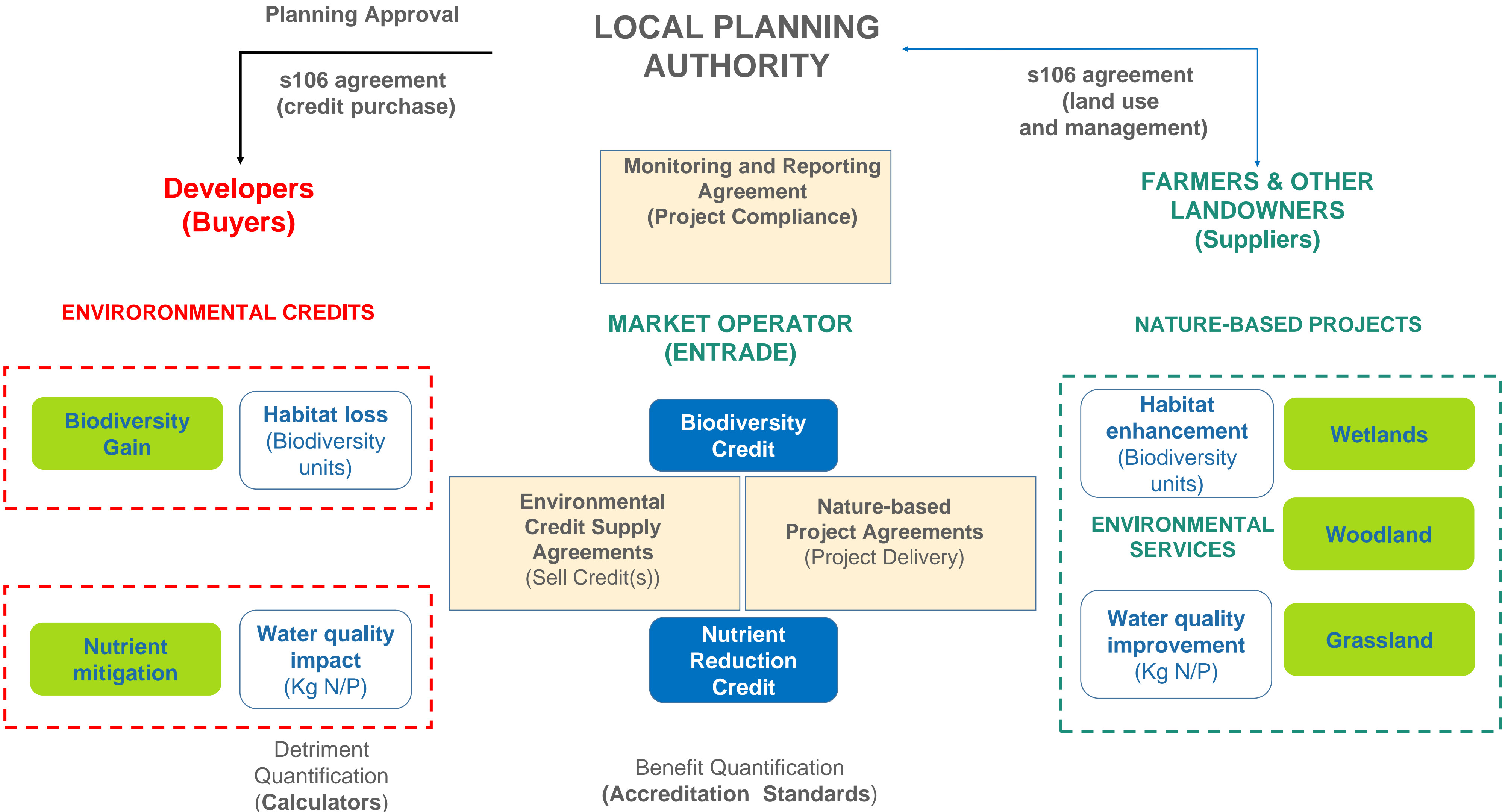
 Agreed in principle

 Under development

High Level Market Design



Proposed Scheme



Total cost per connection borne by the water industry



£ per property

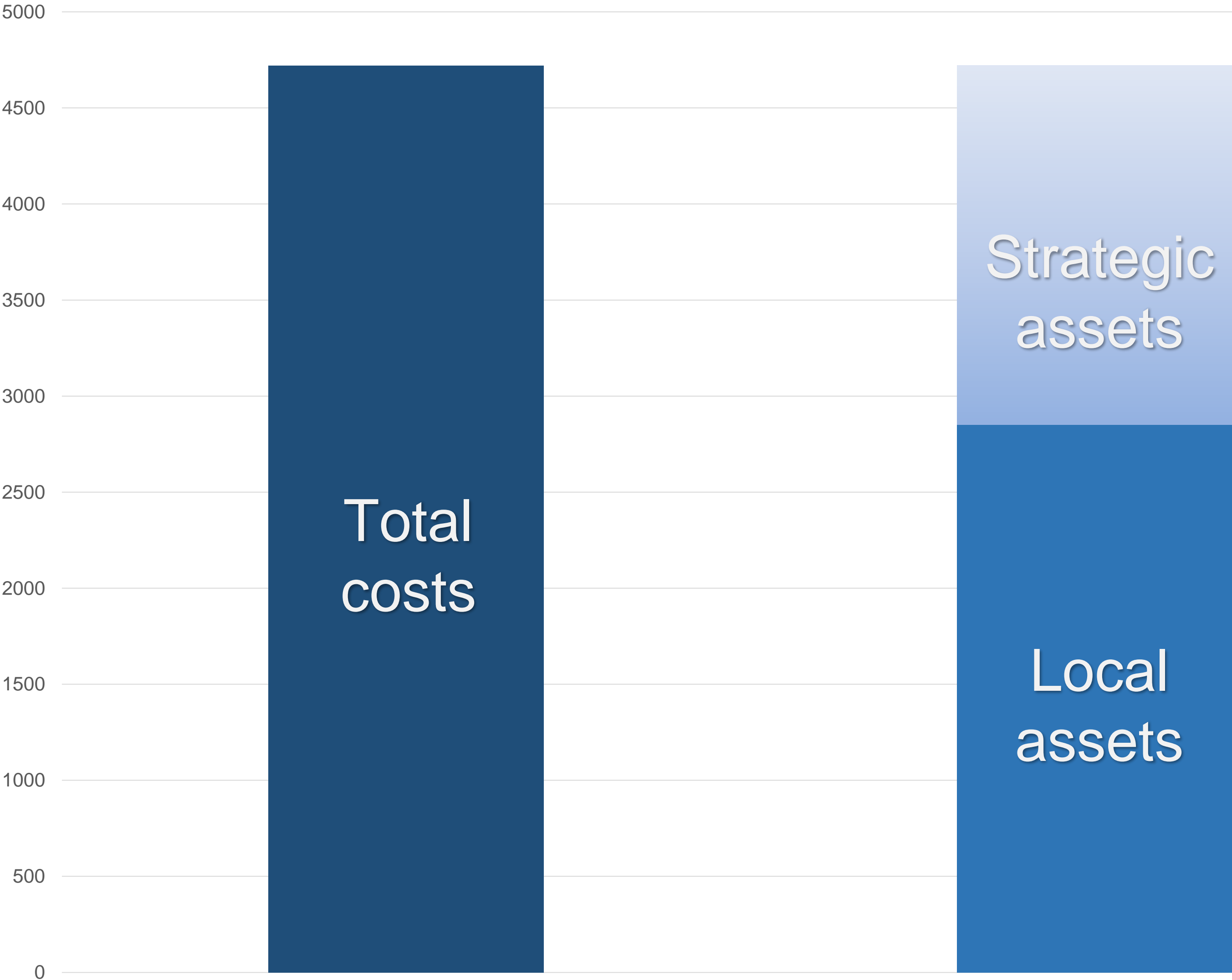


Source: *The Balance of Charges for Developers*, a report prepared for Ofwat by Frontier Economics, August 2020

Total costs split by strategic and local assets



£ per property

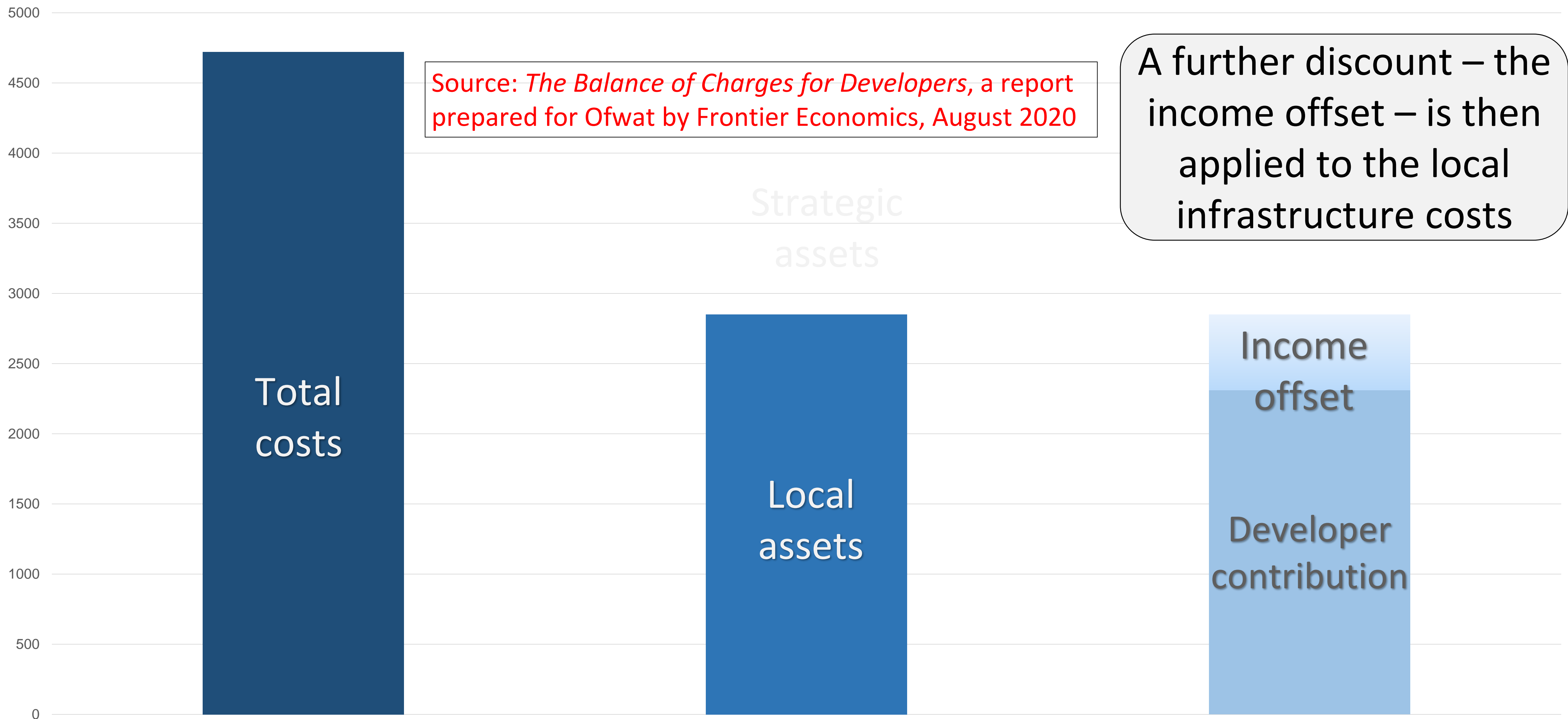


Costs related to strategic assets (water resource development, sewage treatment centre growth) are not charged direct to developers and instead recovered from the generality of customers

Source: *The Balance of Charges for Developers*, a report prepared for Ofwat by Frontier Economics, August 2020

Total costs per property that developers pay

£ per property



Source: *The Balance of Charges for Developers*, a report prepared for Ofwat by Frontier Economics, August 2020

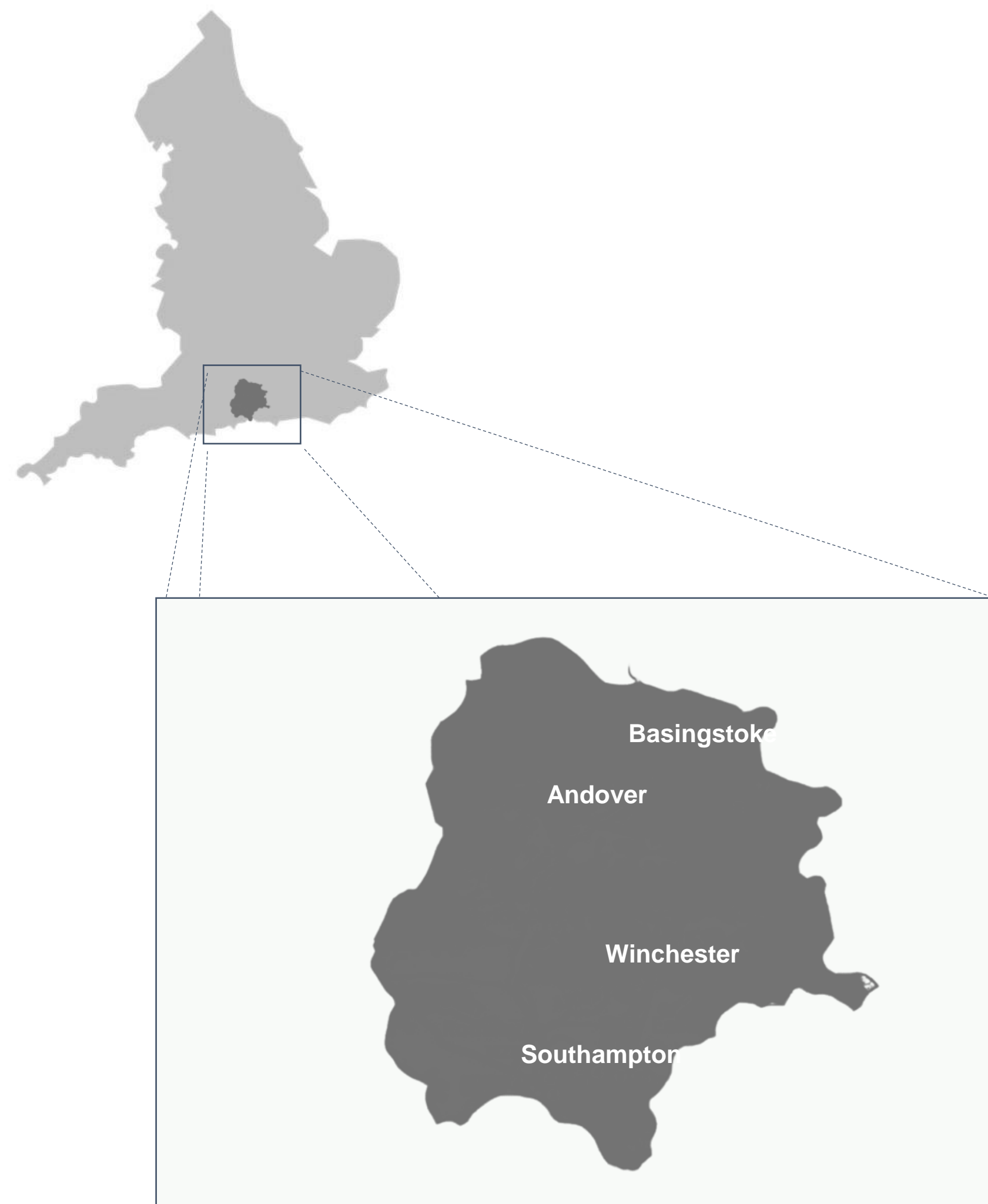
A further discount – the income offset – is then applied to the local infrastructure costs

Total costs per property that developers pay



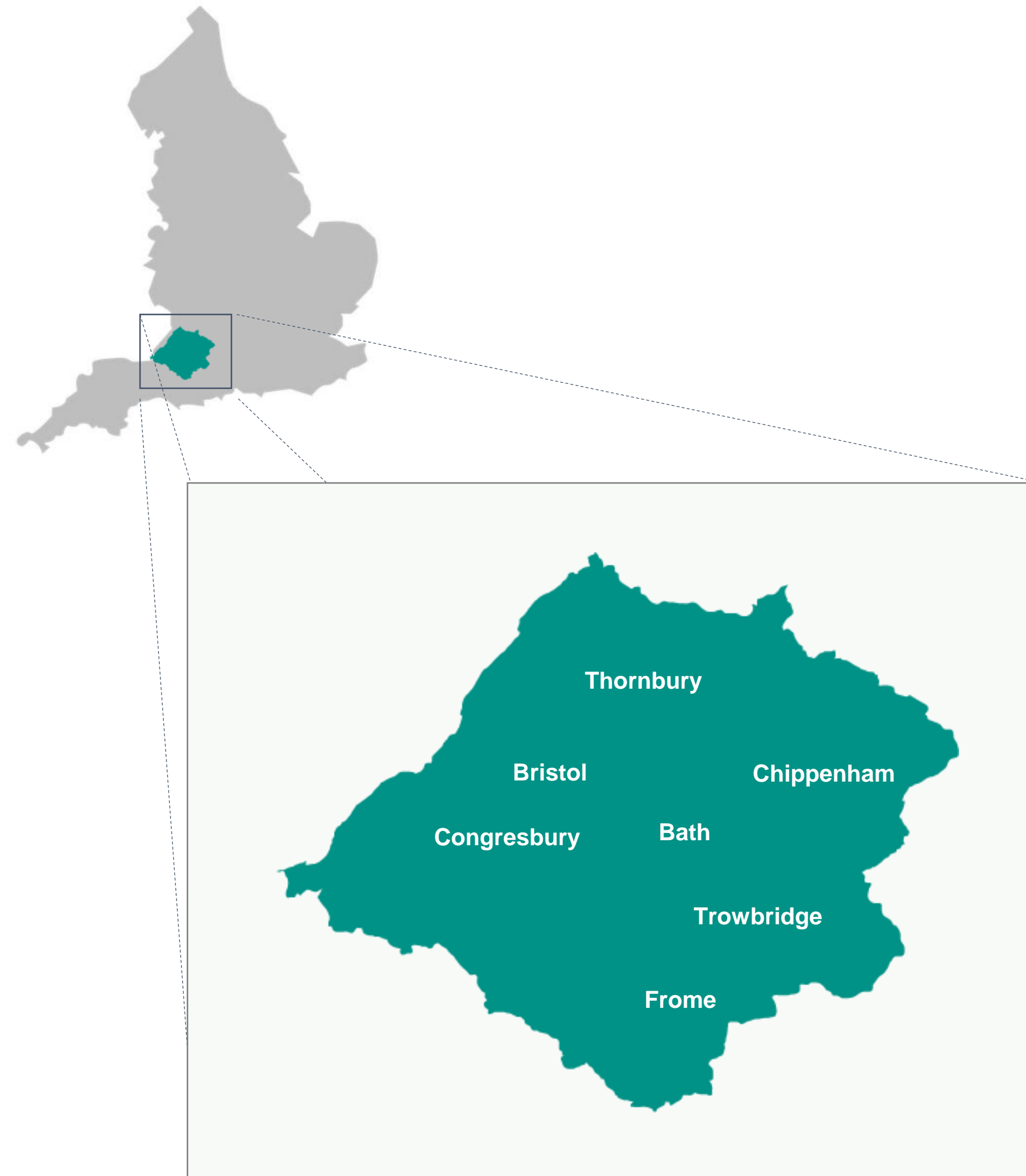
- Absence of market infrastructure
- Lack of clear and agreed standards
- Lack of accreditation mechanism
- Policy uncertainty about stacking environmental services
- Compliance and enforcement

Solent Nutrient Market Pilot



- Meeting developers' nutrient neutrality requirements
- Stacking biodiversity gain and nutrient mitigation
- Standardising and streamlining project development and approval

Bristol Avon Catchment Market



- Permanent woodlands, wetlands and grasslands
- Stacking multiple environmental services – depending on buyer demand
- Targeting the restoration of 58 hectares of grassland, 85 hectares of new woodland and five hectares of wetland
- EOI for projects expected April 2022

Improving nature within a generation



The image shows the cover of a document titled 'A green prospectus'. The background is a photograph of a river at sunset, with the sun low on the horizon and its light reflecting on the water. The text on the cover reads: 'A green prospectus' in a large font, followed by 'Pilot projects testing different ways to deliver the government's 25-year environment plan' in a smaller font. At the bottom of the cover, there are logos for 'Wessex Water YTL GROUP', 'Environment Agency', 'NFU', and 'NATURAL ENGLAND'.

Thank You

Wessex Water

YTL GROUP

