



Salmon & Trout Association

Fighting for the future of game angling

Patron: HRH The Prince of Wales

President: The Duke of Northumberland

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Operational Framework for Trading Abstraction Rights in England and Wales

The Salmon & Trout Association and the Anglers' Conservation Association response to Ana Maria Millan's, PhD Candidate, University of Newcastle upon Tyne "Questions for Stakeholders"

Q1. *In the U.K., what is the likelihood of abstraction licence trades to prosper?*

A. Licence trading will only prosper where there is a demand for it. This is most likely to be areas, which are already over-abstracted or over-licensed. Where ample water is already available there will be little incentive to trade. The general feeling is that trading may be at a fairly low level and appeal most to farmers and horticulturists in vegetable growing areas such as East Anglia and Herefordshire. This, however, would be particularly undesirable if it were to lead to an increased consumptive use of water for irrigation resulting in water loss by evapo-transpiration

Q2. *Do you foresee any obstacles for trades to take place?*

A. Only to the extent, but it may be an important extent, that the Environment Agency as the regulator controls the conditions under which trading proposals are approved.

Q3. *How can prices be set to ensure efficient water allocation?*

A. They can't! The market will control the price. Licence trading will be a private matter between seller and buyer. The Environment Agency will not act as broker and their new Abstraction Charges scheme does not propose to set tariffs to try to encourage efficient uses of water, on grounds of undue complexity. It is to be hoped some indirect control may be possible by the regulator's restrictions on any change of use resulting from the trading of the licence (see also answer to next question).

Q4. *Should regulators be involved in the trading process? If so how?*

A. The regulator should never be involved in the trading process, but all trades must be referred to the regulator. The regulator must assess a trade to ensure the purchaser's intended use of the water is reasonable. Also in a stressed catchment, the regulator must be satisfied that the new use of the water has no greater impact on the environment than the old. That must include the eventual discharge of the abstracted water as well as its source and there must be no harmful change of status, for example from non-consumptive use to consumptive.

Q5. *Does the perspective of having a market for abstraction licences jeopardise the reliability of water supply.*

A. Licence trading should not affect the public water supply. It may however affect the environment. The Environment Agency has been required to assess availability of water in every catchment in England and Wales through the Catchment Abstraction Management Strategy (CAMS). When completed in the next two years this will set the framework for all abstraction regulation, and trading of licences should not be permitted unless the catchment unit has been assessed as having water available or the traded licence will abstract no more than the old. Although under CAMS the Ecological River Flow Requirement should be given priority there is concern in some quarters that in the assessment process environmental and fishery needs are not getting the priority their economic, recreational and social values require or that adequate attention is being paid to the Agency's statutory requirement to maintain, improve and develop fisheries. There is also concern that in stressed areas dormant or underused licences, which in a trading situation could now have a substantial cash value, might be traded and then used to their full value thus causing further depletion.

Q6. *What market features would ensure a sustainable and healthy trading process (taking into account economic, social and environmental aspects)?*

A. This is not a matter on which S&TA can make detailed comment, but the Association would expect any adverse environmental aspects of trading to be prevented by proper control by the regulator. .

Q7. *Do you foresee the existence of "caps" to limit trading? These "caps" include pricing, traded volumes, limiting the number/volume of water a person or organisation can hold.*

A. While the relevance of this question to fishery interests is small, there is, perhaps, a danger that without restrictions, a "rich" licence holder may try to corner the market by buying up other licences in the area.

Q8. *How would a market for abstraction licences affect your activities?*

A. Provided abstraction in sensitive areas (where trading is most likely to occur) is not increased, there should be no direct effect. However if dormant or underused licences are traded to be used to their full allowance the effect will be harmful. For the Environment Agency as regulator to reduce or stop licensed abstraction will involve payment of compensation.

Q9. *Should the environment be entitled to be a direct participant in the market – i.e. for non-consumptive practices to enhance or protect the environment?*

A. In principle, yes. It would enable fishery and wildlife interests to purchase water to benefit natural flows, though the price would have to be appropriately low. "Wet fencing" – diverting river flows to land to create wetlands for birds – is already practised, with obvious environmental advantages. But in reality this is a form of irrigation and also results in increased evapo-transpiration losses; it is not truly non-consumptive.

Q10. *Do you feel the market could reach a point of stagnation.*

A. Very likely, especially if the market remains small. Time alone will tell. There may be some areas, Among Fenland farms for example changes in agricultural practices, may give licence trading some continuing purpose. .

Q11. *Who would you be willing to trade with?*

A. There is no likelihood of the Salmon & Trout Association having cause to take part in licence trading.