



Department
for Environment
Food & Rural Affairs

www.gov.uk/defra

‘Realising nature’s value: The Final Report of the Ecosystem Markets Task Force’

Government Response

September 2013

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1. Ministerial Foreword

The Task Force's report delivers a clear message: that boosting the economy and improving the environment are not mutually exclusive. It shows that there is a genuine opportunity for the UK to be at the forefront of new exciting markets which value, protect and enhance our natural environment.

I could not agree more. We can and must have growth that enhances, not erodes, our natural environment.

In our white paper "The Natural Choice – securing the value of nature", we committed to putting natural capital at the heart of our economic thinking and decision making.

There can be real opportunities to make ourselves and the environment on which we depend, better off through investments in natural capital. Government and business must work together to realise these opportunities.

I am delighted that the Task Force's report highlights and builds on many important areas that we are actively pursuing, such as biodiversity offsetting, anaerobic digestion and imaginative water management. This Response explains how we intend to drive these opportunities forward and maintain pace in our work to firmly establish natural capital in our decision making: including the ongoing work of the Natural Capital Committee, recent Payments for Ecosystem Services Action Plan and the Water Bill.

I am pleased to announce a number of new actions in our response to the Task Force's report, including a biodiversity offsetting green paper and funding to support anaerobic digestion on farms. I hope that these and other actions detailed below will help us make real progress on those vital objectives: growing the economy and improving our environment. I am committed to working with business to make this a reality and look forward to meeting with the Task Force again next year, to review the progress we have made.

A handwritten signature in black ink, appearing to read 'Owen Paterson', with a long horizontal flourish extending to the right.

The Rt Hon Owen Paterson MP

Secretary of State for Environment, Food and Rural Affairs

2. Executive Summary

The Ecosystem Markets Task Force was announced as a key commitment of the 2011 Natural Environment White Paper.

The business-led Task Force was asked to report back to Government on 'the opportunities for UK business from expanding green goods, services, products, investment vehicles and markets which value and protect nature's services'. The Task Force published its Final Report on 5th March 2013, making 22 recommendations in total, including suggestions for both Government and business.

The Government welcomes the Task Force's report and agrees on the essential relationship between the economy and the environment. We agree that business and Government must work together to ensure that the natural environment is valued and enhanced, through both Government and business-based action and initiatives. We believe that a range of sectors and businesses of all sizes along the supply chain could benefit from this approach.

A summary of the Government Response to the Task Force's Top 5 'Priority Recommendations' is outlined below.

1. **Biodiversity offsetting: securing net gain for nature through planning and development.** We agree with the Taskforce's assertion that a well-designed nationwide system of biodiversity offsetting in England has the potential to bring benefits for development, conservation and stimulate the competitive growth of business. The Government has published a Green Paper seeking views on the costs and benefits of biodiversity offsetting in England and how a system could be tailored to the country's requirements.
2. **Bio-energy and anaerobic digestion on farms: closing the loop using farm waster to generate energy.** We agree with the Task Force recommendations to encourage anaerobic digestion on farms. A substantial amount of work is already making progress in this area, including the 2011 AD strategy & action plan, WRAP's Driving Innovation in AD programme and a wide ranging programme of research to develop markets for digestate. We intend to target £2-3m of the existing WRAP loan fund to support on-farm AD. Defra will also work with WRAP and the Green Investment Bank to explore the financing of farm-scale AD projects at an aggregated level.
3. **Sustainable Local Woodfuel: active sustainable management supporting local economies.** We welcome the Task Force recommendations to support local woodfuel and woodland management. The Forestry & Woodland Policy Statement committed to sustaining, managing and improving our forests and woodlands so that they can contribute to economic growth and provide multiple benefits to society

and the environment. We look forward to receiving the industry-led 'Grown in Britain' action plan in autumn 2013.

4. **Nature-based certification & labelling: connecting consumers with nature.** We agree that certification & labelling play an important role for business, consumers and the environment. The work of the ISEAL Alliance is encouraging closer collaboration and consistency between labelling schemes.
5. **Water cycle catchment management: integrating nature into water, waste water and flood management.** We agree that nature should be integrated into water catchment management. We have recently launched a catchment management framework for England, Water Bill, research and demonstration projects, and work to increase SuDS including establishing SuDS approving bodies by April 2014. We also recently held a roundtable meeting for water company Chief Executives, chaired by the Parliamentary Under Secretary for Natural Environment, Water and Rural Affairs, Richard Benyon, ahead of PR14.

In addition to the above, Government sets out the following new actions in its Response:

- The launch of a pilot UK peatland carbon code in September 2013
- A recent consultation (June 2013) on the transfer of water supply pipe ownership
- Post PR14 discussions with water companies, EA and Ofwat on very long term planning for water companies
- A Government and business-led roadmap in Spring 2014 which supports the integration of natural capital in business accounting
- Defra to work with the Financial Reporting Council to explore how natural capital can be included in guidance on Strategic and Directors reporting under the Companies Act.

A summary of Government responses to all 22 recommendations can be found at '5: Summary of Government Responses'.

The Task Force signalled it would to **reconvene in Spring 2014** for a discussion with Government and other business leaders to assess progress since the Task Force's report, and possible ways forward. The Government welcomes this suggestion.

3. Introduction

The Ecosystem Markets Task Force was announced as a key commitment of the Natural Environment White Paper 'The Natural Choice: securing the value of nature', published in June 2011.

The Government set up the independent business-led Ecosystem Markets Task force 'to review the opportunities for UK business from expanding green goods, services, products, investment vehicles and markets which value and protect nature's services.' The Task Force was chaired by Ian Cheshire, Group CEO of Kingfisher. They were asked to report back to three Secretaries of State – Environment, Food & Rural Affairs; Energy & Climate Change; Business, Innovation & Skills – through the Green Economy Council, by March 2013.

The Task Force published their Final Report on 5th March 2013. The report states the business case for why nature matters. It makes recommendations for both Government and business where interventions could assist in the creation and development of new markets, enhancing opportunities for growth that also benefit the environment. The report affirms that business is often unaware of its true reliance on nature, and that a new approach is needed to maximise opportunities and manage future risks. The report can be found here: <http://www.defra.gov.uk/ecosystem-markets/files/Ecosystem-Markets-Task-Force-Final-Report-.pdf>

This is the Government's Response to the Task Force's Final Report.

4. Responses to individual Task Force recommendations

The Government welcomes the Task Force's key message that the economy and the environment must go hand in hand. The benefits that we derive from the natural world and its constituent ecosystems are critically important to human well-being and economic prosperity; in addition the Task Force's Report demonstrates that there is a genuine opportunity for the UK to be at the forefront of new exciting markets which value, protect and enhance our natural environment.

Responses to individual Task Force Recommendations are set out below.

These responses are largely focussed on England; Scotland, Northern Ireland and Wales will be looking at the Task Force's recommendations to help inform their own approaches.

Task Force Recommendation 1)

Biodiversity Offsetting: securing net gain for nature through planning and development

The Task Force recommends:

- a) Government should clearly signal its intention to mandate a national system of biodiversity offsetting across England, in which planning authorities are required to use offsetting to deliver a net gain for nature from all new developments.**
- b) Government should start by mandating offsetting in Defra's existing voluntary pilot areas, and in parallel conduct a full impact assessment to define the overall case for delivering both net gain for nature and business benefits.**

Government Response:

The Government is interested in how a biodiversity offsetting scheme tailored to England can help the country meet its need for both development and nature for its long-term prosperity. The planning system should help deliver both these objectives. The best planning decisions do manage to protect and enhance biodiversity; however the system does not always work as well as it should. Some planning decisions take too long and the outcome can be too uncertain, which can hinder development. At the same time biodiversity impacts are not always adequately taken into account, or mitigated or compensated for in ways that deliver enduring environmental benefit.

We agree with the Taskforce's assertion that a well-designed nationwide system of biodiversity offsetting in England has the potential to bring benefits for development, conservation and stimulate the competitive growth of business.

However, as the Task Force rightly acknowledged in its report, getting a credible and robust system of biodiversity offsetting in place is not simple. The Government has therefore published a Green Paper seeking views on the costs and benefits of biodiversity offsetting in England and how a system could be tailored to the country's requirements.

The Green Paper:

- Explains what biodiversity offsetting is
- Sets out the Government's objectives to avoid additional costs to developers and achieve better environmental outcomes and explores how offsetting could help achieve these objectives
- Sets out the options for biodiversity offsetting and the Government's preference to give developers the choice to use offsetting and seeks comments

- Seeks evidence to improve Government's understanding of the costs and benefits of biodiversity offsetting compared to existing approaches
- Asks questions about how detailed design of an offsetting system should be approached

The Government is clear that an offsetting system must deliver benefits for development, reducing not increasing burdens, at the same time as delivering net gain for the environment. Given the uncertainties around the costs and benefits of the different options, the Government currently favours a fully permissive approach, i.e. giving developers the choice to use biodiversity offsetting where it would enable them to meet existing requirements more efficiently than happens currently.

The Government however recognises that its estimates of the costs and benefits are based on a number of assumptions as set out in the draft impact assessment (IA) that accompanies this paper. Through this consultation process the Government would welcome further views and evidence on all options set out above. This will allow the Government to take a fully-informed final view. Evidence would be needed that an alternative would also provide confidence that additional burdens would be avoided and appropriate development supported.

Current pilots

The current biodiversity offsetting pilots have already provided important information that has influenced the Government's thinking about biodiversity offsetting. In particular, they have shown that offsetting needs to achieve a critical mass to deliver a flourishing and effective system.

However, the Government does not consider it would be appropriate to change the basis of the pilots at this stage as they will provide further evidence that can be fed into guidance and regulations that will need to be put in place to set up an offsetting system.

In addition, the Government will continue to work with a number of complementary projects that are looking to use offsetting outside the pilots. These will also provide valuable evidence that will be fed into final proposals.

Next steps

The Government does not want to delay the introduction of biodiversity offsetting if it can deliver more for the economy and the environment. Following the Green Paper consultation the Government will develop its detailed proposals for using biodiversity offsetting and plans to set these out by the end of 2013.

Task Force Recommendation 2)

Bio-energy and anaerobic digestion on farms: closing the loop using farm waste to generate energy

The Task Force recommends:

- a) Government should build on existing financial support schemes for AD by establishing a specific assurance scheme to encourage financial institutions to offer loans and invest in AD.**
- b) The Green Investment Bank should consider supporting farm level AD on an aggregated basis.**
- c) Government should encourage research into the possible uses of, and market for, digestate.**
- d) Government should explore the potential for further use of biogas on farms.**

Government Response:

The Government's Anaerobic Digestion Strategy and Action Plan, published in June 2011, set out 56 actions to tackle the barriers to deployment of anaerobic digestion (AD). Government and stakeholders are working together to deliver the Action Plan to increase the energy from waste produced through AD.

The Government supports AD as a waste treatment technology. It can avoid the greenhouse gas emissions from sending food wastes to landfill and improve nutrient management on farms. As well as renewable energy, AD produces a fertiliser that can replace inorganic fertilisers and the greenhouse gas emissions associated with producing them.

The AD sector continues to grow in the UK. The Government's progress report in July 2012 highlighted that the number of AD plants had risen from 54 to 72. There are now 110 plants and the industry's capacity to generate energy has more than doubled.

However, challenges remain and access to finance and feedstocks remain crucial. There are particular challenges at the small scale level, notably for those plants dealing with agricultural wastes (manures and slurries). Defra held a roundtable with stakeholders and developers at the end of April to investigate the barriers to small-scale on farm AD specifically.

Building on existing financial support for AD

The Government recognises that access to finance remains a significant barrier for AD projects, notably for small scale on-farm developments using predominately agricultural waste feedstocks. To date, this sector of the market has been slower to develop than waste-based systems.

The Government therefore welcomes the Task Force's recommendation on supporting investment in the sector and will work with the finance community and AD industry on how an "assurance scheme" may help to reduce risks for potential investors. This could include a focus on operational best practice, for example through certified training schemes for AD operators, or an assurance that a plant is operating well and to design parameters.

Through the AD Strategy and Action Plan, National Occupational Standards for AD operators have been developed that can now be taken forward in training courses and qualifications. Equally it will be important to work with industry trade bodies who are developing their own best practice guidance for AD developers and operators.

Other actions under the AD Action Plan are designed to overcome barriers to finance, including setting up a dedicated AD Finance Forum, and the creation of due diligence templates. Both are being taken forward by the Anaerobic Digestion and Biogas Association.

The Government has committed financial support to the sector. Low carbon energy incentive schemes, such as the Feed In Tariff and the Renewable Heat Incentive already offer support for the generation of renewable energy produced by AD. Changes to the Renewable Heat Incentive are being considered to expand the scope of support for heat produced by installations over 200kW thermal capacity.

There is loan funding available through the Anaerobic Digestion Loan Fund (launched in July 2011) and the recently launched Rural Communities Renewable Energy Fund. The £10m AD Loan Fund, financed by Defra and administered by WRAP, is currently used to support the development of new AD capacity to treat food waste.

The Government will work with WRAP to extend the scope of the existing loan fund; we will target £2-3 million of the existing fund to support the development of small scale on farm AD treating agricultural wastes. The intention is to stimulate interest in the sector, create growth and to attract investment for UK businesses and developers.

The Green Investment Bank

Anaerobic Digestion is an area of focus for the Green Investment Bank. The bank has provided £80 million for two fund managers to invest in infrastructure projects including AD. **Defra and WRAP will work with the Bank to explore how an aggregated approach for farm-scale AD projects could be put in place, both for equity investments and for debt for refinancing.**

Digestate

The Government agrees with this recommendation. Digestate from AD plants is considered a relatively new material. When used effectively and appropriately, it is a valuable fertiliser which can directly replace other inorganic fertilisers. There is a need to

develop markets for digestate, and to build confidence within those markets on the safety and efficacy of its use. Lack of such markets could significantly constrain the development of the AD sector in the future, and will be a missed opportunity to recycle valuable nutrients to the soil.

The Government continues to fund a wide ranging programme of research aimed at developing markets for digestate. In conjunction with Defra, WRAP are undertaking a suite of field trials to demonstrate the safety and usability of digestate on agricultural land where food crops are grown or livestock grazed. This work is used as the focus for an extensive knowledge exchange programme designed to communicate the benefits of digestate to farmers and others with food-chain interests. To ensure maximum impact, these activities are held in conjunction with industry partners wherever possible.

There is also a suite of projects through which WRAP is identifying market opportunities for digestate in other sectors such as landscaping and regeneration and horticulture.

Further details of WRAP's work on digestate can be found at <http://www.wrap.org.uk/content/digestate-compost-agriculture>

Biogas on farms

The Government agrees with this recommendation. At the end of 2011, WRAP launched the "Driving Innovation in AD" (DIAD) programme. This called for innovative projects to help reduce the costs and improve the performance of AD plants.

There have been two phases of the programme, the first specifically called for innovative projects to reduce the costs of small scale AD technology including on-farm solutions. Three farm scale projects are currently being taken forward to demonstration stage including:

- technology which can provide lower cost, small scale biogas upgrading for vehicle fuels on small, low capacity AD plants.
- a small scale pasteurisation unit to enable the expansion of market of modular farm waste AD plants.
- a retro fit technology which can be fitted to existing farm slurry storage to create an AD plant.

There are a range of other projects in the DIAD programme that, whilst not necessarily aimed at farm scale operations, will also have the potential to benefit the sector in the future. For more information: <http://www.wrap.org.uk/content/driving-innovation-ad>

Task Force Recommendation 3)

Sustainable Local Woodfuel: active sustainable management supporting local economies

The Task Force recommends:

a) Businesses with energy needs should consider using local woodfuel sources that also deliver local environmental benefits, and private woodland owners should explore the opportunity of supplying woodfuel.

b) Government should work with the emerging conclusions from the industry-led “Grown In Britain” Action Plan to agree practical next steps to accelerate the uptake of opportunities and stimulate the organisation of local supply chains. As part of this, Government should encourage woodfuel use in public buildings such as schools and leisure centres.

Government Response:

We welcome the Task Force’s recommendations in this area.

Our recent **Forestry and Woodlands Policy Statement** committed to sustaining, managing and improving our forests and woodlands so that they can contribute to economic growth and provide multiple benefits to society and the environment. We recognise that woodfuel provides a significant opportunity that could underpin an increase in sustainable woodland management rates and want businesses to explore how new and improved woodfuel supply chains can develop.

Local renewable heat projects based on woodfuel have the potential to provide an economic return to owners of even small areas of private woodland, benefit many businesses involved in the wider forestry sector and address the energy needs of communities, especially those in more remote parts of the country. We therefore welcome these recommendations.

There is already much happening in this area. Uptake of the **Renewable Heat Incentive (RHI)** is growing, at the time of writing 900 boilers with an installed capacity of 200MW are supported by the RHI in England¹. Over the last few years, via its **Woodfuel Implementation Plan**², the Forestry Commission has been encouraging businesses to produce and use woodfuel where this makes economic and environmental sense.

¹ <https://rhi.ofgem.gov.uk/Public/ExternalReportDetail.aspx?RP=RHIPublicReport>

² [http://www.forestry.gov.uk/pdf/FCE_WIP_Web.pdf/\\$file/FCE_WIP_Web.pdf](http://www.forestry.gov.uk/pdf/FCE_WIP_Web.pdf/$file/FCE_WIP_Web.pdf)

The number of woodfuel suppliers has grown and around 640 outlets are listed by the Biomass Energy Centre³. As the woodfuel market develops and becomes an accepted, mainstream part of the forestry supply chain it has the potential to increase levels of woodland management and increase interest in woodland creation.

We continue to support the industry-led '**Grown in Britain**'⁴ action plan that is currently developing a road-map to a sustainable future for our forests and woodlands. Grown in Britain's vision is to grow an 'economic pull' and love for wood products, including woodfuel, that will promote increased management of our neglected woodlands and increased tree-planting. We look forward to the emerging findings and conclusions of this exciting initiative and will play our part in taking them forward when the action plan is published in October later this year.



³ <http://www.woodfueldirectory.org/>

⁴ <http://www.growninbritain.org/>

Task Force Recommendation 4)

Nature-based Certification & Labelling: connecting consumers with nature

The Task Force recommends:

a) Business should explore and exploit untapped opportunities for rigorous and innovative nature-based certification and labelling that incorporate environmental protection.

Examples of markets with potential for better nature-based certification and labelling include livestock products, food service, clothing, tourism, recycled materials, wood and pharmaceuticals. Successful schemes will need:

- sufficient rigour to show that they do genuinely protect or enhance nature's services;
- enhanced consumer awareness of the linkages between products and nature
- to encompass full supply chain traceability

b) Nature-based labelling schemes should co-ordinate their efforts in order to maximise the visibility of ecosystems in labelling and ensure consistent approaches to measuring benefits.

Government Response:

We welcome the Task Force's recommendations in this area.

The Government welcomes the EMTF's recommendations concerning nature-based certification and labelling⁵, and agrees they play a vital role that benefits both businesses and consumers. It is also important to add that whilst consumers are a significant driver behind the demand for nature-based certification and labelling, business-to-business demand is equally crucial. From a wider perspective, whilst concerning food ingredients rather than environmental impacts, the recent horsemeat fraud has put added focus on product labelling and the need for robust auditing systems to ensure accurate labelling.

The Government is pleased to see that the Task Force has highlighted the important role that business has to play in exploiting opportunities and co-ordinating efforts in order to maximise the visibility of ecosystems in labelling. These include both opportunities for UK businesses to grow as a result of certifying and labelling their products, and opportunities for UK certification and labelling businesses to grow. However, whilst the Government agrees that business should explore and exploit untapped opportunities, it is also important to recognise, support and build on the work of existing schemes, including those present within the markets mentioned in the EMTF's recommendation.

⁵ Whilst recommendation 4 uses the term 'nature-based' labelling', in the main this response refers to 'environmental' labelling, which encompasses a wider range of impacts.

As well as the mandatory European Energy Label and voluntary EU Ecolabel Scheme, there are a range of voluntary labelling schemes present within both the UK and internationally which businesses can use to demonstrate their environmental credentials. Schemes often cover different types of products or environmental impacts, and have different assessment or verification criteria and processes. **Green Claims Guidance** produced by the Government in 2011 helps businesses to consider different schemes, and their relevance and credibility.

However, the Government agrees with the EMTF that consumers can become confused by label proliferation, and also that lessons from successful and unsuccessful schemes need to be applied. The impetus required, as acknowledged by the Task Force, should come from within the businesses community itself.

In order to make this happen, the Government would be supportive of any future steps taken by the business community, including individual businesses and environmental labelling schemes, to:

- Engage with existing sustainability standards focussed organisations, such as the **British Standards Institution (BSI)** and the **International Social and Environmental Accreditation and Labelling (ISEAL) Alliance**, working with them to identify opportunities to maximise the visibility of ecosystems in standards setting and labelling, and raise the profile and impact of environmental labelling schemes through collaboration.
- Align with the **sustainability standards** developed by organisations such as **ISO and BSI** and/or developed in compliance with best practice guidelines set by organisations such as the **ISEAL Alliance**. Among other aspects of sustainability standardisation, such organisations have carried out a range of positive work on strengthening and developing robust standards and good practice on environmental labelling.
- Utilise methods of measuring the effectiveness of different sustainability standards, including engaging with **ISEAL** on the implementation of its **Impacts Code**, which requires regular evaluation of standards, and **Sustainability Standards Transparency Initiative**⁶, which is focused on generating an analytical tool to be integrated into different existing approaches for comparing sustainability standards.
- Engage with the European Commission's new "**Single Market for Green Products initiative**"⁷, including its 3 year pilot of new EU environmental footprinting methods for products and organisations, and development of **EU Green Claims Guidance**.

The Government is open to the possibility of working with the business community to facilitate and realise the above, but reiterates the view that activity focussed on making the market in labelling and certification work better should be primarily the preserve and responsibility of businesses and labelling schemes.

⁶ <http://www.isealalliance.org/our-work/increasing-uptake/comparing-standards>

⁷ <http://ec.europa.eu/environment/eussd/smgp/>

Task Force Recommendation 5)

Water Cycle Catchment Management: integrating nature into water, waste water and flood management

The Task Force recommends:

a) Greater incentives for water catchment management. This will enable water companies, farmers and businesses to work together on a much larger scale using well established methods to deliver water quality, biodiversity, natural environment and economic benefits.

b) More encouragement and incentives for wastewater catchment management. This is an embryonic area needing both encouragement and financial incentives to enable sewerage companies, farmers and industrial businesses to work together to repair the damage done by past generations to our rivers and beaches, whilst also delivering economic benefits. High quality demonstration projects are needed to provide the necessary learning.

c) Increased uptake of sustainable urban drainage systems (SUDS). A package of incentives should be considered including exploring the potential introduction of a charge on new developments on greenfield sites which send surface water to public sewers rather than adopting a SUDS solution. Where a property has been connected to a sustainable drainage system the s.106 right to connect to a foul sewer should be removed giving the incentive to maintain the SUDS in operational condition.

d) Greater use of soft flood defences. These have a potential role in reducing the risk of flooding in more economical ways which is also better for biodiversity and the natural environment than traditional concrete based solutions.

Government Response:

We welcome the Task Force's recommendation to better integrate nature into water cycle catchment management.

We see that tackling water pressures cannot be separated from the demands of society and business activity on the land to which water drains and which requires everyone to play a part. Catchment management provides a means to engage key local stakeholders from all sectors within a clearly delineated area. It employs an ecosystem approach in order to identify the pressures, agree priorities, and target shared and coordinated actions to tackle them.

Defra committed to adopting a **catchment based approach** to deliver our targets on Water Quality under the **European Water Framework Directive**, in March 2011. Since then, we established **62 pilot catchment partnerships**. They were led by a variety of stakeholders, trialling different approaches, at a range of scales to inform a clear policy framework for a catchment management approach across the whole of England.

We commissioned an independent evaluation of the catchment pilots. The evaluation clearly demonstrates the feasibility of this approach and the potential benefits that it can yield. We have used the findings to develop a clear framework in collaboration with stakeholders. **The framework was launched in June 2013.** The approach will be supported by EA and other ALB resources across England's 83 catchments. The evaluation showed that independent facilitation was a critical factor in the success of pilot catchments. Defra plan to provide some initial start-up funding to help support this role within catchment partnerships. However we recognise that engagement can attract other funding streams so we hope this role and catchment partnerships will become self-sustaining after the first 18-24 months of the national roll out of our approach.

Our framework will provide a means for considering all pressures within England's 83 catchments and help facilitate measures to tackle them in a way that generates voluntary and paid contributions from the third sector and business sectors (including Water Companies, the food and drinks industry, farmers and land owners) to deliver water quality and support resource protection.

We believe that local catchment partnerships can help better target Government contributions including Pillar 2 funding to deliver measures that are needed. They also have the potential to broker and facilitate more **Payments for Ecosystems Services** that might allows us to further build on the examples pioneered by United Utilities' 'SCaMP' and South West Water's 'Upstream Thinking' projects. These have shown that in drinking water protected areas, where Water Companies have statutory responsibilities, Water Companies can adopt catchment schemes that fund others to undertake measures and avert the need for more costly water treatment while also delivering environmental benefits.

Current regulations already allow for this approach. Water Companies are already compelled to undertake ongoing risk assessments of the whole catchment and propose measures that are assessed against the degree of risk and cost effectiveness to ensure pressures are tackled in the best way. Since the last **Pricing Review** Water Companies agreed with the Drinking Water Inspectorate to adopt over 80 formal catchment schemes that tackle pressures to deliver statutory drinking water standards. As we said in the **Water White Paper**, we want Water Companies to go further. The Statement of Obligations to Water and Sewerage Undertakers and the Social and Environmental Guidance to Ofwat under the 2014 Pricing Review signals that we expect Water companies to consider such schemes where they are cost effective.

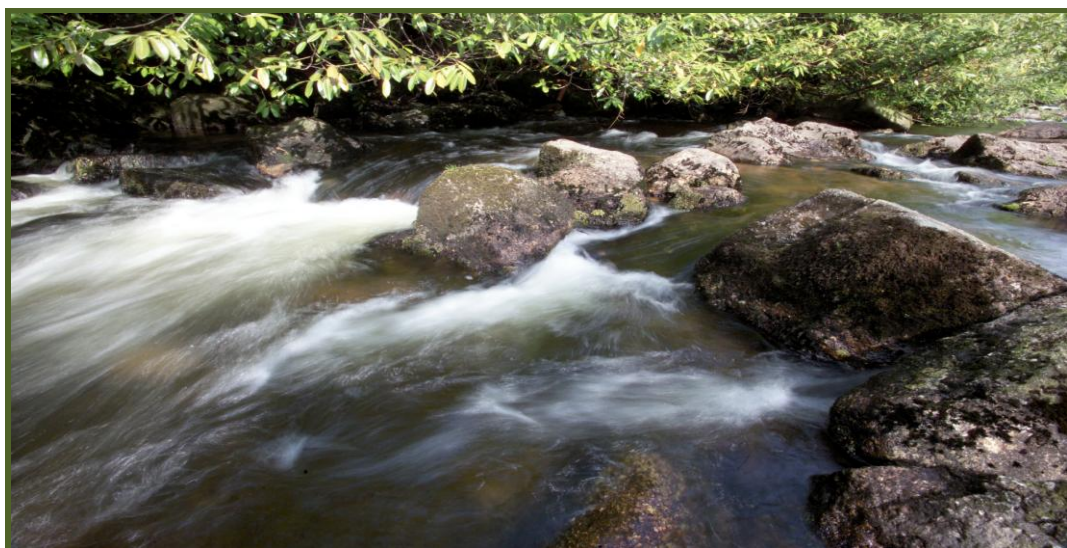
However, the consideration of catchment schemes depends upon the circumstances of each catchment. We recognise that this is not always a stark choice between a catchment scheme or treatment works but can include a number of measures ranging from mixing water through to whole catchment schemes. We believe that the catchment partnerships that we are establishing with key stakeholders across all of England, will identify further opportunities.

In this way, catchment partnerships can help drive the appetite for and also facilitate the take up of more catchment schemes as part of a balanced approach to deliver water quality and drinking water standards while preserving natural resources in the best way.

To signal this more strongly to Water Companies, on 10th July 2013 we held a **round table discussion between Richard Benyon, Parliamentary Under-Secretary for Natural Environment, Water and Rural Affairs and Water Company Chief Executives** in advance of Water Companies submitting their business plans for the Pricing Review 2014.

We also support the “use of soft flood defences”. It is already Government policy that all options should be assessed when considering options for managing flood risk, this includes “soft defences”, Natural Flood Management and catchment management flood schemes. When appraising the benefits and costs of flood management options it is Government policy that all significant impacts should be assessed including the benefits of any ecosystems services associated with different options. Defra and the Environment Agency will continue to invest in **R&D and demonstration projects** to better understand the potential of “soft defences”, Natural Flood Management and non-structural methods of reducing flooding and coastal erosion risk.

We strongly support the installation of more SuDS. We are currently working towards enacting Schedule 3 of the **Flood and Water Management Act 2010** by April 2014. This will establish a **SuDS Approving Body (SAB)** in county or unitary authorities. The SAB will have a duty to adopt and maintain SuDS serving more than one property for which the SAB has granted approval. Further, the Flood and Water Management Act will amend the Water Industry Act, making the right to connect surface water to the public sewer conditional on the drainage system being approved by the SAB. When enacted, these provisions will increase the uptake of SuDS in new developments. With regards to existing developments, the **Water White Paper** sets out how the Government intends to encourage the retrofitting of SuDS.



Task Force Recommendation 6)

Carbon reduction through investing in nature

The Task Force recommends:

a) Business of all kinds should explore the growing opportunities for innovative, nature-based carbon abatement, in particular around woodland and peatland as innovative ways of adding value to their CSR and carbon-reducing commitments.

b) Government should further support market demand by including peatland restoration in its Greenhouse Gas Accounting Guidelines.

c) Government should promote the Woodland Carbon Code and be proactive in testing and developing a similar code for peatland restoration. A peatland code should learn lessons from the Woodland Code, but must be based on sound science and suitable metrics for measuring reductions in carbon emissions to underpin market confidence peatland restoration.

Government Response:

We agree with the Task Force's recommendation on the potential for using carbon-based payments as a means to increase the level of private investment in UK peatlands.

As recently formally agreed by Defra, the Scottish Government, the Welsh Government and the Northern Ireland Executive to the IUCN UK Peatlands Programme, the UK's peatland habitats are of importance for wildlife and biodiversity, landscape value and a range of economic activities. This agreement also pointed to the potential contribution of peatlands to the Government's objectives on water quality and carbon storage and included a statement of intent to protect and enhance the natural capital provided by peatlands in the UK and British Overseas Territories.

Carbon-based payments could help to deliver a range of ecosystem services including water quality and storage, habitat provision and recreation at the same time as reducing greenhouse gas emissions. A recent study for NE/Defra on **"Developing place-based approaches for Payments for Ecosystem Services"**⁸ shows that a technical approach to measuring improved carbon storage and sequestration is feasible. The study also provides evidence that peatland restoration can simultaneously deliver a range of ecosystem services while any trade-offs would be relatively minor.

⁸ Report for NE/Defra, April 2013, Crichton Carbon Centre, URS, IUCN, Birmingham City University.

Moreover, market research⁹ suggests that investment in peatland carbon is likely to displace carbon offsetting abroad rather than funding for other UK-based schemes and therefore has the potential to provide direct benefits to the UK economy.

Following the Task Force's recommendation and as set out in our recent **Payments for Ecosystems Services (PES) Action Plan**, Defra is working in partnership with IUCN UK Peatlands Programme and others to support the testing, development and launch later this year of a **pilot UK Peatland Carbon Code**. This has and will continue to involve close working with the Forestry Commission and others involved in the creation and implementation of the **Woodland Carbon Code (WCC)**. The WCC has already been successful in delivering new woodland, and the Government agrees with the Task Force that this is a successful model to follow in developing a Peatland Code. However, it is also important to note the differences between the carbon implications of woodland planting and peatland restoration which will need to be reflected in the pilot UK Peatland Carbon Code.

Working with business, landowners, environmental organisations and investors through the Woodland Carbon Task Force, we will continue to develop, promote and increase the uptake of the **Woodland Carbon Code** to expand England's woodland resource in line with the aspirations of the recent Forestry and Woodlands Policy Statement. The work will establish an ecosystems market roadmap to build knowledge, particularly through linking the financial sector with those with an interest in woodland creation. Specifically, we will:

- ❖ continue to develop the Woodland Carbon Code, including through the development of a 'Group Scheme', publication of verification protocols and an extension of woodland types included in the projections of carbon uptake;
- ❖ improve the reporting integrity of Woodland Carbon Code projects through its introduction to the Markit Environmental registry;
- ❖ ensure that guidance, in line with the requirements of the UK Forestry Standard creates woodlands that are sustainable (physically and economically) in the long term;
- ❖ improve understanding of the cost-effectiveness of woodland creation, including an assessment of the co-benefits, through the publication of a new marginal abatement cost curve for forestry in the UK;
- ❖ launch a study, in June 2013, to identify the potential scale of woodland markets for a range of ecosystem services.

⁹ Report for Defra, unpublished, Alex Inman (Independent Consultant) with Mark Reed (Birmingham City University)

As well as drawing lessons from the WCC, Defra is working closely with officials from the Devolved Administrations to ensure that the pilot Peatland Carbon Code will indeed be applicable across the UK.

Our aim is that peatland restoration projects in Scotland, Wales and Northern Ireland as well as England will be taken forward under the pilot phase of the Code. We and colleagues in the Devolved Administrations will engage with a range of stakeholders to ensure suitable projects are brought forward for consideration.

The pilot Peatland Carbon Code will be formally launched at the IUCN UK Peatland Programme's Conference in September. Following the launch we will work with actual and potential users of the Code to understand how well it is working and what more can be done to make it attractive to investors. This will build on market research already undertaken on behalf of Defra¹⁰ which provides insight into which types of businesses are interested in investing in a scheme of this type, and what is needed to unlock this investment. As part of this we will, as the Task Force suggests, explore the feasibility of including greenhouse gas emissions reductions from peatland restoration in the UK **Greenhouse Gas Reporting Guidelines**.



¹⁰ Report for Defra, unpublished, Alex Inman (Independent Consultant) with Mark Reed (Birmingham City University)

Task Force Recommendation 7)

Environmental bonds

The Task Force recommends:

The Task Force believes there are significant opportunities for UK business in the development of a market in environmental bonds and supports further development and testing their viability in a UK context. There is an opportunity for the Government to support the development of environmental bonds as a mechanism for attracting additional private capital to protect and develop nature and recommends that **Government:**

a) explore the potential of the Green Investment Bank (GIB) in helping to speed up the creation of a liquid market in environmental bonds, for example by providing governmental guarantees through the Green Investment Bank to de-risk the investment in commercial forest bonds;

b) revise the tax conditions attached to bonds that support charitable causes;

c) create a consistent and transparent framework for reporting the impact of an environmental bond back to the investor. This would allow investors to compare the impact of bonds and make a choice in line with their objectives.

Government Response:

The Green Investment Bank (GIB) is closely monitoring the environmental bond market and is a supporter of developing the global capital markets in providing financing solutions within the green sector. To date this sector is at a relatively early stage and the notable environmental bond issues, such as International Finance Corporation's ("IFC") \$1bn environmental bond in February 2013, are based on the credit of the issuer (in the case of IFC it being a AAA rated issue) rather than the credit of any actual projects, be they green or not. However, market feedback has been that there are some investors who are specifically attracted to the concept of 'green investment' should it have a suitable credit rating. While this is a small pool of capital compared to the overall size of the market it is an area that could grow in the future.

GIB is exploring ways it can either be an investor in the environmental bond sector, or in ways it could facilitate the development of the market. However, GIB is restricted to operating in a set of agreed sectors and cannot invest in some sectors, such as solar and onshore wind, which may be attractive to other investors in environmental bonds. GIB is also exploring the potential for bond financing for specific projects which would be an alternative to an all equity financing or a debt project financing solution. This would provide a new capital markets debt financing solution to project developers.

Task Force Recommendation 8)

Common Agricultural Policy

The Task Force recommends:

Government to do more for nature and business from the CAP. Specifically:

- a) Government should continue to press for a more equitable allocation of EU Pillar 2 funds.**
- b) Government should maximise Pillar 2 funding** in the next round of the CAP in England by (i) transferring maximum funds allowable from Pillar 1 to Pillar 2, and (ii) implementing Pillar 1 “greening” measures in a way which frees up Pillar 2 funds for more ambitious schemes.
- c) Government should make more effective and innovative use of Pillar 2 funds** by testing new approaches to delivering ecosystem through: better targeting and coverage of a range of ecosystem services; closer linking with other rural development funds; innovative payment mechanisms; and, given limited funds, exploring opportunities for synergies with other potential funding streams. This experience should prepare the ground for more radical reform of the CAP in 2020.

Government Response:

During the negotiations on CAP Reform, the Government has pressed the European Commission to come forward with an objective allocation of CAP Pillar 2 funds, rather than being based on historical allocation. In this regard, the allocation of over €5 billion of Pillar 2 funds to some Member States as transparently non-objective “bungs” was disappointing to the UK.

As part of the CAP deal agreed at the June EU Agriculture and Fisheries Council, the **Government secured the ability to transfer up to 15% of Pillar 1 to Pillar 2.** As part of ongoing discussions with interested parties on the new Rural Development Programme, we will consult on the potential impact of such a transfer. This Government has always made the case that transferring funding from Pillar 1 (subsidy) to Pillar 2 (environment and rural economy) represents the best use of taxpayers’ money. Pillar 2 funds are vital to supporting competitiveness and innovation in the agricultural sector and empowering our farmers to protect and enhance our environment. The Government wants to see EU agriculture becoming competitive without reliance on subsidies. The CAP should increasingly be about the delivery of environmental public goods which the market cannot provide.

The UK was successful in the negotiation in **securing the flexibility to deliver greening** through national certification schemes, allowing us to fine tune the Commission's three measures, if necessary, to achieve the best balance of costs and environmental benefits. This allows us to take advantage of UK farmers' experience with tried and tested Pillar 2 agri-environment schemes, which deliver meaningful environmental benefits.

Defra will be working closely with stakeholders over the coming months to develop the Government's plans for the implementation of greening in England.

The implementation of CAP in the UK is devolved to the administrations in Scotland, Wales and Northern Ireland. It is the responsibility of devolved administrations to consider to what extent they transfer funds from Pillar 1 to Pillar 2 and how greening is implemented.

The Government is **currently developing the next Rural Development Programme for England**. This includes designing an agri-environment scheme for the new programme. The EU Rural Development Regulation that was agreed at the June Agriculture and fisheries Council requires that Member States implement the agri-environment – climate change measure, and that they spend a minimum of 30% of the EU contribution on activities supporting the environment. The Regulation constrains agri-environment payments to income foregone and costs incurred, which limits the potential for innovative payment mechanisms. Nonetheless we are open to exploring how greater targeting and other, different, approaches can be tested and developed within the life of the next programme. We agree with the recommendation that opportunities for synergies with other potential funding streams should be explored. The Government has therefore set out a new delivery model for the structural funds and part of rural development funding, which will see greater alignment of the range of EU funds in England.



Task Force Recommendation 9)

Food Waste

The Task Force recommends:

a) Government should consider the appropriate infrastructure and incentives to support a national system linking household food waste with local AD facilities to allow waste to be treated close to its source. As a first step, best practice in Local Authorities for household food waste collection should be explored.

Government Response:

The Government has identified that AD is the best treatment option currently available for dealing with separately collected food waste and in particular avoiding, by more efficient capture and treatment, the greenhouse gas emissions associated with its disposal to landfill. The Government has set out the importance of food waste as a key feedstock for AD in its **Anaerobic Digestion Strategy and Action Plan (June 2011)**. The Government recognises the value of following best practice in delivering food waste collections and its links with AD. As such, guidance is readily available for those delivering or planning such schemes. However, ultimately it is a matter for local authorities, communities and industry to decide on the technologies that are most suitable for their waste and energy needs.

The organisation **WRAP** has carried out research and published **best practice guidance** on many aspects of food waste collections and in linking collection schemes with the growing number of AD plants now treating this resource. This guidance will be expanded to also cover areas such as bulking waste¹¹. The **Food Waste Resources Portal** is another tool with links to the most up to date and relevant sources of data on the different sources of food waste which could be used as feedstock for AD (www.wrap.org.uk/fwrp).

In addition, the **Hospitality and Food Service Agreement** is a voluntary agreement between the UK and devolved Governments and the hospitality and food service sector, which includes restaurants, hotels, caterers and pubs. This includes a Waste Management target to increase the overall rate of food and packaging waste being recycled, composted or sent to AD to at least 70% by the end of 2015.

WRAP's research has highlighted that AD plants do not necessarily need to be close to the source of the food waste feedstock. In order to be efficient an AD plant should be handling at least 20,000 tonnes of food waste, which could require a number of local authorities to fulfil. There are also difficulties situating AD plants near large urban areas as most digestate (the output from AD) is deployed to agricultural land, which needs to be available in close proximity to the plant.

¹¹ WRAP guidance: <http://www.wrap.org.uk/content/collection-and-recycling-food-waste-0>.

Task Force Recommendation 10)

Water catchment management

The Task Force recommends:

Increased incentives for water catchment management to recognise the role and value of ecosystems within the water cycle. Specifically:

a) Government should maximise funding for Pillar 2 (see Opportunity 8) and use more agri-environment money to support land owners, especially farmers, deliver measures that benefit the water ecosystem on their land with a simple, usable mechanism to secure matched funding for any project.

b) Farmers should consider more sustainable farming techniques which benefit from agri-environment support.

c) Water companies should actively work with farmers and other stakeholders to drive the adoption of sustainable catchment management; report annually in CSR report the percentage of water catchment land which is sustainably managed and the percentage which is in the process of being converted to a sustainable approach.

Government Response:

It must be recognised that overall CAP funding will decrease. However, we are seeking to enhance value we derive from Pillar 2 funding for the water environment and wider ecosystem through better targeting, considering multiple beneficial measures and providing clearer guidance to farmers. We are working with our delivery bodies, the farming industry and other voluntary and business sectors to identify the basic measures that all farmers should adhere to and the additional supplementary measures that can be financed or delivered by third parties within a clearer package for farmers.

We will continue to develop a new **Rural Development Programme for England** that gets better value for money from CAP funds. In addition, we are working to maximise the contribution of the industry itself through our **Campaign for the Farmed Environment 2** programme and voluntary initiatives such as **Pesticides VI** and **Tried and Tested**. We hope that these contributions might be targeted through a better identification of critical pressures and supplemented by contributions by third sector and business through our catchment approach.

As stated earlier (pp14-16), we are engaging **water companies** to adopt more catchment schemes that can work with farmers and land owners to change their practices and build on good examples such as SCAMP¹² and Upstream Thinking¹³ projects.

¹² <http://corporate.unitedutilities.com/scamp-index.aspx>

¹³ <http://www.upstreamthinking.org>

Task Force Recommendation 11)

Water trading

The Task Force recommends:

More incentives for water trading that optimise the sourcing of water in the long term on a national scale, benefiting businesses and consumers and reducing stress on the environment through excessive abstraction. Specifically:

a) Ofwat should replace current disincentives with long term incentives for water trading which water companies can rely upon to support investment in any new long life infrastructure assets which may be needed.

b) Water companies should consider water trades across regional boundaries where beneficial and include them in their Water Resource Management Plans.

Government Response:

The **Water White paper**, published in December 2011, set out Government's vision for a resilient and sustainable water industry. It recognised that we will need to use our water resources more flexibly and efficiently to meet the pressures from growth and climate change. Increasing interconnection in our water supply system to allow water to be traded and moved will help improve resilience. However, the white paper also recognised that water is heavy and expensive to move long distances, and this can have environmental impacts. Therefore the transfers that are likely to be beneficial are those over a relatively short distance with strategic interconnection projects joining up water supply zones within and between water company networks.

Ofwat has announced proposals to change the way it regulates the water and sewerage sectors to drive more efficient, customer-focused companies, and ensure more sustainable water use. It recently published its consultation on how it plans to set limits on how much water and sewerage companies in England and Wales can charge their customers from 2015 to 2020- the **Price Review 2014 (PR14)**. There are references in the consultation document to encouraging companies to trade water, by removing financial and behavioural barriers. This means that they will be able to manage their supplies more sustainably by moving water across company and regional boundaries from where it is plentiful to where it is scarce. The consultation also states that Ofwat may require each company to establish and report against a trading and procurement code covering water resources. This is to ensure that rewards under the water trading incentives were being earned only for efficient trading.

If these incentives are successful in removing behavioural barriers, then in the longer term targeted incentives would no longer be required to encourage water trading, although Ofwat does plan to keep these under review to factor in new evidence and other reforms.

Through their water resources management plans water companies consider all of the options available to them to enable them to balance water supply and demand. Each Company must show that it has considered all options for water trading and sharing including interconnections within and across company boundaries and must demonstrate that its preferred solution is best value for water company customers and the environment.

Ofwat are also proposing to introduce a total expenditure ('totex') approach. Under their current model, bulk supply is counted as operational expenditure and hence cannot be incentivised through the Regulatory Capital Value (RCV). The new approach means that all expenditure is treated equally and can earn a return, which should be a strong incentive for any necessary infrastructure investment.

Defra will also **consult this year on a long term reform of the abstraction management system**, with the aim of creating a system which is more responsive to future uncertainty and enables us to manage our water resources more effectively. The new system needs to give clearer signals on water availability to allow abstractors, from farmers to water companies to manufacturers, to plan effectively and invest for the future. This reform is considering improving the ability of abstractors to trade, providing flexibility and incentivising the efficient management of water.

Task Force Recommendation 12)

Water supply pipe ownership

The Task Force recommends:

Transfer of ownership and responsibility for water supply pipes from individual customers to water companies. Specifically:

- a) Government should create the legal and regulatory conditions to enable the transfer of water supply pipe ownership from customers to water companies and to ensure that companies are funded to meet their costs provided that they are efficiently incurred.**
- b) Water companies should actively work with consumer groups to demonstrate the benefits of the transfer.**

Government Response

We agree with the Task Force that this should be considered.

A **public consultation on the future management of private water supply pipes** was carried out from 23rd May for 6 weeks. For the purpose of this consultation, water supply pipes were defined as the service pipes which connect a property to the water mains and which are not in the ownership of the water supply companies (defined as Water and Sewerage Companies (WaSCs) and Water Only Companies (WoCs)).

The water supply pipe is generally the pipe that runs from the boundary of a property through to its emergence above ground in the property or in an external wall box of the property itself. This portion of pipe is normally currently owned by the property owner.

Our **preferred option**, as set out in the consultation document, **is to create a power through primary legislation to make regulations which require water supply companies to make a declaration of adoption in respect of certain water pipes**. That is, to transfer ownership of the portion of water supply pipes that are currently privately owned, to the water supply companies. This would be implemented through secondary legislation i.e. not from this enabling primary legislation. This secondary legislation could relate to households only, or households and non-households.

Improved management of these pipes could help reduce leakages, ensure that our water supplies remain resilient and sustainable for the future, provide clarity over ownership and responsibility and help reduce the potential risk of failure for drinking water quality standards.

Adoption may have significant and various impacts on a range of people. We asked in the consultation for information on the impacts on customers, companies, businesses and other affected groups. We are currently considering the responses received which will form part of

our further analysis of the costs, risks and benefits around the options for future management of water supply pipes.

If our preferred option is taken forward, implementation of secondary legislation would be most practical if aligned with economic regulation timescales so that the costs and investment needed from water supply companies can be reflected in business plans in time for PR19 (Price Review 2019). All interested parties will be closely involved in the development of secondary implementing legislation. An important part of any future adoption will be the interaction between water supply companies and their customers.



Task Force Recommendation 13)

Water metering

The Task Force recommends:

Accelerate the use of water metering, to reduce water demand and encourage water efficiency. Specifically:

- a) Government should allow/encourage widespread introduction of compulsory water metering to accelerate levels of meter penetration alongside an appropriate tariff structure designed to help those unable to pay (such as those in low rateable value properties and in receipt of benefits).**
- b) Water Companies should work with customers to explain the benefits of metering and/or the support tariffs available and to report annually in CSR reports the percentage of customers with meters.**
- c) Water Companies should work with manufacturers of white goods to implement consistent water efficiency ratings; work with manufacturers of other high consumption devices (e.g. jet washers, garden watering systems) to encourage innovative ways to deliver similar outcomes for customers with less water.**
- d) Manufacturers should implement a single water efficiency rating scheme for white goods in a way similar to energy efficiency and report annually the percentage of sales against each category.**
- e) Manufacturers should develop and promote more efficient high consumption devices.**

Government Response:

Metering

The Government's policy on compulsory water metering was set out in the Water White Paper *Water for Life*: **we believe this is a choice to be made by water companies**, who are best placed to find the appropriate local solution in discussion with their customers.

The costs and benefits of increasing levels of water metering to help reduce demand will vary from region to region, depending on the level of water stress. Because of these complexities, the Government will not impose a blanket approach to metering across the country. As the climate changes and the population grows, the case for universal metering may change, but will do so at different times for different areas. Where water companies are designated as being in an area of Serious Water Stress, they must consider whether a universal metering programme is an appropriate response to their supply/demand imbalance as part of the Water Resources management Planning Process. The status of serious water stress is based on the long term availability of water resources for abstraction so that supplies will be secure and the environment protected, whatever the weather.

However, **universal metering will not be the most cost/effective solution in all areas**, particularly in areas where there is sufficient supply to meet demand whilst protecting the environment. In addition, it is important to note that, whilst many households would see bills fall with the installation of a meter, others, notably large households in properties with low rateable values, would be likely to see their bills increase to reflect their actual water consumption. This group includes large families on low incomes. In all cases meter installation programmes must be implemented with sensitivity; some households bills will go up and the costs of installation may mean higher bills for all customers.

Many householders who would benefit from switching to a meter are unaware of the savings they could make or do not act on that information. Evidence suggests that single adults and pensioners can be at higher risk of water affordability problems, and these are groups who are most likely to benefit from opting for a meter, but may choose not to because of concerns about the uncertainty of future bills. Water companies can overcome this by explaining likely benefits, making sure that customers at risk of affordability problems are on a suitable payment plan and by demonstrating a sample bill. Water companies, Ofwat and the Consumer Council for Water already provide information to customers about metering, including online tools to help customers check if they could benefit, and any support tariffs that they offer.

In June 2012 Defra published guidance to water companies to enable them to develop social tariffs to reduce bills for struggling customers. Social Tariffs are the Government's main water affordability measure, enabling cross-subsidy between customers to reduce the bills of those at risk of affordability problems. Social Tariffs will create benefits for customers genuinely struggling to pay their bills due to hardship and reduce the burden of bad debt on paying customers.

In 2010-11, 39% of households in England and Wales were charged on a metered basis. This is forecast to be 45% in 2012-13 and 50% in 2014-15.

Water efficiency

The Government is supportive of the role that water efficient products can play in reducing demand for water. It runs the Enhanced Capital Allowance scheme for water which offers a 100 per cent first-year allowance for investments by businesses in certain water efficient plant and machinery such as water efficient taps, toilets, monitoring equipment and industrial cleaning equipment. Eligible products are detailed on the Water Technology List (WTL).

The Government White Paper, *Water for Life*, identified the role that voluntary water efficiency labelling could play in enabling customers to choose more efficient products. A group of leading retailers and merchants announced on 1st July their commitment to labelling all their bathroom fittings (basin taps, showers, WCs and baths) with the **Water Label** (<http://www.water-efficiencylabel.org.uk>).

This label provides comparative information on levels of water use between similar products with the aim of informing consumer purchase decisions in favour of more water-efficient products. The intention is to provide labelling and information to customers across a significant proportion of their products from July 2014. The Government commends the agreement and recognises the potential to extend this voluntary labelling approach to other water using products.



Task Force Recommendation 14)

Very long term planning

The Task Force recommends:

A very long term (50 year) plan for the entire water cycle that enables consideration of the optimum solutions for the most efficient delivery of water supply services. Specifically:

a) Government should consider the practicalities of extending the timeframe for regional Water Resource Management Plans from 25 to 50 years and implement a mechanism to better co-ordinate these regional plans.

b) Regulators should ensure the regulatory regime embeds long term strategic infrastructure planning that addresses forecasts over a 50 year timeframe in deciding which schemes to fund in any Asset Management Plan.

Government Response:

The Government welcomes the Task Force's recommendation on improving the UK's longer-term planning for water resource management and resilience.

In 2011 the Government published its White Paper, ***Water for Life***. This sets out the Government's objectives for providing secure, sustainable and affordable supplies of water. It outlines the challenge that climate change and population growth present for future water resources, and the case for action to build resilience and ensure a good quality water environment.

The Water White Paper sets out the Government's objectives for the water sector, and how it will work with others to drive change, support economic growth and protect the environment. It emphasises the importance of a stable regulatory environment for the water sector to ensure it remains attractive to investors. It also sets out the Government's vision for greater choice, innovation and efficiency in the water sector to deliver better outcomes for customers.

Although the planning horizon in the current water resources management planning round is 25 years that does not stop water companies from taking a longer term view where this is appropriate, indeed *Water for Life* encouraged the water sector to look out to the 2050s. Government expects companies to assess the vulnerability of their resources to climate change and analyse how their supplies might be affected within their resource zones.

The Task Force's focus on improved planning chimes well with the Government's objectives for this round of water resource management plans, and also for its strengthened proposals on water resource resilience that will feature in the **Water Bill**.

These proposals include a **new resilience duty for Ofwat** and clarifying Ministers ability to specify levels of service to which water companies must plan.

In addition, the Government's statutory guidance to Ofwat the ***Strategic Policy Statement*** sets out the Government's clear expectation that Ofwat will use its regulatory powers to contribute to the delivery of the longer-term imperatives set out in the Water White Paper. It establishes an expectation that regulation will incentivise companies to think and act for the long-term, reflecting the broader context of supply challenges through to 2050 viewing the 25 year planning horizon in WRMPs as a minimum not a maximum.

Following the successful conclusion of this round of water resource planning and Price Review Government will look to work with water companies, the Environment Agency and Ofwat to assess the effectiveness of any new longer term approach to planning.



Task Force Recommendation 15)

Wastewater catchment management

The Task Force recommends:

Greater encouragement and incentives for more sustainable approaches to wastewater catchment management. Specifically:

- a) Government should maximise funding for Pillar 2 (see Opportunity 8) to allow more agri-environment funding for wastewater catchment management and to support land owners, especially farmers, to deliver measures on their land with a simple, usable mechanism to secure matched funding for any project.
- b) Government, through the Environment Agency ('EA'), already sets the overall direction through the River Basin Management Plans ('RBMPs'); government now needs to define whether responsibility for the development of the Wastewater Catchment Plans (which will implement the RBMPs) should rest with the EA, water and sewerage companies ('WASCs'), the Rivers Trusts or others; in addition, Government and its agencies need to define the mechanism and responsibilities for funding and managing the Wastewater Catchment Plans and decide who is responsible for ensuring implementation.
- c) Government should target funding in a way similar to the process adopted for the National Environment Programme that the EA set out for water companies. This would set out a national approach to funding, with a clear scope/remit for WASCs, along with regulators and other 'polluters'
- d) WASCs, farmers, businesses should work with the organisation deemed responsible for the Wastewater Catchment Plans to deliver them.
- e) High quality demonstration projects are needed to provide the necessary learning.
- f) WASCs should consider the introduction of new processes to remove nitrates, phosphates and metals for reuse where feasible and economically viable.

Government Response:

As stated in the response to Recommendation 8, we will continue to develop a new Rural Development Programme for England that gets better value for money from CAP funds.

The **catchment approach** operates on the premise that resulting schemes to deliver drinking water standards will reduce the need for wastewater treatment as set out above. In addition, effluent re-use schemes maximise the water available for public water supply, particularly where the environment is over-abstracted and/or water is scarce. Many unplanned indirect effluent re-use schemes are already in operation, particularly in south east England, and provide significant volumes of water for public water supply.

The Government recognises the potential benefits of water reuse technologies but the merits of a proposed installation should be examined case by case, as this technology may not be appropriate, or deliver benefits, to all situations. There are a number of factors to consider regarding the economic viability of water reuse systems. Principally, this includes the costs of installation, maintenance (including ongoing energy costs of filtration and pumping), and for rainwater systems local rainfall patterns.

In addition, the **European Commission** is considering bringing forward standards for effluent reuse by 2015 (see its Blue Print for Water). We await this proposal with interest and Defra will be keen to work with the water industry as it develops.

Task Force Recommendation 16)

Sustainable Urban Drainage Systems (SUDS)

The Task Force recommends:

Strong incentives to encourage the widespread adoption of SUDS to reduce loads on drainage systems and water pollution risks, while increasing wildlife-rich areas.

Specifically:

a) Government should explore the potential introduction of a tax/charge on new developments on greenfield sites which send surface water to public sewers rather than adopting a SUDS solution. The appropriate charge should be reviewed.

b) Government should, 3 years after the introduction of the charge in (a) and the review of its effectiveness, consider what similar steps might be appropriate for brownfield sites.

c) Government should use the revenue generated in (a) and (b) to help Local Authorities to maintain SUDS systems.

d) Developers should consider greater use of SUDS in response to the incentives in (a) above and report annually in their CSR reports the percentage of new developments on greenfield sites which adopt a SUDS solution.

Government Response:

We strongly support the installation of more SuDS. We are currently working towards enacting Schedule 3 of the **Flood and Water Management Act 2010** by April 2014. This will establish a **SuDS Approving Body (SAB)** in county or unitary authorities. The SAB will have a duty to adopt and maintain SuDS serving more than one property for which the SAB has granted approval. Further, the Flood and Water Management Act will amend the Water Industry Act, making the right to connect surface water to the public sewer conditional on the drainage system being approved by the SAB. When enacted, these provisions will increase the uptake of SuDS in new developments. With regards to existing developments, the **Water White Paper** sets out how the Government intends to encourage the retrofitting of SuDS.

Task Force Recommendation 17)

Soft flood defences

The Task Force recommends:

Greater focus on soft flood defence options within catchments in the UK's response to increasing flood risk. Specifically:

a) Government should maximise funding for Pillar 2 (see Opportunity 8) to allow more agri-environment funding to invest in creation of soft flood defences.

b) Government should already sets the strategic direction for managing flooding risk; government now needs to ensure that river catchments are managed holistically, from headwaters to estuary, by creating a robust planning framework and flood protection plan to manage all interventions and to assign ownership; and to define whether responsibility for the development of this plan should rest with the EA, local authorities or water and sewerage companies; in addition, government and its agencies need to define the mechanism and responsibilities for funding and managing these interventions and decide who is responsible for ensuring implementation.

c) Government should give development control more authority so that where a developer proposes to build in areas susceptible to flooding, mitigation measures must form part of the development; in addition a tax/charge should be levied on developers to pay for mitigation measures up/down stream. The appropriate charge should be reviewed.

Government Response:

We support the use of soft flood defences. As stated earlier (see response to Recommendation 5, 'Water cycle catchment management') it is already Government policy that all options should be assessed when considering options for managing flood risk; this includes "soft defences", Natural Flood Management and catchment management flood schemes. We will also continue to develop a new Rural Development Programme for England that gets better value for money from CAP funds.

The **National Flood and Coastal Erosion Risk Management Strategy for England** was laid before Parliament in May 2011. This explains the planning framework for how risk management authorities should work together to ensure that river catchments are managed holistically. It also lays out how risk should be managed in a co-ordinated way within catchments and along the coast to balance the needs of communities, the economy and the environment. The Strategy defines the mechanisms and responsibilities for funding and managing these interventions and explains who is responsible for what, in line with allocation of responsibilities established by the Flood and Water Management Act 2010.

The Strategy seeks to provide a framework within which communities will have a greater role in local risk management decisions. It sets out the Environment Agency's strategic overview role in flood and coastal erosion risk management and the lead role for lead local

flood authorities in managing local flood risk. This is in line with the recommendations made by Sir Michael Pitt in his review of the summer 2007 floods.

We published the **National Planning Policy framework (NPPF) in 2012**, setting out the requirements for the planning system in helping to deliver sustainable development. The NPPF is clear that new development should be steered away from areas of flood risk where possible, taking account of the impacts of climate change. Where there are no suitable and reasonably available sites in areas with a lower probability of flooding, new development should only be permitted if it will be safe and resilient to flooding. It is for local planning authorities to decide whether appropriate and adequate mitigation measures to manage any remaining flood risks are in place. If planning authorities are not satisfied with the measures proposed, they can refuse planning permission if they consider it appropriate to do so.



Task Force Recommendation 18)

Privatisation of flood defences

The Task Force recommends:

Flood defences be privatised through an open tender process, supported by an appropriate revenue model. Specifically:

- a) Government should create the legal and regulatory conditions to enable the transfer of the responsibility for the investment, planning, construction, management and maintenance for soft and hard flood defences from the public sector to the private sector** (including WASCs and new private sector companies which may be established to bid), community organisations, social entrepreneurs and nongovernment organisations, through an open tender process to ensure that the Government gets fair arms-length prices. Government would need to carefully define the responsibilities, ownership, liabilities and funding mechanism (water bills, insurance, rates or a combination).
- b) WASCs, other private sector companies, community organisations, social entrepreneurs and non-government organisations should develop partnerships where appropriate to tender for and then manage soft and hard flood defences more cost effectively than under government ownership.**

Government Response:

Many defences are already privately owned and managed. The private sector also plays a large and increasing role in the delivery of risk management authorities flood management programmes. The role of the private sector, community organisations, social entrepreneurs and non-government organisations will continue to develop under the current arrangements.

However, there are **currently no plans for the wholesale privatisation of fluvial and tidal flood defence management.** Water and sewerage companies have an expanding and challenging role to play in managing surface water flooding in cooperation with lead local flood authorities. Government will continue to keep the funding mechanisms for funding flood management under review.

Task Force Recommendation 19)

Managing natural resource security

The Task Force recommends:

a) Business should explore and seize opportunities to recover natural resources more effectively in their design, manufacturing and marketing of products. Proactive management of upstream risks to ecosystems can secure supplies, save costs, enhance reputation and open up new market opportunities.

b) Government should recognise that sustainably managing renewable ecosystem based resources (such as water and phosphorous) is as important to the UK's resource-security risks as non-renewable resource scarcity. Existing Government processes to manage materials scarcity issues should be expanded to give greater coverage to ecosystem risks.

Government Response:

We welcome the Task Force's recommendations in this area.

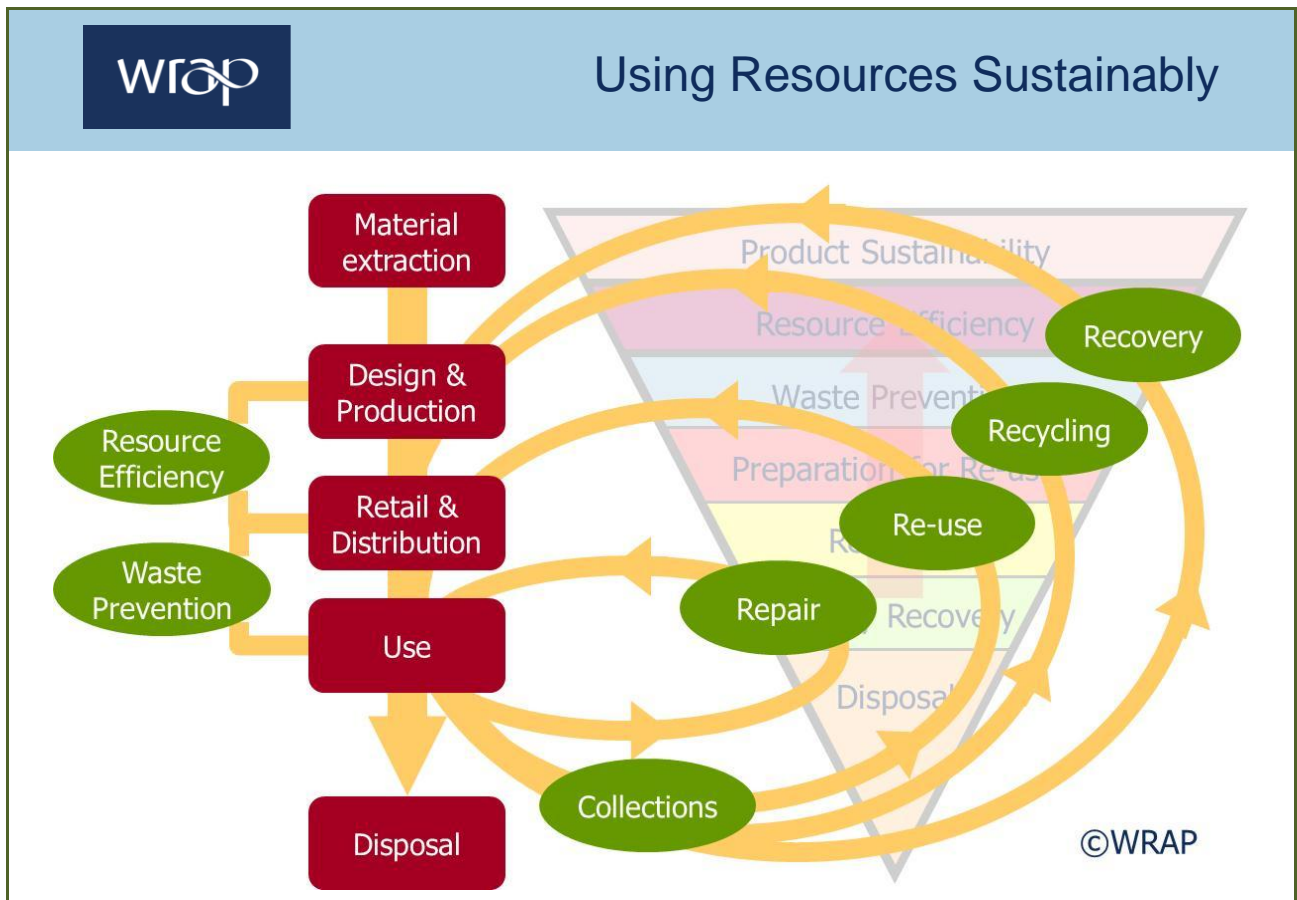
The Government would welcome business taking a proactive role in the sustainable management of natural resources. It is very much in line with our thinking around resource security and improving business resilience. We want business to think about the resources they need and the risks they may face to their supply in the future. Better management, using less, designing for recovery, re-using, recycling and remanufacturing materials and products can help to alleviate the risks. Innovative technologies and approaches, and new ways of doing business can open up new markets for companies and growth in the UK economy. We are supporting business to develop action in these areas through the work of **WRAP** and the **Technology Strategy Board**.

The Government's **Resource Security Action Plan**, published by BIS and Defra in March 2012, set out the Government's approach to the issues around the risk to materials supplies. This primarily focused on metals and minerals, but the plan set out that the approach envisaged would be broadly applicable to a wider range of resources, including embedded water, natural assets and ecosystems. The action plan set out a number of actions around how the Government would seek to develop a partnership approach with business to help raise their awareness, develop innovation and increase better management and resource efficient use of materials.

For example, as part of the commitments in the Action Plan, Green Alliance have convened a **Circular Economy Task Force** of leading business to consider the actions needed to develop the concept of a circular economy and how this may address resource security concerns.

As identified in the EMTF report there are potential opportunities for business through adopting more 'circular' use of materials and new models of doing business. The Task Force's first report has made recommendations to Government, business and investors on practical steps to encourage the more widespread adoption of circular economy concepts and how we can ensure we make the most of valuable resources.

We will continue to work closely with business and encourage businesses to address the value of all resources, including ecosystem based resources.



Task Force Recommendation 20)

Using nature to enhance resilience

The Task Force recommends:

- a) Government should, in its infrastructure planning, explicitly recognise the importance of managing ecosystems to improve the resilience of UK infrastructure and business to extreme events.** Initiatives to date (for instance following the Pitt Review on flooding) need to be extended to ensure that natural systems can play a meaningful role in resilience.
- b) Existing policy and analytical forums in Government that address issues of economic and business resilience and horizon-scanning should explicitly consider the role of ecosystem management in natural resource and climate risks, and in communicating risks to business.**

Government Response:

We welcome the Task Force's recommendations in this area.

The importance of managing ecosystems is recognised in the **Interdependencies Planning and Management Framework** currently being developed by Infrastructure UK in collaboration with University of Bristol and UCL.

The framework provides a tool to allow policymakers to understand the interdependencies between an infrastructure asset, other infrastructure networks, its location and interactions with other systems. Preliminary trials of the framework show that it can highlight interdependencies between infrastructure networks and flood protections regimes and point to opportunities for new infrastructure to enhance and support soft flood protection while ensuring the resilience of the infrastructure itself.

In the planning of new infrastructure assets, potential impacts on ecosystems is explicitly taken into account by the Environmental Impact Assessment, which will lead to modifications in the design of the project if required.

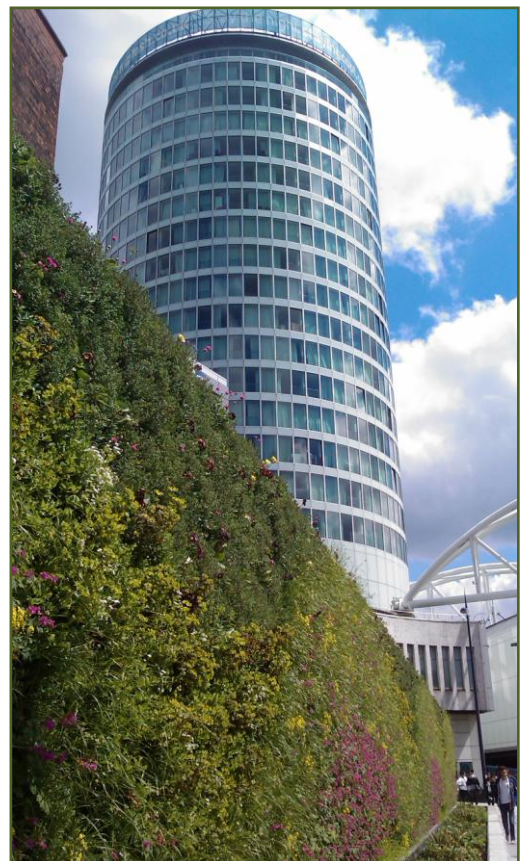
New infrastructure investments are expected to have very long economic lifetimes. The potential effects of severe weather events are therefore examined at the design stage to protect the investment in the long term. A systems level analysis can lead to an understanding of the level of resilience individual assets require, based on interdependencies with other assets and the systems level consequences of failure. Utilising soft flood management schemes can be part of enhancing the resilience of individual assets where appropriate, as can hard defences, realignment, or managed abandonment and replacement of assets where this is a sensible economic response.

For existing infrastructure assets, the infrastructure theme of the **National Adaptation Programme** provides guidance on protection of assets. Government has developed the National Adaptation Programme by taking the most urgent risks identified in the UK Climate Change Risk Assessment 2012 and working in partnership with businesses, local Government and other organisations to develop objectives, policies and proposals to address them. As part of this, Defra has commissioned a research project to consider the barriers and opportunities to paying for ecosystems services which enable better climate change adaptation, and which assesses how climate changes impacts on the value of these services. In July the Government published a progress report on what the National Adaptation programme has achieved and the priorities for the next five years.

Alongside this, Government has published research into the '**Economics of climate resilience**'. This sets out a framework of appraisal methodologies to guide decision makers when developing adaptation strategies in the context of uncertainty. It includes a focus on methodologies to appraise the cost- benefit case for natural flood risk management.

The **Environment Agency Climate Ready** delivery service has also established an **Infrastructure Operators Adaptation Forum** to discuss and share information on:

- assessing risks from natural hazards and climate change
- measures to manage these risks
- relevant new information and resources
- embedding resilience and adaptation in organisations
- interdependencies between infrastructure systems and common standards.



Task Force Recommendation 21)

Business accounting for nature: mainstreaming standards and metrics

The Task Force recommends:

- a) Companies – should move from a principle of “no net loss” (or net positive impact) on nature to demonstrate their progress towards this goal, using valuation methods where possible.** Such companies can then drive the debate on non-financial disclosure metrics.
- b) Companies in high impact sectors should build partnerships to develop and road test valuation methods and tools**, such as those planned by the TEEB for Business Coalition. The latter should ensure that its proposed valuation tools build upon and integrate with existing reporting tools and standards in order to maximise uptake, and are robust enough for developing into internationally recognised standards.
- c) Government must maintain pace developing national accounting for natural capital** using suitable valuation methods in order to strengthen the wider enabling context for business accounting for nature.
- d) Government should review the incentive structures surrounding standards and metrics to consider if these create specific barriers for businesses taking these up.**

Government Response:

We agree that companies should work towards having a net positive impact on nature; it is an important step in moving us toward the Natural Environment White Paper ambition of being the first generation to leave the natural environment of England in a better state than we inherited it. Both business and Government must play their part to drive this agenda forward so that key externalities are understood and managed, laying the foundations for long term sustainable growth.

The Task Force highlight both the level of interest from businesses in the field of ecosystem / natural capital measurement and their growing demand for useable metrics. The Task Force report demonstrates the business advantages that can be realised through the use of standards and metrics to better understand business impacts and dependencies on natural capital. We recognise that there is no single consensus on the way forward in this area and that there is a growing range of tools and techniques currently available. We do not want the search for perfection to hamper progress. Nevertheless, some level of standardisation is likely to be helpful in moving this debate forward and for this reason we support the work of the **TEEB for Business Coalition**, who are driving the global debate in this area and building common ground amongst interested organisations.

In addition, we agree that there is a role for Government to lead by example by mainstreaming natural capital accounting at the national level. This aims to raise awareness of how the economy interacts with the environment and could in time provide new principles for valuation which companies then adopt. Defra is committed to working closely with the **ONS and the Natural Capital Committee** (NCC) on developing national natural capital accounts, both physical and monetary, over the coming years. Specific plans and timetables are set out in the Roadmap published by ONS in December 2012. Natural capital accounting is a developing and complex area with, as yet, no international standards. The UK is actively engaged with the international community in this area; in particular, the ONS is a member of the Editorial Board for the UN System of Environmental Economic Accounting, which is currently developing guidelines on ecosystem accounting.

On the corporate side, work is also under way. For example, the NCC is working to help facilitate the development of methodologies and agreed metrics to support the inclusion of natural capital in corporate accounting. The NCC's work will particularly focus on engaging the accounting bodies. In June Government published its revised guidance for businesses on environmental key performance indicators, which includes a section on measuring and reporting organisational activity on biodiversity and ecosystem services. However, there is more to be done. Consequently, Government commits to supporting business in this area by:

- striving for the inclusion of a proportionate approach to ecosystems / natural capital valuation within developing domestic and European guidance on corporate reporting, accounting, and disclosure. For example, **working with the Financial Reporting Council to explore how natural capital can be included in guidance on Strategic and Directors reporting under the Companies Act;**
- reviewing incentive structures to ensure they support the uptake of ecosystem standards and metrics by business. As part of this work **Defra will support the TEEB for Business Coalition to lead a workshop focussed on the topic;**
- **working with business to produce and publish a roadmap in Spring 2014 that builds on the workshop with the TEEB for Business Coalition.** The roadmap will identify what the successful integration of natural capital in business decision making, reporting and accounting would look like and explore the necessary steps to achieve that integration over the longer term working with key partners including TEEB for Business Coalition and others such as UNEP FI.

Task Force Recommendation 22)

Knowledge Economy: UK expertise enabling business opportunities to enhance nature

The Task Force recommends:

To realise fully the opportunities for both business and nature, there is a need to further strengthen collaboration between business and knowledge based institutions, positioning the UK as an international leader in knowledge based goods and services contributing to protection of ecosystems and their sustainable use. Government and relevant business, research and public bodies will need to:

- a) Further develop the UK ecosystems knowledge base, continuing to support our international research reputation especially through NERC and our world leading academic institutions.**
- b) Recognise that more should be done to support the UK business opportunities from these world class research programmes including through support for knowledge networks and arrangements for business collaboration.**
- c) Examine and develop knowledge required to underpin other ecosystem market opportunities and setting out an action plan for knowledge based ecosystem opportunities.**

Government Response:

Government recognises that a strong ecosystems knowledge base provides both significant environmental and business opportunities.

The UK is a world leader in understanding the value of nature through work on the **UK National Ecosystems Assessment (NEA)**. With the Research Councils and Welsh Government, we are currently supporting a further phase of this ground-breaking research – the NEA follow on phase, costing £2.2 million. The aim of this work is to further develop and communicate the evidence base of the NEA and make it relevant to decision and policy making at scales across the UK. It will be completed by March 2014.

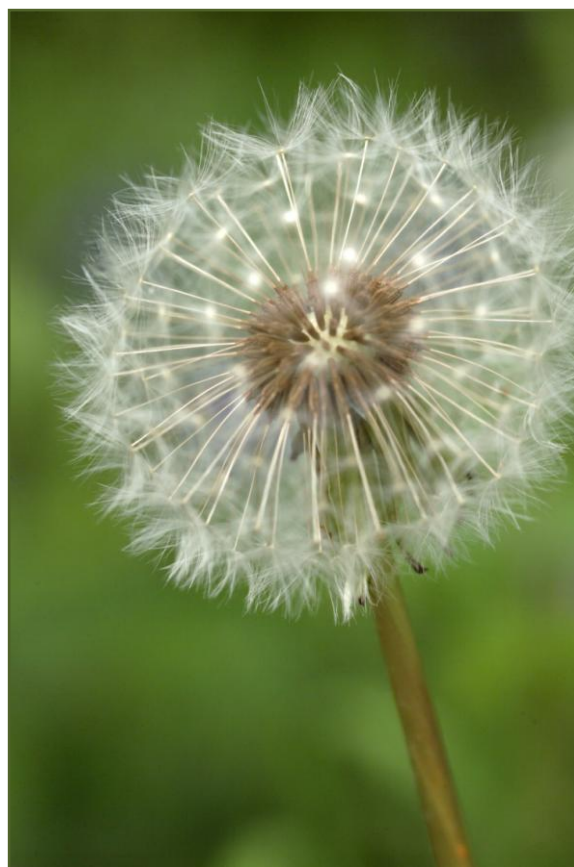
Government and its agencies will work with a range of partners through the new **Living With Environmental Change Taskforce on “Realising Nature’s Value”**. This new collaborative group will be looking to bring together the wide range of activities that have been established in this area and provide the evidence, tools and metrics that will enable decision makers to make best use of our land and seas in a changing environment. Its intended role includes seeking to ensure the evidence and data are available to support business opportunities for realising nature’s value as outlined by the Ecosystem Markets Task Force.

We recognise the close link to the recommendations on mainstreaming standards and metrics. To underpin specific ecosystem market opportunities requires clear guidance, framework and metrics, to give confidence to potential investors. As one example in this area, Defra's recently published "**Developing the potential for payments for ecosystem services: an Action Plan**"¹⁴ emphasises this as a key building block to enable PES opportunities to move further forward and the important links back to the knowledge economy.

We have also financially supported mechanisms such as the **Valuing Nature Network** and the Ecosystems Knowledge Network to support the development and distribution of the underpinning evidence.

The work of **UKTI** also lends support to businesses to capitalise on their ecosystems expertise, retain the UK's strong leadership in this field, and market this expertise overseas. UKTI's low carbon (cross sectoral) and Built Environment (environment/water/construction are UKTI priority sectors) trade focus is on building up an awareness of the UK's low carbon/green and environmental capability and maximising international trade opportunities for UK companies with these solutions.

UKTI runs joint missions on global technology priorities with the Technology Strategy Board and is also working closely with the FCO, through our global network of climate change and energy attachés, to promote UK low carbon, clean energy business solutions for the global low carbon transition.



¹⁴ Defra, May 2013. See <https://www.gov.uk/government/publications/payments-for-ecosystem-services-pes-action-plan> .

5. Summary of Government Responses

Recommendation	Government Response
<p>1) Biodiversity Offsetting: securing net gain for nature through planning and development</p>	<p>We agree with the Taskforce's assertion that a well-designed nationwide system of biodiversity offsetting in England has the potential to bring benefits for conservation, development and stimulate the competitive growth of business.</p> <p>The Government has published a Green Paper seeking views on the costs and benefits of biodiversity offsetting in England and how a system could be tailored to the country's requirements.</p>
<p>2) Bio-energy and anaerobic digestion on farms: closing the loop using farm waste to generate energy</p>	<p>We agree with the Task Force recommendations to encourage anaerobic digestion on farms.</p> <p>A substantial amount of work is already making progress in this area, including the 2011 AD strategy & action plan, WRAP Driving Innovation in AD programme and the Anaerobic Digestion & Biogas Association Finance Forum.</p> <p>We will target £2-3m of the existing WRAP loan fund to support farm level AD. Defra will work with WRAP and the Green Investment Bank to explore an aggregated platform for funding farm-scale AD projects.</p>
<p>3) Sustainable Local Woodfuel: active sustainable management supporting local economies</p>	<p>We welcome the Task Force recommendations to support local woodfuel and woodland management.</p> <p>The Forestry & Woodland Policy Statement committed to sustaining, managing and improving our forests and woodlands so that they can contribute to economic growth and provide multiple benefits to society and the environment. We look forward to receiving the industry-led 'Grown in Britain' action plan in autumn 2013.</p>
<p>4) Nature-based Certification & Labelling: connecting consumers with nature</p>	<p>We agree that certification & labelling play an important role for business, consumers and the environment.</p> <p>The work of the ISEAL Alliance is encouraging closer collaboration and consistency between labelling schemes.</p>
<p>5) Water Cycle Catchment Management: integrating nature into water, waste water and flood management</p>	<p>We agree that nature should be integrated into water catchment management.</p> <p>We have recently launched a catchment management framework for England, Water Bill, research and</p>

	<p>demonstration projects, and work to increase SUDs including establishing SUDS approving bodies by April 2014.</p> <p>We held a roundtable meeting for water company Chief Executives, chaired by a Defra Minister, ahead of PR14.</p>
6) Carbon reduction through investing in nature	<p>We welcome the Task Force's recommendations to increase private investment in UK peatlands.</p> <p>Defra in collaboration with IUCN UK Peatlands Programme and others will launch a pilot UK Peatland carbon code in September 2013.</p>
7) Environmental bonds	<p>The Government appreciates the potential of environmental bonds and welcomes further research.</p>
8) Common Agricultural Policy	<p>We broadly welcome the Task Force's recommendation for reform of CAP. The Government has pressed the European Commission to come forward with an objective allocation of CAP Pillar 2 funds and has always made the case that transferring funding from pillar 1 to 2 represents the best use of taxpayers' money.</p> <p>Negotiations on CAP reform are ongoing. Government is currently developing the next Rural Development Programme for England.</p>
9) Food waste	<p>We agree with the Task Force on the benefits of dealing with food waste through anaerobic digestion, as indicated by the Anaerobic Digestion Strategy and Action Plan (June 2011).</p> <p>WRAP research highlights that the most efficient plants should be handling waste from several local authorities.</p>
10) Water catchment management	<p>We welcome Task Force support for water catchment management. We are actively working to encourage catchment management approaches with the water industry, farmers and other stakeholders. Please see our Response to Recommendation 5.</p>
11) Water trading	<p>We agree that increased interconnections will improve resilience; however we believe that transfers are most likely to be beneficial over relatively short distances. Defra is consulting this year on a long term reform of the abstraction management system.</p>
12) Water supply pipe ownership	<p>We agree that a transfer of ownership should be considered. We held a recent consultation on the topic and our preferred option is to create a power through primary legislation to make regulations which require water supply companies to make a declaration of adoption in respect of certain water pipes.</p>

13) Water metering	We agree with the use of water efficient products, and the promotion of water metering by water companies, however universal water metering will not be the most cost effective solution in all areas.
14) Very long term planning	<p>We welcome Task Force recommendations for longer term planning by water companies, as set out in our Water White Paper and the forthcoming Water Bill.</p> <p>We will hold post-PR14 discussions with water companies, Ofwat and EA to assess the effectiveness of any new longer term approach to planning.</p>
15) Wastewater catchment management	<p>As stated in earlier responses (recommendations 5 and 10), we continue to support and encourage more water catchment management approaches.</p> <p>We recognise the potential of water re-use technologies, but the merits of any proposed installation should be considered on a case-by-case basis.</p>
16) Sustainable Urban Drainage Systems (SUDS)	<p>We welcome Task Force support for increased use of SUDS.</p> <p>When enacted in April 2014, the Flood and Water Management Act 2010 by April 2014 will increase the uptake of SUDS in development.</p>
17) Soft flood defences	We welcome Task Force support for soft flood defences, though it is Defra policy that all options should be considered for managing flood risk, including soft defences which work with natural processes.
18) Privatisation of flood defences	<p>Many defences are already privately owned and managed. The role of the private sector, community organisations, social entrepreneurs and NGO's will continue to develop.</p> <p>There are currently no plans for the whole sale privatisation of fluvial & tidal flood defence management.</p>
19) Managing natural resource security	<p>We agree on the need to manage ecosystem based resources as well as non-renewable resources. We are supporting business to develop innovative technologies and approaches to resource management, for example through WRAP and the Technology Strategy Board.</p> <p>The Resource Security Action Plan, March 2012 set out the Government's approach and established a Circular Economy Task Force, which will report in the summer.</p>
20) Using nature to enhance resilience	We agree on the important role of ecosystems in building resilience. This is recognised in the Interdependencies Planning and Management Framework currently in development. The infrastructure theme of the recent National

	Adaptation Programme report also provides guidance on protection of assets.
21) Business accounting for nature: mainstreaming standards and metrics	<p>We welcome Task Force recommendations to maintain pace on natural capital accounting and to support business in its work to develop and test valuation tools.</p> <p>Defra is working with the NCC, ONS and TEEB for Business in these areas and will publish a Government & business-led roadmap in Spring 2014 which supports the integration of natural capital in business accounting.</p> <p>Defra will also work with the Financial Reporting Council to explore how natural capital can be included in guidance on Strategic and Directors reporting under the Companies Act.</p>
22) Knowledge Economy: UK expertise enabling business opportunities to enhance nature	<p>We welcome Task Force recommendations to help position the UK as a world leader in knowledge-based goods and services contributing to protection of ecosystems.</p> <p>The UK is already a world leader in understanding the value of nature through work on the UK National Ecosystems Assessment (NEA). Government continue to work with a range of partners through the new Living with Environmental Change Taskforce on Realising Nature's Value.</p> <p>UKTI also lends support to businesses to capitalise on their ecosystems expertise, retain the UK's strong leadership in this field, and market this expertise overseas.</p>

The Task Force also signalled they would like to **reconvene in one year's time (Spring 2014)** for a discussion with Government and other business leaders to assess progress since the Task Force's report, and possible ways forward; the Government welcomes this suggestion.