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<b>Project:</b>	WRSE Environmental Methodology Development		
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<b>Subject:</b>	Review of the Environment Agency's draft planning guidance for water resources for discussion		

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## 1 Introduction

New planning guidance for water resources planning has been developed by the Environment Agency, Natural Resources Wales and Ofwat, and is currently undergoing consultation. This Technical Note provides a review of the environmental and natural capital elements of the new draft guidance and its alignment to the scope and proposed approach to environmental assessment for the WRSE Regional Plan. We have reviewed the following documents:

- Water Resources Planning Guideline (WRPG): Working version for WRMP24 (version 4.2) (Environment Agency, Natural Resources Wales, Ofwat)
- Appendix A: Draft Natural Capital Guidance for Water Companies – Draft natural capital guidance - metrics (JBA Consulting)
- Natural Capital and Decision-Making PowerPoint (Hallatt and Kilty)
- Confidential presentation

## 2 Overview of the Draft Guidance and Implications for WRSE

### 2.1 Overview

Our review concentrates on the new and updated key environmental elements of the guidance and those with implications for the WRSE environmental appraisal methodology (it does not provide a review of the entire guidance). We believe the significant environmental updates include:

- The requirement to demonstrate Biodiversity Net Gain (BNG) for options and the plan
- The stronger focus and detailed guidance on natural capital including the five minimum ecosystem services to be considered and natural capital metrics
- Improved guidance on approaches to integrate environmental outputs into options decision-making and programme appraisal

## 2.2 General Observations

### Natural Capital

The draft guidance documents update the previous WRPG and guidance on environmental valuation set out in 'Environmental valuation in water resources planning – additional information' (Environment Agency, 2016). The draft guidance sets out environmental requirements and approaches for water resources planning with a much more detailed approach to natural capital. It does not set out process guidance for undertaking a SEA or HRA (which is covered in UKWIR 2012 guidance 'SEA and HRA – Guidance for Water Resources Management Plans and Drought Plans') but it does provide more clarity on how these processes can be used and integrated with the water resources planning process.

Legislative SEA is not required for the WRSE Regional Plan and therefore, there is a degree of flexibility in how this is applied to maximise its usefulness for WRSE. However, we propose to closely align our approach to the SEA process set out in the UKWIR guidance as the Regional Plan SEA will provide a framework for the subsequent WRMP24 SEAs. This also supports a new section included in the draft WRPG on national, regional and local planning. This section provides an emphasis on ensuring WRMPs are directly informed by the regional plan(s) and the regional best value solution, and local planning. We expect this would extend to the environmental appraisal process as well.

### Consultation

More emphasis is placed on pre-consultation and engagement with statutory consultees as early as possible, particularly regarding SEA objectives. This reflects current best practice, where informal engagement is undertaken during the SEA scoping process. However, often this only occurs as part of the formal scoping report consultation, so emphasising the importance of early consultation is welcome.

This would result in early and regular consultation being a key feature of the WRSE environmental appraisal, especially when developing the SEA objectives. Mott MacDonald have undertaken a review of each water companies SEA objectives and developed an alignment matrix picking out key themes and highlighting commonality and differences. All the water companies had objectives that covered the SEA Directive topics but there were some differences in the focus of objectives which may reflect the specific issues for that water company. We propose to develop an overarching set of SEA objectives for the WRSE Regional Plan linked to the SEA Directive topics and key priorities for WRSE and informed by the review of the six water companies SEA objectives. We would then create a set of sub-themes or sub-objectives as a framework for each water company to use. This would allow the overarching SEA objectives to be consistent across the water companies, but the sub-objectives would allow each water company to expand the objectives and cover the issues relevant to them. This would require detailed consultation with the water companies and statutory consultees to ensure the appropriate focus and coverage of topics.

## 2.3 Biodiversity Net Gain

Section 8.2 of the draft sets out the information that should be provided for each option and includes a natural capital assessment and contribution to biodiversity net gain (BNG), as well as the SEA, HRA and WFD outcomes. The update overall has a much greater focus on BNG than the previous guidance. This will place increased requirement on individual companies to develop Biodiversity baselines for their Zones of influence and provide additional costs of mitigation within each options cost.

The guidance states that BNG should be demonstrated at a plan level and there is a requirement for each option to "look to maximise biodiversity net gain". Supply options should incorporate BNG into design. If significant BNG can be achieved but at significant additional cost this should be included as a separate option. This will present problems for the regional plan as new options will have to be added to the options database as the cost of achieving biodiversity net gain is calculated. The guidance recommends use of Natural England's Biodiversity tool 'The Biodiversity Metric 2.0' tool however this is likely to require too fine a

detail to be applied at the plan level. The guidance does provide alternative solutions such as NEVO and habitat / land change mapping and these will be easier to apply at the plan scale.

The current ambition for the regional plan is the Biodiversity net gain will be incorporated within the assessment of different programmes to ensure there is a net biodiversity gain across any implemented plan. Mott MacDonald has suggested developing a biodiversity baseline from spatial data sets of habitat inventories, which can then be used to calculate BNG change through land use of each option. This is recommended as a suitable methodology within the new guidance and will allow for the individual companies to utilise work from the regional plan within their own WRMPS.

## 2.4 Natural Capital

Five key metrics (ecosystem services) are identified as the minimum, which all water companies should include:

- Biodiversity and habitat
- Climate Regulation (carbon storage)
- Natural hazard (flood and drought) regulation
- Water Purification
- Water Regulation

New section (8.3) on carbon costs that recognises the current climate emergency and Government greenhouse gas emissions target of net zero by 2050 and Water UK targets of carbon neutral by 2030. As well as the capital and operational carbon costs of options (which was included in the previous guidance), the draft guidance introduces the impact of land use changes on carbon sequestration. This is one of the five key metrics proposed for the natural capital assessment.

It would be possible and probably beneficial to build non-monetised Natural Capital metrics into the SEA objectives. As regards the discreet Natural Capital assessment this can be monetised as appropriate.

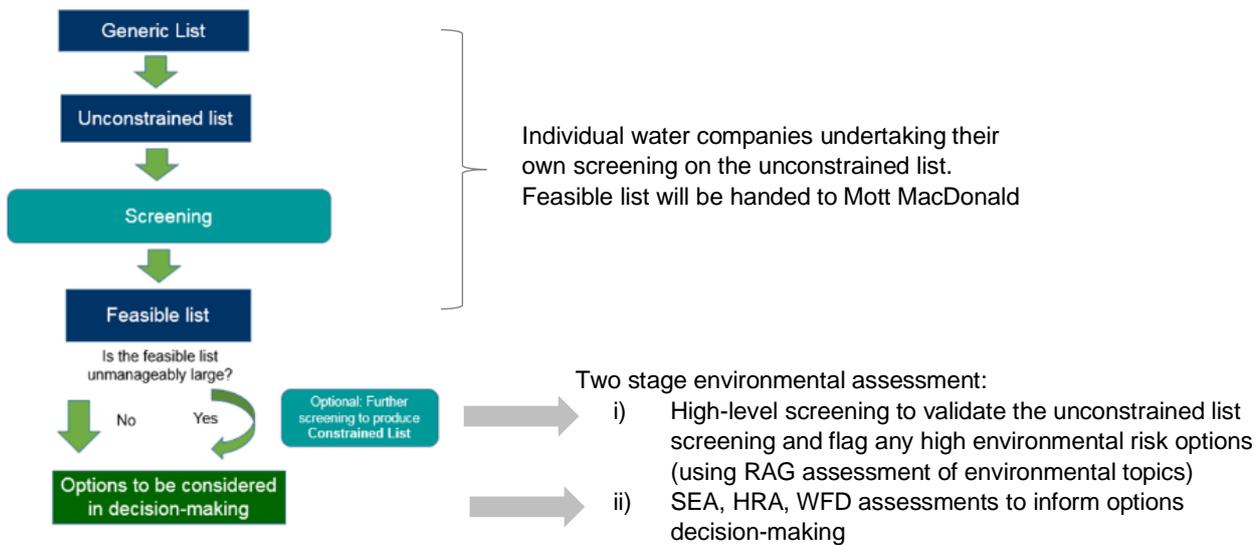
## 2.5 Integration of environment into options decision-making

Section 8 of the draft WRPG presents a diagram of the stages of refining the options list which is similar to our proposed staged approach for environmental assessment of options for WRSE (Figure 1).

### Figure 1: Options Assessment

**Draft WRPG Diagram**

**WRSE Environmental Assessment**



The general options assessment approach proposed for WRSE aligns to the approach in the guidance, where high level screening is undertaken to flag any high environment risk options that can then either be rejected or flagged for mitigation requirements. This would be undertaken using a defined Red Amber Green (RAG) assessment against environmental topics.

There is a new section (9.2) on assessing the environment and society in decision-making. It recommends a choice of three approaches:

- Natural capital least cost method
- Programme appraisal led method
- Multi-criteria optimisation

Whichever approach is chosen, each option should seek to maximise BNG where reasonable and include in the option cost, and the following programmes should be presented to help to determine the Best Value Plan (as well as the least cost programme):

- SEA objective maximised programme
- Natural capital maximised programme;
- BNG maximised programme

The multi-criteria optimisation approach (Figure 2) reflects our proposed approach for WRSE, where the outcomes of the environmental assessments are translated into metrics to feed into the multi-criteria optimisation and programme appraisal. We propose some slight variations for the WRSE methodology:

- The SEA metric will also include outcomes from the HRA and WFD assessments, while accepting that generally options that do not come out well during HRA and WFD processes should not be included in the constrained options list, there may be options which require further thought
- We propose to keep the natural capital metric separate from the cost metric initially to avoid the possibility of double counting, we can then develop the appropriate integration methodology.

There is no guidance on how to translate the SEA outcomes into a metric, therefore, there is flexibility within the approach to develop this for WRSE. However, from discussions with Water Companies about WRMP19, this was a key barrier to including SEA outcomes as a metric in EBSD modelling because they could not develop a robust procedure for translating the qualitative SEA results into a numerical metric. Therefore,

different water companies can approach this metric differently for WRMP24. WRSE has the opportunity to provide a framework and guidance for this to support water companies and to develop a common approach that is translatable across the region.

**Figure 2: Multi-criteria optimisation approach (from the PowerPoint by Hallett and Kilty)**

