Environmental Pillar
Working for a sustainable future

Submission to the Joint Committee on the Future Funding of Domestic Water Services in Ireland.

From the Environmental Pillar

27th January 2017

The Environmental Pillar is comprised of 28 national independent environmental non-governmental organisations (NGOs), who work together to represent the views of the Irish environmental sector. The Environmental Pillar was established as an independent national social partner by decision of the Government in 2009. The work of our members covers a broad range of areas including habitat conservation, wildlife protection, environmental education, sustainability, waste and energy issues, as well as environmental campaigning and lobbying. The members work towards achieving Sustainable Development, according to the Rio Declaration of 1992. These principles require the balancing of the three pillars of Sustainable Development – social, environmental, and economic.

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1. Opening Response

Whilst there is much that is welcome in the report, it includes one obvious and serious contradiction. It states that *Excessive or wasteful use of water should be paid for directly by the user at tariffs determined by CER.* It then goes on to make no real proposal on how to decide when there is excess use. Why would it make sense to use tax-payers money to fill a private swimming pool?

As you will see below, the Environmental Pillar policy is that the Polluter Pays Principle should apply to all, with financial transfers back to those that are unable to pay. However the proposal to give consumers a set allowance per person paid for out of taxation could be acceptable as an alternative but only if all users were metered. How would you legally charge someone for use of water unless you can prove that they used it?

There seems at present to be very little said about the considerable impacts on climate change caused by the substantial energy use at all stages of water production and wastewater treatment.

The many questions in the call for submissions underlines the very poor level of knowledge regarding usage in Ireland. This huge knowledge gap can only be filled by a concerted effort over a considerable period of time, and it is well beyond the capability of the Environmental Pillar to fill that gap.

We believe that the debate about domestic water charging must be underpinned by baseline information and analysis on the economics of wider water resource management

in Ireland: the pressures and impacts that other water uses (including agriculture, industry and others) exert on the environment; how charging for water (or other economic policy instruments .e.g. discharge tariffs) could play a role in reducing these pressures and ensuring that the cost of these uses and services are adequately recovered; and how the burden of the costs of environmental protection/restoration (e.g. source protection) could be shared between the various categories of users in a way that is not only fair but also effective. (An analysis of best practices abroad could provide good information on the efficacy of such economic policies.) This baseline economic analysis of water uses, is not only required under Article 5 of the Water Framework Directive[1], but it is critical to improving our understanding of where to best focus economic instruments in order to improve water quality (and thus to inform the selection of cost effective measures under the WFD), and it would also contribute to reassuring domestic water users that they are not the only one required to contribute to this objective.

2. State of Ireland's Water Infrastructure

Ireland is facing an uncertain future in respect to its antiquated and dilapidated water services infrastructure. Much of our water and wastewater infrastructure dates back to the Victorian age with many aging and leaky water and sewerage pipes in addition to many of

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[1] 1. Each Member State shall ensure that for each river basin district or for the portion of an international river basin district falling within its territory:

- an analysis of its characteristics,

- a review of the impact of human activity on the status of surface waters and on groundwater, and

- an economic analysis of water use

is undertaken according to the technical specifications set out in Annexes II and III and that it is completed at the latest four years after the date of entry into force of this Directive.

ANNEX III

ECONOMIC ANALYSIS

The economic analysis shall contain enough information in sufficient detail (taking account of the costs associated with collection of the relevant data) in order to:

(a) make the relevant calculations necessary for taking into account under Article 9 the principle of recovery of the costs of water services, taking account of long term forecasts of supply and demand for water in the river basin district and, where necessary:

- estimates of the volume, prices and costs associated with water services, and

- estimates of relevant investment including forecasts of such investments;

(b) make judgements about the most cost-effective combination of measures in respect of water uses to be included in the programme of measures under Article 11 based on estimates of the potential costs of such measures.

our inadequate drinking water and waste water treatment plants. This legacy leaves many areas subject to boil notice orders and larger urban areas facing periodic shortages. The EU has initiated an infringement case against Ireland in relation to 71 wastewater agglomerations. In addition, 38 of the 162 larger urban agglomerations in the country are not meeting wastewater treatment standards under the Urban Waste Water Treatment Directive.[2]

Infrastructure shortfalls combined with unpredictable weather patterns exacerbated by climate change subject many areas to high risk of either shortages or flooding episodes. If our water services infrastructure continues to breach EU standards, the quality of our ambient waterways is in jeopardy through excessive water abstractions to meet the needs of the population and pollution of surface and ground waters by insufficiently treated sewage discharges.

3. Financial Situation of Irish Water

Irish Water, in its Water Charges Plan to the Commission for Energy Regulation (CER) stated that it will cost €2.078 billion to operate from October 2014 until the end of 2016.[3] According to the Office of Public Expenditure, the following table illustrates the costs of Irish Water in 2014:

Irish Water Costs:

Type of Cost	**Amount**	**Financed by**
Establishment Costs	€180m	NPRF
Metering Costs*	€539m (excl VAT)	NPRF
New Operational Costs 2014	€120-140m	Third Party sources
Operational Costs 2014	€690m	Local Gov Fund €490m, Non-Domestic Water Charges €200m

[2] Draft Water Services Strategic Plan, Irish Water (2015)

[3] Irish Water Water Charges Plan to the CER (Supporting Information). https://www.cer.ie/docs/000979/A%2003%20CER14408%20-%20Irish%20Water%20%20Water%20Charges%20Plan%20Submission%20Supporting%20Information.pdf

Capital Costs 2014	€240m	Equity injection

*Estimated 160,000 (of the total 1.05m) water meters have been installed[4]

According to the Irish Water's 2014 testimony before the Joint Oireachtas Committee on the Environment, Culture and the Gaeltacht, "[i]n 2009 the Water Services Investment Programme would have cost €6bn to implement. Indeed the overall requirement to upgrade services has been estimated at €10bn. Since 2009 we invested €1.5bn in our water services infrastructure."[5] Ireland still has a long way to go to upgrade its services.

Looking at historic costs in relation to the provision of water services, the State has consistently earmarked around €1.3 billion annually for operations and capital investment. In the past, this amount was paid through general taxes and is estimated that in 2010 it cost the State €632 per household to provide water services.[6] It is now estimated that it costs the State €594 per annum to provide both drinking water and sewerage treatment services to each household.[7] As each household with two adults will pay €260 gross (not including the €100 water conservation grant) or €160 for single adult households, there will be a significant shortfall in the revenue needed by Irish Water to provide its services. This will be paid through general revenue or through outside investment. Figures provided by the CSO indicate that in 2011, there were over 1.649 million households.[8] Simple calculations demonstrate that it will cost nearly €980 million to provide water services. However, delving further into the types of households in the country, a rough calculation reveals that the current water charging structure will bring in around €330 million[9], €650 million shy of what is needed to simply run the system, let alone invest in the aging infrastructure.

[4] http://*per.gov.ie/wp-content/uploads/46.-**Irish**-**Water**-**Costs**.pdf*

[5] http://www.water.ie/news/summary-of-submission-by-/Irish-Waters-Submission-to-the-Joint-Oireachtas-Committee-on-the-Environment-Culture-and-the-Gaeltacht-11th-February-2014..pdf

[6] http://www.oireachtas.ie/parliament/media/committees/environmenttransportcultureandthegaeltacht/Revised-Opening-Statement-Dr-Edgar-Morgenroth.pdf

[7] http://www.irishtimes.com/news/consumer/water-in-ireland-to-cost-more-than-in-most-eu-states-1.1884342

[8] http://www.cso.ie/quicktables/GetQuickTables.aspx?FileName=CNA29.asp&TableName=Private+Households+by+size&StatisticalProduct=DB_CN

[9] There are approximately 607,315 single adult households (x€160) and 963,895 two adult households (x€260). This would bring in €347,783,100 plus fees from holiday homes and rental homes €7,211,313 = €354,994,413.

Additionally, the country has committed to invest €600 million each year to improve the infrastructure through capital spending.[10] The question remains, where will this money come from? Either the water charges scheme needs to be re-evaluated or an Irish authority with responsibility for water must be able to raise needed capital from investors. Either way, the financial structure of our national water services entity must meet the fiduciary requirements set by Eurostat that more than 50% of its operations are funded by users to remain off budget. If this test is not met, then the funding of water services goes back on budget and will adversely affect Ireland's deficit level.

The Environmental Pillar, in recognising the gross waste of water through leakages and the antiquated water and wastewater treatment services, advocates a household water charge that achieves the two-pronged result of reducing water consumption and generating revenue to upgrade both the water and sewerage treatment systems and to repair leaky distribution pipes. This charge must be directly based on the amount of water used and waste services provided.

We support the establishment of a public service Irish water authority to oversee the management of this vital resource. This authority would act on behalf of the government who remain trustees of the water. The Irish water authority must always remain a public entity. This authority should create better economies of scale in the treatment and distribution of drinking water and the treatment of sewerage, and to enable off-balance sheet borrowing to support the necessary infrastructural work. We also believe that a well-managed authority would be well placed to protect drinking water sources and to impose measures to ensure that such waters achieve 'good ecological' status for all waters by 2015, as is required under the EU Water Framework Directive (WFD). The achievement of high quality drinking water is derived not only by effective treatment, but also by protecting the quality of ambient water sources. The regulation, enforcement and monitoring of water, whether it be protecting the quality of source water, or water/sewerage treatment, must go hand in hand to establish a seamless, integrated system to protect water quality and quantity.

However, some households are already paying under the Rural Water Scheme -- around 170,000 households with average fee of €100 calculating that some homes have 1 adult and some have 2 (take away €17,000,000) plus those households with septic tanks not billed by Irish Water (440,000 tanks, of which 170,000 in rural water schemes, 115,000 in holiday homes leaves a remainder of 155,000 with average fee of €50 calculating that some homes have 1 adult and some have 2. (€7,750,000). This leaves a total of around €330,244,413 per annum

[10] https://static.rasset.ie/documents/news/speech-by-minister-alan-kelly.pdf

4. Current water regulation

Under the Water Framework Directive (WFD), all EU States must ensure that their waters reach 'good ecological' status by 2015. According to EPA, 84.7% of groundwater, 52% of rivers, 47.3% of lakes and 64% of transitional waters have reached 'good' or 'high' ecological status.[11] While there has been progress made in improving our waters, there is still a long way to go to reach the WFD's 2015 target.

There are so many stresses on the quality of lakes, streams, rivers and other water bodies, including industrial discharges, farming, sewerage treatment plants, forestry, landfills, mining, boating, fishing and other recreation, and aquaculture, with many activities regulated on a county-by-county basis. As river basins cross over county lines, it is crucial that the combination of these stresses do not deteriorate Irish waters any further. As an example, what is done in Dublin can have a huge impact on water quality in Wicklow. Additionally, there are so many national departments and agencies that have cross-over authority over different aspects of a water body, for example, the OPW has jurisdiction over flooding, ESB has jurisdiction over power generation and Inland Fisheries Ireland has jurisdiction over fisheries, that we are concerned that the communication between departments/agencies and local authorities are limited and that public participation is scarce.

5. A publicly-owned national utility.

We support the establishment of a public service Irish water authority to oversee the management of this vital resource. This authority would act on behalf of the government who remain trustees of the water. The Irish water authority must always remain a public entity. This authority should create better economies of scale in the treatment and distribution of drinking water and the treatment of sewerage, and to enable off-balance sheet borrowing to support the necessary infrastructural work. We also believe that a well-managed authority would be well placed to protect drinking water sources and to impose measures to ensure that such waters achieve 'good ecological' status for all waters by 2015, as is required under the EU Water Framework Directive (WFD). The achievement of high quality drinking water is derived not only by effective treatment, but also by protecting the quality of ambient water sources. The regulation, enforcement and monitoring of water, whether it be protecting the quality of source water, or water/sewerage treatment, must go

[11] EPA Report, "Water Quality in Ireland 2007-2009"

hand in hand to establish a seamless, integrated system to protect water quality and quantity.

Whether there ever was a 'hidden agenda' in this regard or not, the Government needs to recognise that mistrust has now become so pervasive that it needs very strong action, above and beyond the commitments already made, in order to address this (e.g. through a plebiscite or referendum).

6. Septic Tanks

Ireland has 440,000 septic tanks throughout the country-side. Under the Water Services (Amendment) Act 2012, all owners of septic tanks and other small waste water treatment systems must register with their local county councils. The EPA has begun its inspection process on risk-based approach to prioritise areas of higher risk. Approximately 1,000 septic tanks were inspected in 2013-2014. These inspections revealed the following:

- 987 inspections were carried out
- 476 systems (almost 50%) failed the inspection and received an advisory notice
- The most common reason for failure was lack of de-sludging
- 52% of sites with private wells failed the inspection
- 79% of inspected systems more than 50 years old failed the inspection
- 79% of the inspected systems are now compliant with the regulations[12]

These statistics reveal that the most common reason for tank inspection violations was the failure to de-sludge. The government should initiate a national public awareness 'De-sludging' campaign on the need to de-sludge septic tanks. Owners should also be made aware of the necessity to not use chemicals that kill the bacteria in septic tanks that are degrading the sludge.

At the current rate of the national inspection programme, it will take 440 years to inspect all septic tanks. Historically, many of these were sited improperly, especially during the building boom in the 1990s and early 2000s. Additionally, many householders have failed to de-sludge their septic tanks, releasing contaminated water that can carry pathogens

12 http://www.epa.ie/pubs/reports/water/wastewater/Report%20National%20Inspection%20Plan%20Web.pdf

(bacteria/e-coli) and harmful chemicals into the environment, including ground and surface waters. Since many households that have septic tanks also have their own wells, these releases can contaminate drinking water which can cause serious illness.

The Department of Environment, Community and Local Government established a grant system to remedy problems raised through the septic tank inspection programme. However, this grant scheme is limited to those tanks that have been inspected. There is no incentive for households to repair, replace or re-site their septic tanks voluntarily. This glacial speed of inspections along with limitations associated with the loan programme cannot yield positive results and will delay any beneficial impacts the registration and inspection regime sought to create.

7. Pause the roll-out of metering

But make use of existing meters for information Similarly, it has now become difficult to distinguish between the opposition to metering versus the opposition to the principle of having to pay for public water services, since these two aspects of the reform were introduced simultaneously. The issues that arose in relation to having the meter installation campaign conducted at such an ambitious pace and scale (with lack of public engagement) are likely to have compounded this opposition. Therefore, we advocate a pause in the metering campaign until a form of consensus can be reached about the future funding model for public water services. However, existing meters can be a rich source of information for households and to inform the development of water services (see below).

8. Financing adequate investment in quality water services

Finance investment through taxation for now. Because of the confusion between financing, metering and privatisation, compounded by other factors such as poor engagement, lack of transparency and the austerity context, resistance to charges has become very entrenched among a significant proportion of the population, as reflected by a collection rate of 53% in the first year (before suspension). The situation is unlikely to improve significantly in the near- to mid-term (especially since those who were initially willing to pay have now been dis-incentivised to do so). Therefore, even though we think that domestic water charges should in principle have a significant role to play for funding public water services, we must also acknowledge that they are unlikely to generate a level of revenue that is close to meeting Irish Water's financing needs, especially as these needs are known to be massive after years of under-investment. So, unless and until the situation is such that domestic water charges can contribute to the sustainable financing of Irish Water (and it could take some years to rebuild the trust in the system required for a sustainable majority of domestic users to consider accepting charges), there is clearly no other option other than for the

Exchequer to provide the financial resources required. However, in order not to continue with the unacceptable situation of previous decades, where funding was both insufficient and 'ad hoc', we advocate that the Government should clearly commit to ring-fencing the budget required to fully finance a 5-year investment programme by Irish Water that would specify the list of outputs to be delivered in order to achieve two key outcomes:

- Compliance with the requirements of the Urban Waste Water Treatment Directive through the building and/or upgrade of the necessary wastewater treatment plants (this would improve the quality of the water environment by reducing point source pollution, meet relevant objectives under the Water Framework Directive (see above) and address the current EU Commission infringement case (2013/2056) against Ireland)
- Measurable Improvements to the quality of the water services delivered to users so as to initiate a virtuous circle whereby people would be more satisfied with the service (and Irish Water) and thus more willing to pay for them (and trust the utility).

This period should be used to conduct a comprehensive evidence-based analysis of the environmental, legal, social and financial considerations necessary to inform a decision regarding domestic water charging that meets the requirements of the WFD for sustainable water management whilst also addressing affordability concerns.

9. A commitment to meaningful public engagement and participation.

In tandem with this, we believe it is crucial, that significant efforts and resources be invested during this time in a comprehensive national public engagement programme. This with a view to: beginning to build a relationship of trust with the public; increasing the perception of the value of natural water resources and public water services; raising awareness of the impact that water services have on the environment and the costs of delivering these; and exploring the different ways of both conserving and paying for water (e.g. various mixes of taxation and tariff models). This engagement should then influence and inform future policy development in relation to water services (in addition to wider water management).

Necessary information and baseline data to inform future policy Domestic water use: Future decisions about water policy, and domestic water charging specifically, must also be underpinned by robust data, facts and evidence that have been lacking so far. Firstly, while meters have prompted vehement opposition as a pricing tool, they could deliver significant benefits as an information tool, and we recommend that those that are already in place be used to:

- Better understand the level and drivers of consumption across different types of households;

- Raise awareness among households of their usage and how it compares to benchmarks (e.g. the average consumption in the neighbourhood). There is evidence that this could be an effective behavioural incentive for reducing consumption;
- Compare the impact of consumption reduction campaigns/incentives in metered vs non-metered areas.

This could be done as a number of pilot projects carried out as part of the public engagement programme. Moreover, any household that has a meter should be able to easily access their usage information, through web, phone app, and quarterly email.

10. Licensing

Licensing for discharges into water bodies is currently done by many different agencies, both local and national. IPPC licences for large industries and farms are issued through EPA, Section 16 discharge permits into sewerage treatment plants are now controlled by Irish Water (transferred from local authorities after the establishment of Irish Water) and Section 4 discharge permits directly into water bodies are issued by the relevant local authorities. We fear that there is a lack of communication between the relevant authorities and additionally that the local authorities do not have the capacity to adequately monitor and enforce section 4 licenses as many of the local authority water staff have been seconded onto Irish Water. Water abstractions are currently regulated by local authorities, but the licensing of such activities is sparse with many abstractions being done without permits.

The current regulation of water abstractions is woefully lacking as there are no uniform standards across the country and many abstractions go unlicensed by the local authorities. Irish Water has stated that "Irish Water assets comprise our water resources (in particular our rights of abstraction)".[13] We believe that Irish Water's claim to its 'rights of abstraction' should not be absolute and that these 'rights' should not be included in their list of assets. Assets should refer to the treatment plants and the pipes alone. When granting abstraction licenses, we conclude that Irish Water and rural water schemes should have priority over other commercial abstractions, but all abstractions must be granted only after the water source, the natural environment and habitats and biodiversity is protected under a strict adherence to the Water Framework Directive. In short, abstractions must be centrally controlled and licensed.

[13] Irish Water Water Services Strategic Plan, p. 32

RECOMMENDATIONS:

1) Water Charges

The Environmental Pillar supports domestic water charges based on a pay-for-use basis through metering. The current rate schedule of charging without regard to the amount of water used is the worst of all worlds. It does not have the intended result of encouraging a reduction of water usage and resembles more of a tax rather than a user charge, like other utilities. We are sensitive to households that are facing hardship and believe that accommodations can and should be made in these situations similar to the current scheme under the Household Benefits Scheme under the Department of Social Protection. Those who can pay, should pay, and those that cannot pay should receive assistance.

Consumer rates must be lower than commercial rates. As industries and other businesses are for-profit companies that use more water and potentially pollute more than individuals, they should pay a higher rate.

TASC, an independent Irish think-tank, has proposed the imposition of water credits whereby all households are charged for the water they consume. However, to address households experiencing deprivation and/or those with special needs (such as for a disability), a water credit system would be in place to offset charges. These households would register for water credits by declaring their incomes and other relevant circumstances through self-assessment, similar to the property tax registration. TASC also calls for the establishment of a progressive water usage rate to increase the per cubic meter rate as consumption rises. The Pillar supports this structure as a better system to award reduced consumption, penalise higher consumption, generate income and assist those households that find it difficult to pay for their water. Access to good quality drinking water is a human right and those who truly cannot afford to pay should not face water cut-offs or reduced pressure.[14]

2) Water Conservation and Protection Measures

To encourage additional water conservation, the government should provide free low flow shower heads or toilets, or allow tax relief at the standard rate for the installation of systems that reduce water consumption and/or the installation of rainwater harvesting systems to reduce the demand on treated water supply. Systems that divert rain-water away from public sewers, and so prevent storm overloads at sewage treatment plants,

[14] TASC Policy Brief: Equitable Water Charging.
http://www.tasc.ie/download/pdf/tasc_equitable_water_charging_policy_brief_april_2014.pdf?issuusl=ignore

should also be encouraged. In this context, where possible, only permeable surfaces should be acceptable in planning permissions for new developments.

Additionally, the current septic tank grant programme should be extended to assist financially-strapped households to upgrade non-compliant septic tanks as an urgent matter. The grant programme should not be limited to the small amount of tanks that have been inspected and failed to meet quality standards. Separately, a different low- or no-interest loan scheme could be developed for non-compliant tanks that have not been inspected but where the owners want to come into compliance and do not have the financial resources to do so. Lastly, the government should initiate a 'De-sludge Your Septic Tank' public awareness campaign.

3) Licensing

- All water discharge licenses must be issued through a national regulatory entity such as EPA or an Irish water authority. Currently, while the issuance, monitoring and enforcement activities of Section 16 licenses (discharging into wastewater treatment plants) have been transferred to Irish Water, Section 4 licenses (discharging directly into waterways) continue to be issued, monitored and enforced through the local authorities that don't have the resources or personnel necessary to police license infractions.

- There must be three-way communication between EPA, the Irish water authority and the RBD (River Basin District) offices when issuing discharge permits to ensure that such a discharge will not overload the river basin capacity.

- A data base of all current abstractions, both licensed and unlicensed must be compiled and available on a central publicly accessible site.

- Abstraction licensing (Irish Water is the largest abstractor in the country), on-site wastewater systems licensing and land drainage decisions must all be done through the EPA.

4) Climate Change

Climate Change prevention and adaptation measures must be integrated into all planning and implementation of water services.

Environmental Pillar
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This policy was developed using the Environmental Pillar processes but is not necessarily the policy of each member group in the pillar.

Environmental Pillar members: An Taisce. Bat Conservation Ireland, BirdWatch Ireland. CELT - Centre for Ecological Living and Training. Coast Watch. Coomhola Salmon Trust. Crann. ECO UNESCO. Feasta. Forest Friends. Friends of the Earth. Good Energies Alliance Ireland. Global Action Plan Ireland, Gluaiseacht. Hedge Laying Association of Ireland. Irish Doctors Environment Association. Irish Natural Forestry Foundation. Irish Peatland Conservation Council. Irish Seal Sanctuary. Irish Seed Saver Association. Irish Whale and Dolphin Group. Irish Wildlife Trust. The Native Woodland Trust. The Organic Centre. Sonairte. Sustainable Ireland Cooperative. VOICE. Zero Waste Alliance Ireland