

# ***NFLA Policy Briefing No. 234***



**Date: 2 May 2022**

**Subject: Response from DEFRA Minister over Hiked Hydropower Charges**

## **Introduction:**

In March 2022, NFLA Steering Committee Chair Cllr David Blackburn wrote to the DEFRA Minister Rebecca Pow asking for a reversal of the proposed increase in water abstraction charges to be applied to hydropower schemes from April. In late April, the Minister replied. The original media release, letter sent, and reply received are reproduced below for information.

## **Media release issued 23 March 2022**

### **Environment Agency's outrageous fee hike 'pours cold water' on future small hydro schemes in England**

The Environment Agency is about to massively raise its charges on new small hydro power schemes in England at a time when the Prime Minister has called for 'much more use of renewables' to address our energy crisis.

The Nuclear Free Local Authorities (NFLA), which strongly advocates for electricity generation using a range of renewable technologies rather than by continued investment in costly and risky civil nuclear projects, is dismayed that the price hike will represent "a real dampener" on an industry that utilises access to a natural power source to generate green energy.

From 1 April, the Environment Agency is increasing fees for all businesses, which 'abstract more than 20 cubic metres of water a day from a river, stream, canal or groundwater', justifying this as a mechanism to help preserve England's long-term water supply. The charges for the mandatory abstraction licences required by new hydropower schemes will rise from £1500 up to £13,392, depending on the size of the scheme. The fee was previously already raised 11-fold in 2014 from £135 to £1,500.

The British Hydropower Association has estimated that, since March 2020, 75 small hydro developments in England would have been deemed 'unfeasible' if they would have been subjected to these new costs, and the NFLA believes that, whilst the fee increase may be justifiable with a large commercial agri-business or a water utility, both of which operate at a significant profit, it is illogical to apply the same fees to a not-for-profit community-owned hydro project or a small-scale farm scheme.

Responding to the news, Councillor David Blackburn, Chair of the NFLA, said:

*"This increase is outrageous and illogical. We share the concern of the British Hydropower Association that the price hike may well kill off future small-scale hydro projects in England. A 900% rise in fees will deter new projects from being developed and delivered at a time when we should be encouraging more small hydro schemes to power our farms, commercial buildings and sustainable housing off-grid to reduce our carbon footprint and increase our energy security."*

On World Water Day (22 March) Councillor Blackburn has written to the DEFRA Minister responsible for the new charges, Rebecca Pow MP, asking her to exempt small hydro power schemes from the fee increase.

**The letter sent by Councillor David Blackburn, Chair of the NFLA Steering Committee to The Rt Hon Rebecca Pow MP, Parliamentary Under Secretary of State, Department for Environment, Food and Rural Affairs**

**Dated 22 March 2022**

Dear Minister,

The Nuclear Free Local Authorities (NFLA), which strongly advocates for electricity generation using a range of renewable technologies rather than by costly and risky civil nuclear projects, is dismayed that the proposed increase in abstraction licence fees that shall be levied by the Environment Agency may represent a death sentence for small scale hydropower schemes in England.

The Prime Minister has rightly called for “much more use of renewables” to address climate change and increase this nation’s energy security. Hydropower, which utilises access to a natural power source to generate green energy, surely represents the ultimate ‘win-win’ for our climate and for our energy security. It is our nation literally being powered by its own natural resources. There is no need to import foreign gas or uranium to generate it, and it is carbon-free.

Yet, from 1 April, the Environment Agency will be increasing fees for all businesses, which ‘abstract more than 20 cubic metres of water a day from a river, stream, canal or groundwater’ from £1500 up to £13,392, depending on the size of the business. These fees will apply to hydropower schemes despite their fee already being previously raised 11-fold in 2014 from £135 to £1,500.

For its part, the NFLA believes that, whilst the fee increase may be justifiable with a large commercial agribusiness or a water utility which operate at a significant profit, it is illogical to apply the same fees to a not-for-profit community-owned hydro project or a small-scale farm scheme.

The British Hydropower Association has estimated that, since March 2020, 75 small hydro developments in England would have been deemed ‘unfeasible’ if they would have subjected to these new costs, and we share the BHA’s concerns that the price hike may well kill off future small-scale hydro projects in England.

A 900% rise in fees will deter new projects from being developed and delivered at a time when we should be encouraging more small hydro schemes to power our farms, commercial buildings and sustainable housing off-grid to reduce our carbon footprint and increase our energy security.

Minister, on this World Water Day (22 March), I would like to appeal to you to reconsider and to instead choose to exempt small hydro power schemes from the fee increase.

I thank you and your DEFRA team for giving my letter your consideration.

## **The response received from Rebecca Pow MP.**

**Dated 28 April 2022**

Dear Richard [Ed: *It should properly have been addressed to Councillor David Blackburn*]

Thank you for your email of 22 March about Water Resources Charging Proposals for Hydroelectric Power permit (HEP) applications. I apologise for the delay in responding. Defra is currently dealing with high volumes of correspondence.

The Government recognises the important contribution Hydropower plays in achieving our ambitious Net Zero targets and increasing our energy security.

Defra officials inform me that the Environment Agency (EA) is changing the way abstractors are charged in 2022 to ensure the scheme is fair and equitable and recovers the costs from customers for the services they require. The proposed change to HEP application charges reflects the significant cost and time in determining a HEP licence. At present, the current average HEP application charge is £1500, however such applications cost the EA, on average, £13,000. This equates to a cost pressure of around £11,500 per licence, which is currently being subsidised by other abstractors. The EA has consulted on its proposals with consultation responses demonstrating strong support for the principle of cost recovery.

The EA published the response document on 3 March and it can be found at the following link: <https://www.gov.uk/government/consultations/water-resources-charge-proposals-from-april-2022/public-feedback/water-resources-charge-proposals-from-april-2022-summary-of-consultation-responses>

I understand the financial challenges faced by the Hydropower sector from these proposed charges. As a result of further engagement with stakeholders, a new application charge table has been developed by the EA based on output power and a risk rating with all customers paying less than the volume-banded application charges originally consulted on. HEP customers generating less than 5 megawatts will continue to be exempt from annual subsistence fees.

Thank you once again for taking the time to contact me about this important issue. Please let me know if I can be of any further assistance with this or any other matters in the future.

REBECCA POW MP

For more information, please contact Richard Outram, NFLA Secretary.

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