

THE BUSINESS CASE FOR A NATIONAL WATER FRAMEWORK



Aldersgate Group

The Aldersgate Group is a politically impartial, multi-stakeholder alliance championing a competitive and environmentally sustainable economy

The Aldersgate Group is an alliance of major businesses, academic institutions, professional institutes, and civil society organisations driving action for a sustainable and competitive economy. Our corporate members believe that ambitious and stable low carbon and environmental policies make clear economic sense for the UK. Our policy proposals are formed collaboratively and benefit from the expertise of our members who span a wide range of industry sectors and public interests. Our breadth and collegiate approach allows us to articulate progressive policy positions to benefit all organisations and individuals.

ORGANISATION MEMBERS



Recommendations made in this report cannot be attributed to any single organisation and the Aldersgate Group takes full responsibility for the views expressed.

Acknowledgements

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Contents

Executive summary	5
--------------------------	----------

Closing remarks	46
------------------------	-----------

PART 1

The Business Case for Action	9
-------------------------------------	----------

Appendix	47
-----------------	-----------

PART 2

Aldersgate Group Recommendations	15
---	-----------

CHAPTER 1

A National Water Framework	17
-----------------------------------	-----------

CHAPTER 2

Regional Planning and Local Delivery	24
---	-----------

CHAPTER 3

Structural Integration	30
-------------------------------	-----------

CHAPTER 4

Investment	37
-------------------	-----------

>> Executive summary

England is at an inflection point in the management of its water environment. River health has become a high-profile political crisis. Water scarcity is becoming a constraint on business planning and economic growth. The impact of climate change on our ability to manage water risks is growing.

In 2024, the incoming Labour government recognised the challenges and appointed Sir Jon Cunliffe to lead an Independent Water Commission¹, publishing 88 recommendations in July 2025. In January 2026, the government published *A New Vision for Water*,² the most ambitious set of proposals for reforming the water sector since privatisation in the late 1980s.

The Aldersgate Group welcomes the direction of travel. A stronger regulator, increased investment in the water sector and a clearer long-term strategic direction are both necessary and overdue. However, the water challenges facing England cannot be resolved by reform of the water industry alone, especially as the current governance framework was established before the impacts of climate change were fully understood. The evidence set out

in this briefing makes clear that the current water quality and supply challenges require a systematic cross-economy response.

Multiple pressures are contributing to water quality issues. Physical modifications³ remain one of the most persistent pressures on England's water environment, contributing to 39.2% of surface waters failing to meet good ecological status or potential.⁴ Agriculture is a factor in 40% of water quality failures, while water industry discharges are a factor in 36%. Urban and transport runoff contribute towards 18%.⁵

The water demands which will arise from 1.5 million new homes, new industry and energy system decarbonisation are not factored into any statutory water framework.⁶ The persistent under-delivery of new water system assets and environmental outcomes across multiple regulatory cycles, different governments and changing enforcement priorities points to a design problem, rather than an implementation problem.

Businesses operating in and around the

1. Defra (2025) [Independent Water Commission Final Report](#)

2. Defra (2026) [A new vision for water: white paper](#)

3. These engineered changes, such as dredging, straightening channels, and building weirs or dams, often cause significant ecological damage and disrupt natural habitats

4. Environment Agency (2021) [Physical modifications: challenges for the water environment](#)

5. Environment Agency (2025) [Agriculture in England: significant water management issues](#)

6. The University of Manchester (2025) [Tracing Invisible Water Demands](#)

water environment, including ports, farmers, manufacturers and developers, face delays, regulatory barriers and licensing challenges, despite having no statutory role in water system planning whereby their concerns can be heard.

This lack of a formal means to input into water planning is mirrored on the investment side. While major infrastructure routes for private capital are well-established for large total expenditure thresholds, businesses and investors outside the water industry, and those able to contribute at smaller scales or to non-traditional interventions such as nature-based solutions, still lack clear and structured routes to participate. This represents a missed opportunity to unlock investment, support economic growth and strengthen long-term water security.

These challenges require a new **National Water Framework for 2029**: a cross-government, cross-sectoral framework that treats water as a national asset and our primary natural resource. This framework needs to be designed from a systems perspective, recognising that issues such as water scarcity and pollution are not “water sector” problems, but also come from the interaction of other sectors such as land-use, energy and housing systems.

The 20 recommendations in this report describe what that new framework must contain and how to deliver it. They are designed to be read as a programme of reforms. None requires the government to abandon the reforms it has already under way, but they do call for greater ambition and follow-through.

The cross-sectoral architecture described in this briefing would unlock private capital, reduce the cost of compliance (both in administration and infrastructure delivery) and enable government to align growth policy with water resilience.

Our 20 recommendations are organised into four chapters, each oriented around a “north star” for reform.

Chapter 1 - A National Water Framework sets the long-term legislative destination. Even with the regional architecture, reformed regulations and investment framework in place, the water system will remain constrained by a complex and siloed legislation.

We call for a National Water Strategy setting long-term direction for England's water systems; new national water targets in primary legislation grounded within the Environment Act 2021; a cross-sectoral water systems regulator with a statutory duty to extend its authority over all major water-affecting sectors by 2029; the establishment of a National Water System Operator, and the consolidation of new and retained water legislation into a single National Water Framework.

North star: a National Water Framework operational by Price Review 2029

Chapter 2 – Regional planning and local delivery addresses the structural problem at the heart of England's water governance: regional and national frameworks exist but the architecture for translating them into place-specific delivery lacks effective powers, implementation and tangible delivery plans. The government's White Paper's proposed regional water planning function is welcome, but it remains unclear whether these will be advisory or statutory.

We call for statutory Regional Water Authorities with inclusive governance; five-year Regional Water Strategies timed to inform each Price Review containing redrafted River Basin Management Plans (RBMPs) with legally binding programmes of measures; and catchment partnerships funded to a minimum of £100,000 per year. The proposed changes would establish the delivery architecture on which everything else depends.

North star: effective regional governance and local delivery.



Chapter 3 – Structural integration addresses the fragmented and inconsistent regulatory instruments that currently make cross-sectoral water management complex and challenging. The Water Industries Act (WIA) hierarchy of duties subordinates environmental obligations to commercial ones and while the Ministerial Direction will provide transition clarity, the long-term Strategic Guidance currently proposed by government will lack legal force. While the farming water regulations lack sufficient compliance and the farm-gate discipline to manage total nutrient load, the permitting system remains a weak tool for improvement, with no mechanism for cumulative catchment assessment.

We call for reform of the WIA duty hierarchy; new statutory Strategic Policy Statements with a clear priority; consolidation and reform of farming water regulations aligned with the Urban Wastewater Treatment Directive; reform of Environmental Quality Standards to address PFAS (synthetic chemicals) and other emerging pollutants; a National Nutrient Management Strategy; and reformed Environmental Permitting requiring cross-sectoral cumulative assessment at river basin level.

North star: regulatory consistency and interoperability.

Chapter 4 – Investment addresses the structural gap between the scale of investment needed and the framework available to deliver it. Around £300 billion of capital is estimated to be needed in the water sector over the next 25 years to address supply and environmental challenges. That investment will not materialise under the current framework.

We call for a statutory duty to assess the water demand implications for major government programmes; a private investment framework with standardised metrics; catchment nutrient budgeting with a trading mechanism as a demand driver for private capital; Extended Producer Responsibility (EPR) for water; and a National Water Investment Programme translating obligations under Regional Water Strategies into sector specific funded delivery requirements.

North star: a robust and futureproof investment framework.

CHAPTER 1 · NORTH STAR A national water framework for 2029			CHAPTER 2 · NORTH STAR Effective regional governance and local delivery			CHAPTER 3 · NORTH STAR Regulatory consistency and interoperability			CHAPTER 4 · NORTH STAR A robust and futureproof investment framework		
2025	2026	2027	2028	PR29	2030	2031	2032	2033	PR34	2035	2036
CHAPTER 1 NATIONAL WATER FRAMEWORK Recs 1-5			🔴 National Water Strategy published Rec 1 — Clean Water Act 🔴 National water targets legislated Rec 2 — nested in Environment Act 2021 🔴 Regulator foundations established Rec 3a — Clean Water Act 🔴 Establish a National Water Systems Operator Rec 4 — Clean Water Act 🔴 Cross-sectoral regulator — full scope Rec 3d — all water-affecting 🔴 National Water Framework Rec 5 — target 2029								
CHAPTER 2 REGIONAL PLANNING & LOCAL DELIVERY Recs 6–9			🟢 Regional Water Authorities established Rec 6 — Clean Water Act 🟢 Regional Water Strategies established Rec 7a — Clean Water Act 🟢 Redrafted RBMPs mandated Rec 8 — ahead of PR29 🟢 Catchment partnerships professionalised Rec 9 — £100k/yr ring-fenced 🟢 First RWS cycle informs PR29 Rec 7a — ⬆️ tight: RA precedes FD by c. 7 months								
CHAPTER 3 STRUCTURAL INTEGRATION Recs 10–15			🟢 WIA 1991 duty hierarchy reformed Rec 10 — Clean Water Act 🟢 Statutory Strategic Policy Statements Rec 11 — Clean Water Act 🟢 Farming water regulations consolidated Rec 12a — FRW / SSAFO / NPPR duty 🟢 Environmental Permitting reformed Rec 14 — cross-sectoral cumulative assessment 🟢 EQS reformed for novel pollutants Rec 15 — PFAS & review mechanism 🟢 Farming regulation roadmap complete Rec 12c — regulatory consolidation		🟢 National Nutrient Management Strategy Rec 13a — within 2 yrs of Royal Assent						
CHAPTER 4 INVESTMENT Recs 16–20			🟡 Growth policy water impact duty Rec 16 — MIS / homes / Clean Power 2030 🟡 Private investment framework established Rec 17a — Clean Water Act 🟡 EPR for water committed Rec 19a — aligned to EU revised UWWTD 🟡 NWIP duty placed on regulator Rec 20a — foundations by 2029 🟡 NWIP foundations laid Rec 20a — coordinated through PR29		🟡 Catchment nutrient budgeting & trading Rec 18 🟡 Private investment framework operational Rec 17c — BSI-aligned metrics & verified outcomes		🟡 NWIP fully operational Rec 20c — cross-sectoral investment at scale				
POLICY CONTEXT Key milestones	🔹 Water Special Measures Act 2025 🔹 IWC — 88 recommendations published 🔹 Water White Paper published January 2026 🔹 Clean Water Bill introduced November 2026	🔹 WFD 2027 deadline Final permitted extension	🔹 Clean Water Act — Royal Assent Anticipated c. May 2028 (c.18-month passage)	🔹 PR29 final determination Expected December 2028 · effective 1 April 2029		🔹 Clean Power 2030		🔹 PR34 final determination Expected c. December 2033 · effective 1 April 2034		🔹 Environment Act targets 2038	

PART 1

>> The Business Case for Action

The Challenge

Water is foundational infrastructure for the UK economy. Clean and reliable water underpins food and drink production, manufacturing, energy generation, construction, tourism and the emerging industries, like digital infrastructure and AI, at the heart of the government's growth mission⁷. Businesses do not simply consume water; they depend on the health of the water environment for supply security, regulatory certainty, and their social license to operate. Without water there is no economic activity.

Supply pressures

Pressures on water supply have grown significantly over recent decades, driven by population growth, rising living standards expanding demand and increasing public use of the natural water environment. England's population is expected to grow by eight million people by 2055, placing sustained upward pressure on water consumption across all sectors.⁸ The per capita water footprint has increased from around 85 litres per person in the 1960s to around 140 litres in 2018 and is expected to rise further in the absence of significant

demand-side policy intervention and subsequent behaviour change.⁹

Without significant intervention, the Environment Agency (EA) projects a five billion litre per day shortfall in public water supply by 2055¹⁰, a deficit which accounts for the pressure of climate change and increasing demand. The EA's National Framework for Water Resources and water companies' Water Resource Management Plans seek to account for additional demand arising from new housing, hydrogen production, new energy generation, transport and new digital infrastructure, where these developments are sufficiently certain to be reflected in future demand projections. However, structural regulatory caution around stranded assets creates a structural bias towards planning for demonstrated rather than anticipated demand, leaving the water system poorly prepared for future growth.¹¹

Water scarcity is already constraining development in some regions, with estimates suggesting that it could cost the UK economy £25 billion in

7. Data centres, hydrogen production and new industrial clusters all have unique water demand profiles.

8. Environment Agency (2025) [The National Framework for Water Resources 2025](#)

9. Ofwat, Artesia Consulting (2018) [The long term potential for deep reductions in household water demand](#)

10. Environment Agency (2025) [The National Framework for Water Resources 2025](#)

11. House of Lords Environment and Climate Change Committee (2026) [Surviving drought: reclaim the rain](#)



undelivered housing alone over the period of 2025-2030.¹² As demand for AI and digital infrastructure grows, water availability is becoming an increasingly important economic consideration. With 84% of water-intensive data centre developments proposed in areas that are either facing current water stress or projected to face water stress by 2040, failure to strengthen water system resilience risks constraining future AI deployment and investment.¹³

Quality issues

Water quality presents an equally serious challenge. Only 16% of English rivers meet good ecological health standards, falling short of the targets set by the Water Framework Directive¹⁴. This is one of the worst records in Europe.¹⁵ Agriculture is identified as a significant pressure in 40% of water bodies

failing to achieve good ecological status. Water industry discharges contribute to failures in 36% of cases, and urban and transport runoff in 18%. These pressures frequently co-occur.¹⁶ Storm overflows discharged untreated sewage into England's rivers for a record total duration of 3.61 million hours in 2024.¹⁷

Agricultural pollution, though less visible than sewage, was responsible for 12% of all serious pollution events recorded by the Environment Agency in 2024. In the 5-year period 2021-2026, the Environment Agency carried out over 19,000 farm inspections in England; 48% of inspections uncovered non-compliance issues, with over 27,000 improvement actions issued.¹⁸ The fourth Water Framework Directive cycle begins in December 2027, with the Clean Water Bill having strong

12. Public First (2025) [The Case for Water Smart Housing](#)

13. Global Action Plan (2026) [Report reveals majority of new data centres planned for water stressed areas](#)

14. This briefing will refer to the Water Framework Directive in the UK as the WFD 2017 – otherwise known as the Water Environment (Water Framework Directive) Regulations 2017

15. Catchment Based Approach (2024) [State of Our Rivers Report 2024](#)

16. Environment Agency (2025) [Environment Agency Chief Regulator's report 2024-25: supporting evidence](#)

17. The Rivers Trust (2024) [2024 Annual Sewage Spill Data: What does it tell us?](#)

18. Environment Agency (2026) [Agriculture and the water environment: 2026 report](#)

influence over how its objectives will be achieved.¹⁹

Poor water quality imposes direct costs on businesses; water companies must invest more to treat abstracted water²⁰ to potable standards, businesses reliant on clean water face operational risks and growing treatment costs, and leisure industries can be impacted by pollution events or concerns about water quality, which undermine public trust.

Equally important, poor water quality means communities lose access to rivers and bathing waters. Around 2.4 million people swim in open water in England, a number that has grown steadily in recent years,²¹ meaning water quality failures carry direct public health consequences.

Connected pressures

Supply and quality are often conceived of as parallel tracks and are managed separately. This is the framing in the proposed dual frameworks in the government's White Paper published in January 2026 (which this paper will discuss). However, supply resilience and water quality are closely interconnected and cannot be addressed effectively in isolation.

Unsustainable water abstraction can degrade water quality, and poor water quality reduces usable supply, while redirecting investment away from new supply and adding costs to businesses. In some cases, well-intentioned efforts to prevent over-abstraction leads to more nutrients being leached into rivers during periods of heavy rainfall. Nutrient pollution, leading to eutrophication, can affect the viability of reservoirs and adds costs onto water companies who need to remove nutrients in the water treatment process.²²

In farmed landscapes, effective drainage is an advantage for crop yields but leads to faster

run-off of nutrients into the water table, not to mention faster rates of soil degradation which are undesirable in the long run. There is growing recognition that drainage systems designed for historical climate conditions will need to be redesigned to reflect a changing climate, helping to retain water in the landscape where appropriate and improve resilience to both drought and flooding.²³

Land use change carries risks and opportunities for water quality and supply. Activities such as deforestation, river modification and urbanisation can change the hydrology of an area. Urbanisation, linked to poor drainage, or deforestation that reduces interception and increases surface flow, can lead to flooding after periods of high or sustained rainfall.

Ecosystem health has an important role in water outcomes.²⁴ Around 70% of UK drinking water is sourced from peat catchments that have become heavily degraded over decades of industrial and agricultural pressure.²⁵ Habitat loss from development reduces natural filtration, flood attenuation and water storage functions that ecosystems provide. The connection between water risk management and ecosystem restoration is early in its development but can be enhanced by frameworks that favour nature-based solutions.

As with all complex systems, some flexibility to the unique water challenges of certain areas and activities must be accounted for. Management of such joint risks can only be achieved through local delivery with land managers who understand the water risks in their area, as well as monitoring frameworks that can capture connected risks and co-benefits of interventions.

19. OEP (2024) [Progress in Improving the Natural Environment in England 2022/23](#)

20. Water which is removed from natural sources such as rivers, lakes and aquifers.

21. Swim England (2023) [Active Lives, Nov 22-23](#)

22. UK Parliament POST (2025) [Changes to nutrient neutrality in England](#)

23. Parliament UK (2025) [EAC Flood Resilience in England](#)

24. Defra (2026) [National security assessment on global ecosystems](#)

25. Nature Sustainability | Xu et al., (2018) [Hotspots of peatland-derived potable water use identified by global analysis](#)

Business water risk

Water risks are rising across sectors. The key message from Aldersgate Group's business members is:

Water is a material business risk, it is increasing, and the governance system is not equipped to manage it at the scale required.

While it is often water companies and farmers that face the brunt of water resource and pollution issues, water is fast becoming a risk for the entire UK economy.

Regional supply constraints are already impacting investment and delaying planning approvals in water-stressed areas of England. The government's growth mission, while supported by the private sector, is not currently planned for under any statutory water framework. Businesses have expressed concern that workarounds, such as newly introduced Environmental Delivery Plans, are an insufficient alternative to long-term water investment planning.

The risks to businesses from the water-related impacts of climate change, including both drought and flooding, are not sufficiently being planned for across Whitehall. The investor community is also concerned about the risks posed to UK investments downstream from systemic water risk. This includes concern about ageing water system assets and insufficient planning for their upkeep and upgrade.

Business Risk Management

Businesses are responding within their means. Aldersgate Group members have reported several measures to understand their water risks, including:

- conducting water audits,

- integrating food and scarcity risk into climate and corporate risk assessments, and
- embedding water stewardship into supply chain management.

Some businesses are investing directly in water-efficiency technologies and nature-based solutions to build resilience on their premises. Cross-sector collaboration is occurring, through organisation like WRAP²⁶, the Global Reporting Initiative²⁷ and Landscape Enterprise Networks²⁸, helping firms share knowledge and build resilience.

For large firms, the Taskforce for Climate-related Financial Disclosures (TCFD)²⁹ and the Taskforce for Nature-related Financial Disclosures (TNFD)³⁰ are driving board-level engagement and providing frameworks for measuring progress. These frameworks consider water materiality on business operations; however, some executives have reported finding it hard to action change at the board level, with more immediate risks being prioritised.

Barriers to Business Engagement and Investment

Voluntary action has structural limits. There are four key barriers that cannot be overcome at the firm level.

- Fragmented governance that prevents cross-sectoral coordination;
- A lack of fiscal incentives to reward water efficiency and penalise pollution;
- Insufficient access to good quality, usable water data; and
- A shortage of water risk expertise across sectors.

These are not barriers that individual businesses can resolve.

26. WRAP (accessed 2026) [UK Food and Drink Pact: the Water Roadmap](#)

27. GRI (2021) [GRI 303: Water and Effluents 2018](#)

28. LENs (accessed 2026) [Website](#)

29. HM Treasury (2025) [Task Force on Climate-related Financial Disclosure \(TCFD\) -aligned disclosure application guidance](#)

30. TNFD (accessed 2026) [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#)

Without coordination, business intentions can conflict or become redundant. We have heard examples of businesses from different sectors offering the same incentives to farmers in a catchment, without coordination or the ability to monitor outcomes linked to national targets. For example, a supermarket may be making decisions about investing in farm improvements in a catchment area, while separately a local catchment partnership is developing a management plan for the same area.

The ability to manage water risk is currently constrained by a governance framework that places responsibility for systemic water outcomes largely on water company planning. Businesses across sectors, including ports, developers, farmers and manufacturers, are subject to regulatory decisions about the water environment without formal representation in the processes that produce them (the Water Industry National Environment Programme is a clear example).

Managing water system improvements through the water industry has led to underinvestment in supply and quality infrastructure, with consequences for the wider economy and the natural environment. This is not an individual water company failure; it is a systemic regulatory failure to manage a strategic national resource.

Aside from voluntary avenues, additional private capital from businesses and investors that could contribute to water outcomes have no clear entry point into the system. These investments are hard to justify without a clear business case for many firms, and many are concerned about the free rider effect of investing in a shared resource.

A complex governance and planning framework that treats water as a water industry resource, rather than a shared national resource, will continue to produce the underinvestment and regulatory uncertainty that businesses have consistently identified as barriers to growth. *[For a full reference overview of the regulatory and planning landscape, including the hierarchy of laws and planning frameworks, see the Annex: Diagrams 8 and 9.]*

Policy context

Brexit and the regulatory inheritance

The UK's departure from the EU removed the direct oversight of the European Commission and Court of Justice over water regulation, but the substantive framework, particularly the Water Framework Directive (WFD) and Urban Wastewater Treatment Directive (UWTD), was largely retained in domestic law. The Environment Act 2021 established the Office for Environmental Protection to provide domestic environmental oversight and introduced new statutory environmental targets, including for water quality. Until recently, the UK largely maintained this inherited framework. That is now changing: the government intends to replace significant elements of assimilated EU water law through new primary legislation.

Water (Special Measures) Act 2025

Following the July 2024 election, the Labour government introduced the Water (Special Measures) Act 2025, strengthening regulatory enforcement by enabling Ofwat to ban executive bonuses, introducing automatic penalties for serious pollution incidents, criminalising the concealment of pollution offences, ringfencing customer funding for infrastructure investment, and establishing a Water Delivery Taskforce.

The Cunliffe Review

In October 2024, the UK and Welsh Governments launched an Independent Commission into the water sector, chaired by former Bank of England Governor Sir Jon Cunliffe. Its final report, published in July 2025, concluded that the sector required a “fundamental reset” and made 88 recommendations. These included developing a national water strategy, replacing Ofwat with a single integrated regulator in England, and integrating water regulation within the environmental regulator in Wales. Renationalisation was explicitly excluded from the Commission's remit, with the government citing an estimated cost approaching £100 billion.

The White Paper: A New Vision for Water

Published in January 2026, *A New Vision for Water* largely accepted the Cunliffe Review's recommendations and set out plans to reform both the water industry and the wider water system. Its central proposal is a new integrated regulator, bringing together Ofwat, the Drinking Water Inspectorate (DWI), and the water-related functions of the Environment Agency (EA) and Natural England into a single body with stronger supervisory and enforcement powers. The White Paper also proposes a more integrated planning framework, consolidating multiple statutory plans into two strategic planning frameworks covering water supply and the water environment, strengthening regional planning, introducing statutory resilience standards, and placing greater emphasis on demand management, agricultural pollution reduction and catchment-based approaches.

The Clean Water Bill and next steps

The King's Speech in May 2026 announced the Clean Water Bill (previously referred to as the Water Reform Bill), which will implement many of the White Paper's proposals. The Bill aims to establish a new independent integrated regulator, replacing the current fragmented regulatory

system, strengthen agricultural pollution controls, enable greater use of upstream and nature-based solutions, improve the alignment of housing and wastewater infrastructure planning, establish a Water Ombudsman, and introduce measures to support longer-term financial resilience within the sector. The Bill will apply to England and Wales, with some provisions extending to Scotland. Further detail is expected when the legislation is introduced to Parliament later in 2026, alongside a Transition Plan explaining how the reforms will be implemented in practice.

Taken together, these reforms represent the most significant restructuring of water governance since privatisation. While the immediate focus has been on strengthening the regulation of water companies, the government's direction of travel is broader: replacing a fragmented regulatory and planning system with a more integrated framework intended to improve long-term resilience, environmental outcomes and strategic investment across the wider water system. The Aldersgate Group welcomes this ambition. However, achieving it will require reforms that extend beyond the regulation of water companies to strengthen strategic planning, cross-sector coordination and long-term investment. This report sets out recommendations from a cross-sector business perspective to help realise that ambition.

PART 2

>> Aldersgate Group Recommendations

A National Water Framework is a precondition for stability and economic growth in a changing climate. Clean and reliable water is as foundational to the government's growth ambitions as energy security or planning reform. It should be treated that way. Actions outlined in this paper, met with policy ambition would create a robust framework for water system transformation in time for Price Review 29.

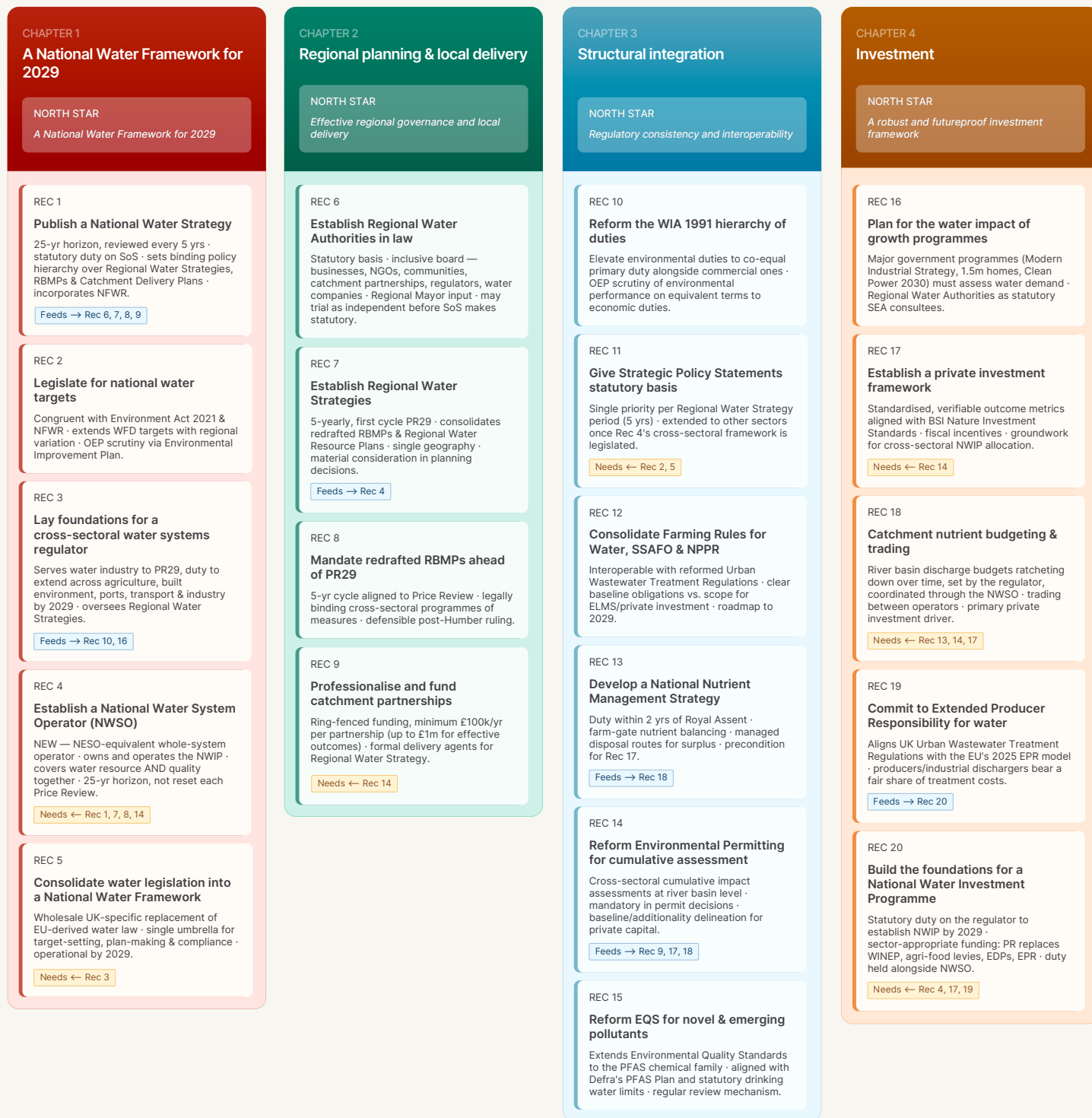
Effective regional governance and local delivery is essential, not only for translating national targets into on-the-ground improvements that people can feel, but as a platform for long-term resilient waterways. Connecting growing community attention on water outcomes with avenues for direct engagement makes political and economic sense.

A key blocker is regulatory divergence between sectors. Divergent standards and regulations have emerged over decades in response to sectoral pressures, but they are not equipped for dealing with the systemic water challenges we now face. Overhauling outdated rules and breaking down siloes is an important step towards a coherent and adaptive framework. This requires political ambition and a commitment to fairness and the polluter pays principle, with risk and responsibility shared across water-reliant sectors.

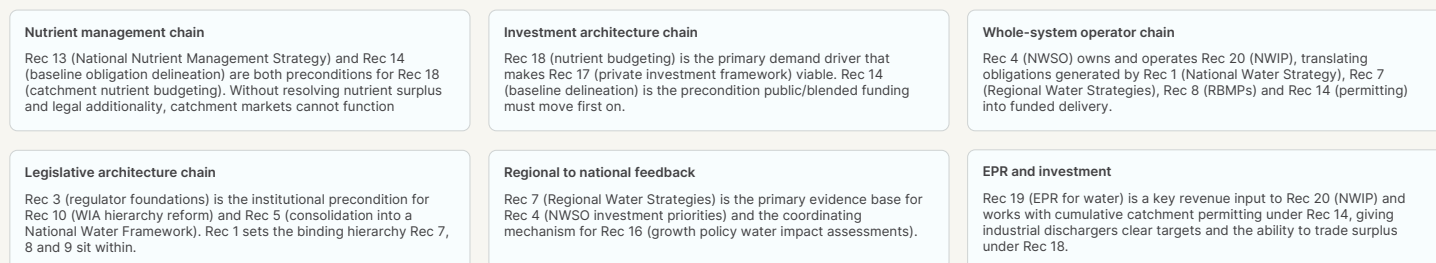
Investment underpins everything. The current model is far too reliant on a water companies to deliver improvements and upgrades to national water infrastructure. It is not feasible for a single company to manage water risk across a whole region. Simplifying and broadening the boundary of water policy in England will facilitate investment, with benefits for communities and businesses. Tackling the finance gap directly will protect the economy from the costs of inaction.

Diagram 2 offers a high-level summary of the Aldersgate Group's recommendations, with the subsequent sections providing further detail and analysis.

National Water Framework — Recommendations at a glance



KEY DEPENDENCIES AND SEQUENCING LOGIC



CHAPTER 1

A National Water Framework

North Star: A National Water Framework

The Challenge

Water system governance consists of a complex legislative landscape. The current water regulatory framework is fragmented across multiple legislative regimes, requiring businesses and regulators to undertake significant and time-intensive cross-referencing between plans, regulations and statutory obligations. (see Diagram 8). The weight of these laws and regulations sitting on water bodies is partly what makes delivery and reform such a challenge.

There are multiple planning layers for water outcomes across the water industry, independent water planners, government agencies and locally led catchment initiatives. These often have shared activities and have some overlap for delivery responsibilities. River Basin Management Plans, Regional Water Resource Plans, Catchment Management Plans and water company business plans are just a few of many layers that must be aligned to deliver water system improvements. The timing mismatch of plans and water industry investment cycles adds additional complexity and inertia to water system planning.

The current regulatory patchwork is complex. Water companies regulated by Ofwat, Drinking Water Inspectorate (DWI) and the Environment Agency

(EA), agricultural pollution by the EA and Defra, the built environment's water impacts through planning policy, and industrial discharges through environmental permitting. This fragmentation has produced accountability gaps and conflicting priorities. Managing a complex environmental system through a governance framework based on siloed sectoral regulations and guidance is not a long-term solution for the UK.

The system of governance requires rationalisation. A simplified, cross-sectoral National Water Framework is a pre-condition for water system planning and regulatory certainty and is in the interests of all sectors of the economy.

What the White Paper does

The White Paper sets out a vision for a consolidated water industry regulator and commits to exploring new long-term water environment targets. It also commits to exploration of reforms to the Urban Wastewater Treatment Regulations, creating interesting opportunities for alignment with the EU's revised Urban Wastewater Treatment Directive. The shift towards a supervisory approach

to regulating water companies represents a move towards outcome-focused enforcement, which we welcome.

While the White Paper makes important progress within the water industry, the wider system remains largely unchanged. The legislative architecture, comprising a mix of EU-derived statutes and UK law, remains in place, alongside the absence of a single strategic framework and the exclusion of non-water-industry sectors from much of the investment planning process. The ambition for a cross-sectoral national water system is stated but the avenue to deliver it is not defined.

The recommendations below describe the legislative transformation needed to put the UK's water system on a stable footing. This should be planned via a delivery roadmap with a target of full operationalisation by Price Review 29.

RECOMMENDATION 1

Publish a National Water Strategy with a 25-year timeline updated every 5 years

England currently has no single statutory strategy that sets the long-term direction for water across all sectors. The EA's National Framework for Water Resources, River Basin Management Plans, Regional Water Resource Plans, and the water industry's own investment planning exist in parallel but without a defined hierarchy or a single accountability mechanism. The result is that national water targets, regional delivery obligations and catchment-level action plans are produced by different bodies, on different cycles, with no statutory instrument establishing who is responsible for their coherence.

This gap has material consequences beyond the water sector. The absence of a long-term National Water Strategy is increasingly a financial risk factor. Research from LSE's Grantham Institute identifies England's river basins and freshwater systems as macro-critical infrastructure; assets whose

degradation generates measurable consequences for growth, sovereign fiscal risk, and financial stability, comparable in structure to energy grid failure.³¹ The investor community has consistently identified the absence of a credible long-term strategic framework as a barrier to committing capital at the scale required. Without a statutory strategy setting direction, investment decisions, both public and private, default to a short-term planning horizon that cannot deliver the £300bn in investment projected as necessary over the next 25 years.

The White Paper commits to a long-term strategic vision for the water sector and to a strengthened role for the EA in water resources planning. The proposed single water regulator would, over time provide an institutional base from which to coordinate planning across sectors. These are important foundations.

However, the White Paper stops short of a statutory National Water Strategy. The proposed new Strategic Guidance sits below primary legislation and does not establish a binding hierarchy between national, regional and catchment-level plans. The relationship between the proposed regulator's strategic planning function and existing EA frameworks remains unclear. Without a statutory strategy, the governance reform described in the White Paper risk being implemented without a defined long-term direction, essentially strengthening delivery institutions before establishing what they are being asked to deliver toward.

- **Recommendation 1a:** The Clean Water Act should place a duty on the Secretary of State to publish a statutory National Water Strategy for England, covering a 25-year horizon and reviewed every five years. The Strategy should be produced by Defra and subject to parliamentary scrutiny, OEP oversight, and public consultation.

31. Earth Capital Nexus, LSE (2026) [Too big to fail: critical natural systems as macro-critical infrastructure](#)

- **b.** The National Water Strategy should establish a clear and legally defined policy hierarchy for England's water governance. It should sit above and provide binding direction to: Regional Water Strategies (produced by Regional Water Authorities under Recommendation 6); River Basin Management Plans (Recommendation 8); and Catchment Partnership Delivery Plans (Recommendation 9). Each tier should carry defined accountability - for production, delivery, monitoring and enforcement - so that ownership of outcomes is unambiguous at every level of the system.
- **c.** The National Water Strategy should incorporate the EA's National Framework for Water Resources, establishing a single authoritative instrument for long-term water resource planning rather than maintaining parallel frameworks. It should include an assessment of water's contribution to national economic resilience, consistent with the government's infrastructure and fiscal risk planning processes.
- **d.** The National Water Strategy should include a capital investment schedule identifying the public and private investment required to meet its 25-year objectives, the regulatory and financial mechanisms needed to mobilise it, and the conditions under which central government will backstop investment in water resilience where market mechanisms are insufficient.

RECOMMENDATION 2

Legislate for national water targets congruent with the Environment Act 2021

The White Paper commits to exploring new long-term water targets for England. This is welcome, but the commitment remains exploratory. Continuing with the Water Framework Directive's (WFD) targets in their current form risks perpetuating a weak alignment between WFD targets and the water targets set under the Environment Act 2021.

Having two sets of water quality targets also dilutes accountability for their delivery.

The Environment Act contains targets for water demand reduction, and the National Framework for Water Resources outlines goals for sustainable water use across all regions. These are a strong foundation to work from. New national water targets that are not explicitly nested within either the Environment Act or the National Framework for Water Resources risk introducing reporting incoherence, diluted accountability and duplication of the OEP's oversight role via the Environmental Improvement Plan.

Aldersgate Group supports new targets that are designed to incentivise investment sooner, create better avenues for the deployment of nature-based solutions and allow for better public communications on water quality progress. New targets must be specific enough to be enforced at the catchment level, and flexible enough to accommodate novel pollutants and ecosystem change over time.

- **Recommendation 2a:** The Clean Water Act should establish a comprehensive suite of National Water Targets in primary legislation, explicitly congruent with and nested within the Environment Act 2021 framework and the National Framework for Water Resources (EA).
- **b:** This should extend and evolve the Water Framework Directive's existing water targets, including regional targets reflecting the varying water stress profiles of different river basins. Progress should be subject to OEP scrutiny and expressed through the Environmental Improvement Plan, ensuring a single coherent accountability framework rather than parallel reporting regimes.
- **c:** These new targets should incorporate incremental improvement metrics. The scope and ambition of these targets should be reviewed and revised on medium-term timeframes to ensure flexibility and responsiveness to environmental and industrial change.

RECOMMENDATION 3

Lay the foundations for an integrated cross-sectoral water systems regulator

The White Paper's proposed single regulator is a significant structural improvement within the water industry. However, it will remain a water industry regulator. System-wide improvements to the water system will be undermined if the new water regulator lacks oversight of many key actors responsible for water outcomes.

Aldersgate Group advocates for four principles of good environmental regulation:³²

1. Whole of the Environment
2. Multidisciplinary Perspective
3. Cross-sector Approach
4. Fairness

The concept of a Lead Environmental Regulator cited in the Corry Review is already championed by government. We would like to see this implemented for water. This could best be achieved through the creation of a cross-sector water regulator with the authority to balance competing demands on water resources and broker fair trade-offs between sectors in support of wider water system objectives.

- **Recommendation 3a:** The Clean Water Act must establish a new water regulator that serves the needs of the water industry up to the next Price Review (2029), with a duty to extend its statutory authority across other large water-affecting activities over time, becoming an integrated cross-sectoral water systems regulator by 2029.
- **b:** This should include water-related provisions for agriculture, the built environment, harbour and port authorities, transport operators and industrial producers.

- **c:** This cross-sectoral water systems regulator should carry out its duties in aid of the new National Water Targets set in primary legislation (Recommendation 2).

RECOMMENDATION 4

Establish a National Water System Operator

Water has no equivalent of the National Energy System Operator (NESO). The parallel is not with NESO's control-room function: water does not require the second-by-second, nationally balanced operation that electricity does, and nothing in this recommendation proposes one. The parallel is with NESO's planning functions: whole-system planning, cross-sector infrastructure coordination, and holding a long-term view of supply, demand and investment across an entire network. In water, these functions are fragmented across water company business plans and sector-specific instruments, with no single body responsible for whether they add up to a coherent whole.

The national dimension is real even without a national grid. Strategic transfers between regions, shared resource options, and cross-catchment and boundary issues, where one catchment's abstraction, discharge or land-use decisions constrain another's, all require choices that no individual company or regional group can make alone.

This gap will become more acute as the recommendations in this briefing are implemented. Regional Water Strategies (Recommendation 7), redrafted River Basin Management Plans (Recommendation 8), catchment nutrient budgeting (Recommendation 18), and Extended Producer Responsibility (Recommendation 19) will each generate investment obligations across multiple sectors. Without a body responsible for coordinating these into a single delivery programme, obligations risk being met inconsistently, duplicated, or left unfunded at the point where sector plans meet.

32. Aldersgate Group, Frontier Economics (2024) [The Role of Regulation in Restoring Nature and Delivering Net Zero](#)



The White Paper does not fill this gap. It proposes no NESO-equivalent function for water, and neither of the obvious candidates, Defra or the new regulator, can fulfil this role. The new regulator's value lies in independent assurance: it cannot both assemble the national programme and credibly assess its adequacy, the same separation of planning from regulation that placed system planning in NESO rather than Ofgem. Defra's role is to set objectives, not to hold a standing technical planning, coordination and investment function. A national investment programme must persist across price review cycles and successive parliaments and requires permanent specialist capability that a policy department is not structured to maintain. A dedicated body is therefore needed to hold the whole-system planning function that a National Water Investment Programme requires.

- **Recommendation 4a:** The Clean Water Act should establish a National Water System Operator (NWSO): a body responsible for whole-system future planning and oversight, coordinating cross-sectoral infrastructure investment, and owning the National Water Investment Programme (Recommendation 20).
- **b:** The NWSO's remit should cover water supply, wastewater and drainage, and flooding. Splitting these functions would recreate the parallel-track problem this briefing identifies elsewhere between supply and quality; a single operator is needed to plan for both together at the whole-system level.
- **c:** The NWSO should hold statutory responsibility for setting the National Water Investment Programme (Recommendation 20), within the framework set by a National Water Strategy (Recommendation 1). Democratic accountability operates through the Strategy: The Secretary of State sets the objectives the Programme must deliver, and the new regulator independently assures its adequacy. The NWSO translates obligations from the Strategy, Regional Water Strategies, redrafted RBMPs and cumulative permitting into sector-specific, funded delivery requirements, coordinated through Regional Water Authorities and Catchment Partnerships.

- **d:** As with NESO, the NWSO should operate on a long-term planning horizon (aligned with the National Water Strategy's 25-year horizon under Recommendation 1) rather than being tied to a single Price Review cycle, so that investment coordination isn't repeatedly reset every five years.

RECOMMENDATION 5

Consolidate water legislation into a National Water Framework

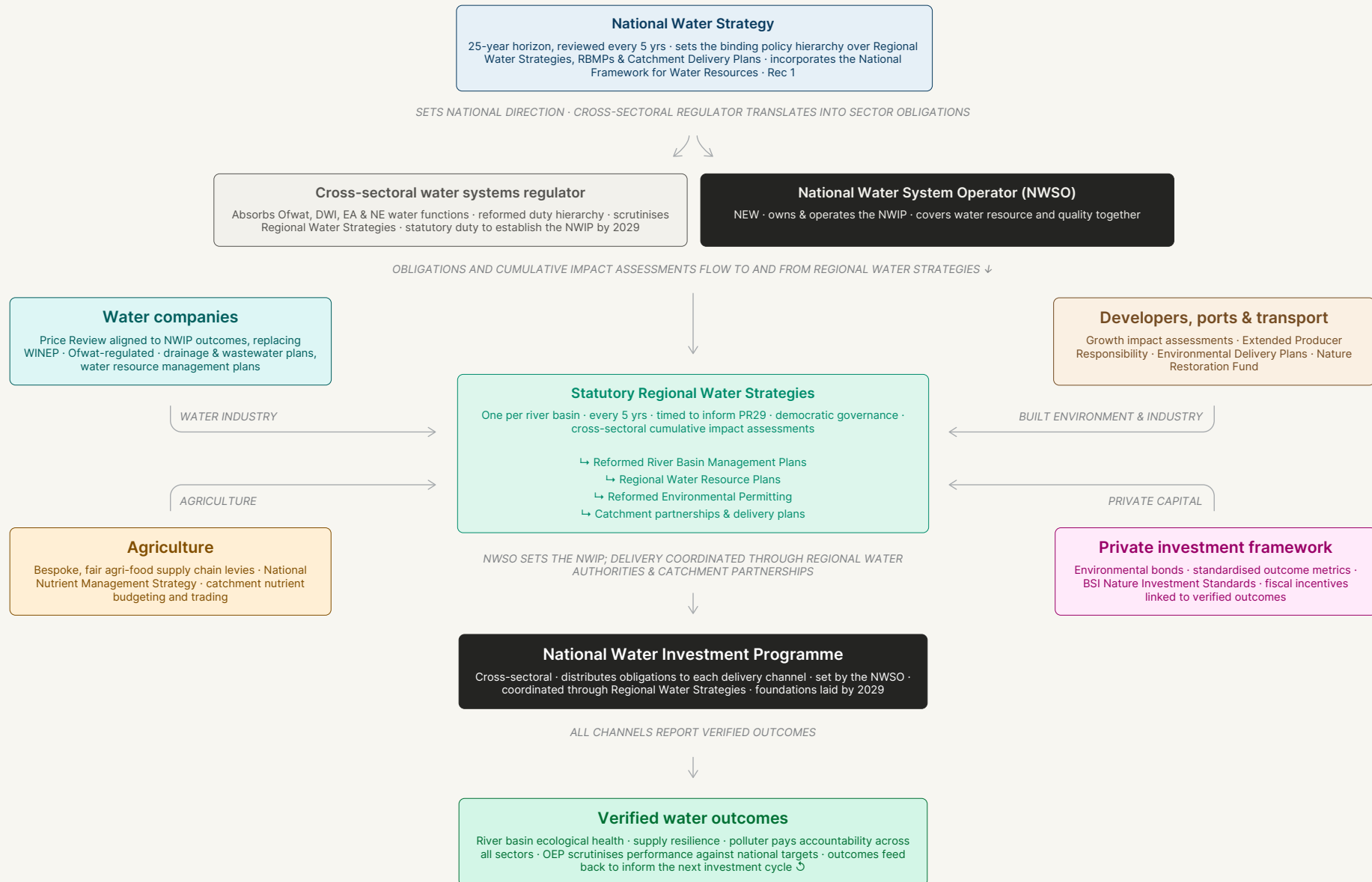
The White Paper proposes common-sense changes to the regulatory system of the water industry but retains the legislative and regulatory complexity of the current system. The Water Industries Act, farming water pollution regulations, Water Framework Directive, Urban Wastewater Treatment Directive, Habitats and Species considerations for water and Environmental Permitting for water-related activities still require significant and time-intensive cross-plan, cross-legislative referencing.

A National Water Framework is the reset that companies, investors and landowners need. See Diagram 3.

- **Recommendation 5a:** Commit to legislate for a National Water Framework: a wholesale replacement of water-related legislative apparatus, both UK and EU-derived, retaining the structures that work under a UK-specific banner.
- **b:** Establish an umbrella under which the target-setting, plan-making and regulatory compliance of water companies are managed, with a view to progressively expanding the regulatory boundary to include all water-affecting and water-reliant industries over a defined period.
- **c:** Set out a timeline for legislation via a National Water Framework aiming for operationalisation by 2029, allowing water sectors to address short-term challenges with a view to regulatory consolidation in a reasonable medium term.
- **d:** A National Water Framework must establish aligned timeframes for planning and reporting at all levels, fixing the timing misalignment that characterises the current system.

Proposed National Water Framework — 2029 architecture

Proposed governance architecture · the National Water System Operator and Regional Water Strategies at the heart of the system



CHAPTER 2

Regional Planning and Local Delivery

North Star: Effective regional governance and local delivery

The Challenge

England's water governance has a structural problem at the regional level. Frameworks exist, including the National Framework for Water Resources, River Basin Management Plans and the Environment Act targets, but the architecture for translating them into place-specific delivery is lacking effective powers, implementation and enforcement. The result is a persistent gap between national ambition and local outcomes.

At present, Regional Water Resource Groups operate without statutory powers or consistent governance across regions. River Basin Management Plans have not delivered on the goals of the Water Framework Directive, and require review post a landmark ruling on their efficacy.³³ Catchment partnerships, which represent an underutilised local delivery mechanism available, are chronically underfunded. Up to now, catchment partnership budgets average around £15,000 per year, per partnership, against The Rivers Trust

estimate of £100,000 as the minimum budget for effective delivery.³⁴

The result of this “missing middle”³⁵ is that national targets (both Water Frameworks Directive and Environment Act) go undelivered. Investment obligations set out in River Basin Management Plans often lack funding routes outside of the water industry. Local actors, including farmers, local businesses, and communities, engage with a governance system that has lacked a mechanism for delivery within or across sectors in a catchment or river basin.

The government's growth mission and its varying regional impacts intensifies these pressures. The 1.5 million homes programme, Clean Power 2030 and the Modern Industrial Strategy all carry significant water demand implications.³⁶ On the project level, water planning is conducted, however there is a lack of adequate programmatic planning

33. Cornerstone Barristers (2025) [Deep Dive: Pickering Fishery Association decision and obligations to achieve environmental objectives](#)

34. The Rivers Trust (2026) [Government's Water White Paper: Welcome signals, worrying gaps, and vital work still to do](#)

35. In this context the Missing Middle is the delivery gap between national target setting and local outcomes.

36. The University of Manchester (2025) [Tracing Invisible Water Demands](#)

under any statutory water framework. Several regions are already facing water constraints which could limit economic growth.³⁷ Without a statutory regional architecture that can translate national targets into place-specific delivery and plan for cumulative demand, growth policy and water policy will continue to work against each other.

What the White Paper does

The White Paper proposes a regional water planning function to address what it calls the “missing middle” in the current system. It commits to a Regional Water Planning Steering Group with cross-sector representation to test new elements of the water planning function, including join up between existing planning frameworks, the setting of regional objectives, and influence over expenditure across sectors. It proposes consolidating water company planning frameworks into two core frameworks, a Water Supply Framework and a Water Quality Framework, while exploring how to better integrate River Basin Management and Regional Water Resource Plans.

These are welcome signals, however the proposed regional function remains advisory and non-statutory as of writing. Its effectiveness will depend entirely on its composition, resourcing and powers, none of which are specified at present. Doubling catchment partnership funding moves average budgets from around £15,000 to £30,000 per year, still well short of the minimum needed for effective delivery. Consolidating water company planning frameworks does not reform River Basin Management Plans as a legal instrument, nor does it address the programme of measures deficit exposed by the Humber ruling and the lack of accountability for their delivery.

The recommendations below set out what the Clean Water Act must do to close those gaps.

RECOMMENDATION 6

Establish Regional Water Authorities in law, with clear duties, inclusive governance and planning consolidation

The White Paper proposed a shift towards stronger regional water planning, but its effectiveness will depend on whether it has statutory powers, defined duties and inclusive representation across all water users, not just regulators and water companies.

Communities, businesses, environmental organisations and the public who depend on, engage with and are affected by the water environment have no defined role in regional water planning under the White Paper’s proposals. Decisions made at the regional level about investment priorities and permitting directly affect the livelihoods, operations and environments of people and organisations.

In our engagement Aldersgate Group members and other prominent stakeholders were clear that alignment between regional water planning and other regional planning instruments is required, including but not limited to Spatial Development Strategies, Local Nature Recovery Strategies, the Land Use Framework and the Strategic Spatial Energy Plan.

- **Recommendation 6a:** The Clean Water Act should establish Regional Water Authorities in law with a defined statutory basis, constituted with board representation that enables input from the full range of water users and affected parties, including businesses, environmental NGOs, recreational users, local communities and catchment partnerships, alongside regulators, water companies and sectoral operators.
- **b.** Regional Water Authorities must be primarily water system planners, delivering Regional Water Strategies. They should be required to publish their decision-making

³⁷ Environment Agency (2026) [Policy Paper: 6. Taking action on public water supplies: National Framework for Water Resources 2025](#)

processes, investment allocation rationales and cumulative impact assessments, all subject to board consent. This would ensure that regional water planning reflects the interests of all who depend on the water environment, as well as those with existing regulatory relationships with the EA or Ofwat.

- **c.** Regional mayors must have input into the development of plans to ensure local environmental, political and economic priorities are given reasonable weight.
- **d.** Regional planning instruments, including Statutory Regional Water Strategies (Recommendation 7), developed in line with the National Water Strategy, must be developed in collaboration with other regional planning bodies responsible for land use and infrastructure rollout.
- **e.** While Regional Water Authorities may be trialled as independent bodies with regulatory oversight, legislation should contain the ability for the Secretary of State to make regional water planning authorities statutory based on performance metrics or in time for Price Review 29.

RECOMMENDATION 7

Establish Statutory Regional Water Strategies

England's water governance history is one of well-designed national frameworks losing coherence at the point of implementation, and duplication when national objectives are translated into regional plans.

5-yearly Regional Water Strategies, produced and delivered by Regional Water Authorities (Recommendation 5), are the right mechanism to close this gap. These should implement the priorities of a Defra National Water Strategy, with a 25-year time horizon for policy stability.

Open design questions for Regional Water Strategies include whether they are informational (presenting options and constraints), or directional (specifying obligations). How they interact with the Price Review and whether Regional Water Authorities can set priorities beyond national targets are also important considerations.

In our engagement, Aldersgate Group members and other prominent stakeholders were clear that alignment between proposed Regional Water Strategies and other regional planning instruments is required, including but not limited to Spatial Development Strategies, Local Nature Recovery Strategies, the Land Use Framework and the Strategic Spatial Energy Plan.

- **Recommendation 7a:** The Clean Water Act should place a statutory duty on Regional Water Authorities to publish a Regional Water Strategy (RWS) every 5 years, preferably timed to inform each Price Review, starting with Price Review 2029³⁸. This must translate the longer-term 25-year statutory National Water Strategy produced by Defra on a 5-yearly basis, into regional objectives.
- **b.** Each Regional Water Strategy should work within the new water quality and water supply frameworks proposed in the White Paper to consolidate:
 - 1) Newly drafted River Basin Management Plans (5-yearly instead of 6) and;
 - 2) Regional Water Resource Plans, in service of new overarching water quality and water resource targets. These strategies should articulate place-specific priorities and account for the cumulative pressures of land use, economic growth and climate change impacts in a region. Regional Water Strategies and the supply and water environment plans contained therein must be rationalised to cover a single geography.

³⁸. Price Review 29 is already ongoing. There needs to be an acceleration of pace in the development of Regional Water Strategies to inform PR29 without compromising quality.

- **c.** Regional Water Strategies must have regard to existing Flood and Coastal Erosion Risk Management schemes (FCERMs) to seek opportunities for delivery of co-benefits in service of resilience and environmental goals.
- **d.** Regional Water Strategies must directly inform measures contained within Catchment Delivery Plans, actioned by professionalised catchment partnerships.
- **e.** Regional Water Strategies should be considered as supporting evidence to the newly established National Water System Operator (Recommendation 4) when determining investment priorities under a future investment programme.
- **f.** Regional Water Strategies should be subject to scrutiny by the integrated water regulator. They should be developed through formal engagement with all water users in a region and carry sufficient weight in the planning system to be a material consideration in decisions on nationally significant infrastructure, spatial development strategies, flood strategies and Local Nature Recovery Strategies.

RECOMMENDATION 8

Mandate redrafted River Basin Management Plans ahead of Price Review 2029

As of writing, we understand that redrafting of River Basin Management Plans (RBMPs) will be complete by August 2026, with public consultation late 2026 and publication in 2027. Redrafted RBMPs would address the detail gap exposed by the Humber ruling, however, integration into Regional Water Strategies, alongside Regional Water Resource Plans, would provide a coherent package addressing the whole river system, and a single point of accountability for their delivery.

Beyond this, River Basin Management Plans require stronger provisions to anticipate risks to the water environment and to fulfil their role as

the environmental component of a future regional water planning framework.

- **Recommendation 8a:** The Clean Water Act should mandate redrafted RBMPs for each river basin, developed under the statutory regional bodies proposed above in collaboration between Regional Water Authorities and the new regulator, with legally binding programmes of measures drawn from a cross-sectoral assessment of pressures. Standardised modelling assumptions for population growth, climate scenarios and demand projections must be integrated before their publication in 2027 to build in resilience and ensure consistency and comparability across river basins. This should make up a core part of the Regional Water Strategy for each region and be published every 5 years (instead of the current 6) alongside the Regional Water Resource Plan.
- **b.** Redrafted and enhanced RBMPs must inform coordinated action beyond the water industry alone, providing the evidential foundation for catchment nutrient budget schemes under Recommendation 18 and the National Water Investment Programme (Recommendation 20).

RECOMMENDATION 9

Professionalise and adequately fund catchment partnerships

Catchment partnerships are an important element of water planning and stewardship moving forward. Community engagement is important for the long-term resilience of water bodies and reflects the growing appetite for more devolved responsibility for their management.

The White Paper doubles funding for catchment partnerships, which is welcome but insufficient. Average budgets will move from around £15,000 to approximately £30,000 per year. This is still well short of the £100,000 minimum estimated by the Rivers Trust for effective catchment delivery.

Beyond funding, the current mixed governance arrangements, the absence of WFD or Environment Act-aligned Catchment Delivery Plans in many areas and the lack of formal integration with the regulatory system mean that, despite some success stories, catchment partnerships remain fragmented in their delivery, and unable to attract corporate or institutional investment.

Local delivery through catchment partnerships is also hindered by the regulatory frameworks within which they operate, which often produce outcomes that are misaligned with partnership objectives or create perverse incentives within funding arrangements. Businesses seeking to invest in environmental improvements through catchment partnerships report an unclear investment proposition and uncertainty around additionality, reflecting the current lack of structure, consistency and monitoring across the catchment system.

Beyond this, realising the potential of catchment partnerships to deliver water system improvements and support the delivery of regulated investment in water outcomes will require significant capacity building and a blended finance model, led by government, to crowd in private capital. This would include upfront public investment in skills, institutional capacity, baseline monitoring and outcome assessment to create the confidence and evidence base necessary for private sector investment.

- **Recommendation 9a:** The Clean Water Act's statutory Regional Water Authorities should have a defined role in professionalising catchment partnerships, including accountability for ring-fenced funding at a minimum of £100,000 per year, per partnership. Effective outcomes would be reliant on much higher budgets, up to £1m per year per partnership. This would assist in crowding-in private investment in catchment partnership delivery.
- **b.** Catchment Partnerships must be integrated into Regional Water Strategy delivery, with clear mandates, geographic coverage and reporting requirements. Catchment Delivery Plans must be designed to add up to regionally determined outcomes, outlined in Regional Water Strategies.
- **c.** Regional Water Authorities must ensure that Catchment Delivery Plans are aligned with the cumulative impact assessments produced under Recommendation 14, so that local action is directed at the highest-impact pressures in each catchment.

The Planning Document Flow — *after Clean Water Act*

What produces what, and what informs what · national to company level · showing new Regional Water Strategy layer

★ Statutory requirement

NATIONAL FRAMEWORKS & PLANS



KEY CROSS-COLUMN RELATIONSHIPS

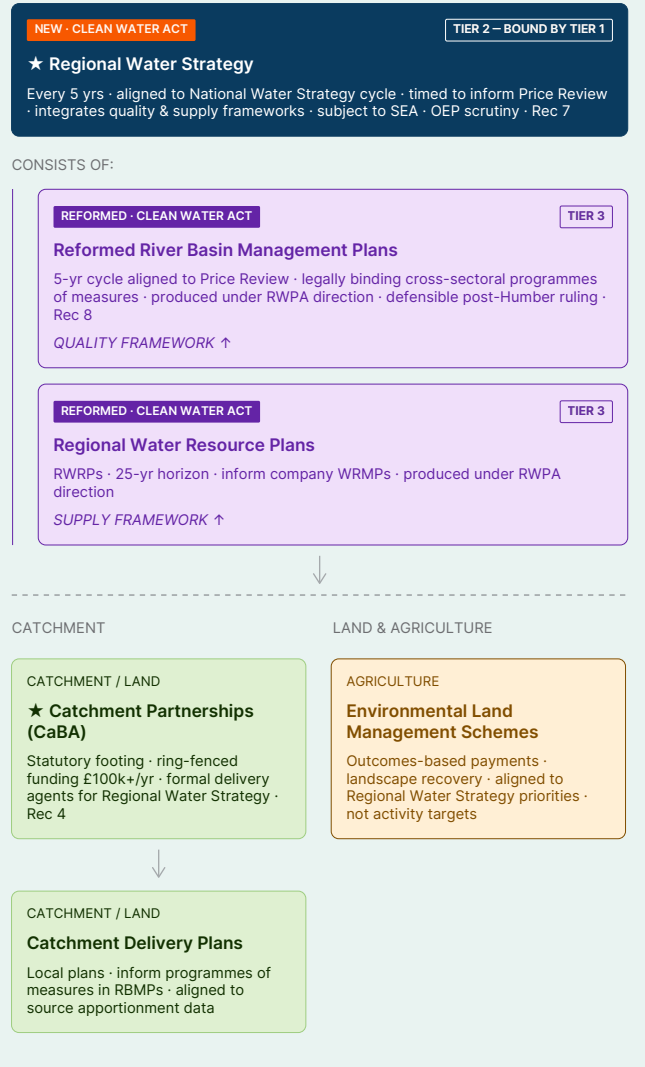
National Water Strategy → sets strategic framework for all Regional Water Strategies, which must be consistent with it

Water Quality & Supply Frameworks → integrated at regional level through Regional Water Strategy · RWS consolidates both frameworks into place-specific priorities

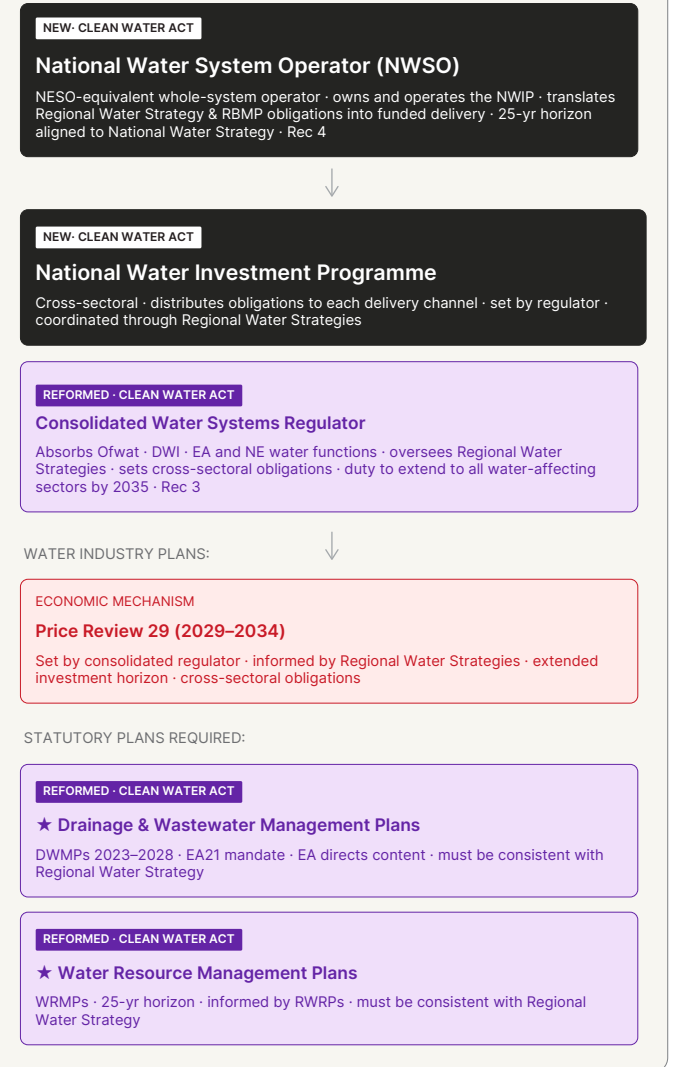
Regional Water Strategy → company WRMPs and DWMPs must be consistent with it · regional planning authority holds statutory SEA consultee role in development consent decisions in water-constrained areas

Reformed RBMPs and RWRPs → both produced under regional planning authority direction · nested within the Regional Water Strategy · provide evidential foundation for company plan obligations.

REGIONAL & CATCHMENT PLANS



PLAN DELIVERY



CHAPTER 3

Structural Integration

North Star: Regulatory consistency and interoperability

The Challenge

The regulatory and planning framework governing England's water environment emerged under different political priorities, pressures and environmental conditions. It is siloed, fragmented, outdated and structurally constrained in delivering the outcomes it is being asked to pursue. Its component parts were designed at different times, for different sectoral purposes, and have accumulated amendments and workarounds that have made them progressively harder to navigate, enforce and reform. The complexity has not delivered for the environment and has created additional cost for regulators and businesses over time.

The Water Industries Act's (WIA) hierarchy of duties places environmental obligations below commercial ones. This is one structural factor contributing to the underinvestment in water quality and supply that has characterised the sector. The Strategic Policy Statement, which is supposed to guide the water regulator, has no binding legal force and sets multiple priorities at once. The Environment Agency's Strategic Policy Statement is non-statutory and lacks a clear priority for water. We are aware of the government's general growth

priority given to all environmental regulators as part of the Plan for Change reforms in 2025.³⁹ This creates more pressure on the regulator to prioritise immediate economic returns over environmental concerns and long-term economic sustainability.

The farming water regulations are inconsistently enforced, cover only part of the problem, and lack the farm-gate discipline required to manage total nutrient load. Environmental Quality Standards have failed to keep pace with novel pollutants. Compounding it all, the Environmental Permitting Regulations assess operators in isolation with no mechanism for cumulative catchment assessment, leading to restrictions unlinked to measured outcomes and an inability to tackle unsustainable abstraction and total pollution load.

This system is characterised by heterogeneous standards of compliance and enforcement, with no overarching plan for integration or strategic direction. Without bridging the gaps and vulnerabilities in existing regulations, a National Water Framework will replicate the complexity that has led to poor outcomes in the past.

39. DBT (2025) [Growth placed at the heart of regulators' remit alongside new measures to boost scrutiny and transparency](#)

What the White Paper does

The White Paper proposes consolidating four regulators⁴⁰ into a single water industry regulator, which addresses the fragmentation within the water sector. It signals intentions to consolidate and strengthen agricultural pollution standards, update the Urban Wastewater Treatment Regulations toward a stronger polluter pays model, and expand the Strategic Policy Statement into a 25-year guidance document.

These are meaningful improvements within their scope. But the White Paper does not reform the WIA hierarchy of duties. It does not give EA's Strategic Policy Statement (SPS) binding legal force. It neither addresses the structural gap in England's nutrient management, nor does it reform the permitting system to enable cumulative catchment assessment that is required to deliver River Basin Management Plans, a pre-requisite for least-cost abatement of pollution. The proposed single regulator remains a water industry regulator; the broader cross-sectoral regulatory architecture needed to manage water as a shared national resource is deferred.

Importantly, the White Paper does not sufficiently address the structural bias toward output-based regulation⁴¹, which has driven accountability in the water sector at the cost of flexibility, suppressing nature-based solutions and least-cost approaches to meeting water quality targets. This will require better integration of all water regulations to ensure that pollution swapping and perverse incentives are driven out of the system.

The recommendations below address these structural failings and inconsistencies directly. They require legislative change but are focused on getting the regulatory foundations right before cross-sectoral reform can be built on top of them.

RECOMMENDATION 10

Reform the Water Industries Act 1991 hierarchy of duties

The WIA's hierarchy of duties, in which environmental and recreational obligations are secondary to commercial and operational functions, is not reformed under the White Paper's proposals. Without reform of that hierarchy, one of the structural pressures favouring economic considerations over environmental ones will persist under the new regulatory regime.

The principle of legally embedding public interest duties in water companies is not untested. In 2019, Anglian Water became the first UK utility to amend its Articles of Association⁴² to formally embed environmental, social and public interest purposes into its legal constitution.⁴³ The IWC noted this model approvingly. It is reasonable to apply these standards across the water industry.

Successful reform of the WIA91 will rest on four themes; clarity and separation between different types of duties, clarity of expectations for water companies, a transparent trade-off mechanism between competing objectives/duties, and a focus on outcomes and system integration.

- **Recommendation 10a:** The Clean Water Act should set a timeframe to amend the hierarchy of duties in the WIA 1991 to elevate environmental duties from a secondary consideration to a co-equal primary duty.
- **b.** The new regulator's objectives should reflect this rebalancing explicitly, with its mandate set in legislation in a way that requires integration of economic and environmental decision-making. The Office for Environmental Protection should be empowered to scrutinise the regulator's performance against its environmental

⁴⁰. Ofwat, the Drinking Water Inspectorate, and parts of the Environment Agency and Natural England.

⁴¹. Specifying what operators must do rather than what the water environment must achieve

⁴². Articles of Association are a company's written internal rules that dictate how the business is governed, managed, and owned.

⁴³. Anglian Water (accessed 2026) [Our purpose](#)

duties on an equivalent basis to its economic duties.

- **c.** Defra must establish clear pathways for regulators (both new and existing) to mediate trade-offs when duties compete in practice.

RECOMMENDATION 11

Give Strategic Policy Statements statutory basis in law

While Ofwat's Strategic Policy Statement is statutory, the SPS issued to the Environment Agency is non-statutory. The Secretary of State sets expectations for environmental outcomes but it is unable to override statutory duties listed in the Water Industries Act and Ofwat's SPS. The new Ministerial Direction, expected alongside the Transition Plan, will be the binding instrument for the transition period while existing regulators are merged.

The White Paper's proposal to expand the Strategic Policy Statement into a 25-year guidance document is an improvement on short-term political decision-making. However, the reformed guidance document will remain non-binding policy instrument. Without statutory weight, guidance cannot set legally binding targets across sectors, override the duty hierarchy in the WIA, or provide the statutory anchor needed to hold regulatory and investment decisions to account against national environmental goals.

- **Recommendation 11a:** The Clean Water Act should provide a statutory basis for the reformed SPS issued to the combined water regulator, setting a single priority for each five-year period that reflects its dual economic and environmental regulatory functions.



- **b.** Once the Clean Water Act establishes new national water targets in primary legislation, the SPS can provide a legally grounded basis against which regulated water users are aligned with these targets. The design and scope of these targets is set out in full in Recommendation 2.
- **c.** The statutory SPS should be extended to the water activities of other sectors once a cross-sectoral water framework is legislated for under Recommendation 5.
- **d.** The duties of the EA that conflict with the aims of the SPS of the new water regulator ought to be assessed and if necessary adjusted.

RECOMMENDATION 12

Consolidate the farming water pollution rules and align with the Urban Waste Water Treatment Regulations

The transition to sustainable farming is an economic opportunity as well as a regulatory challenge. Lack of available capital has been raised as a blocker to regenerative systems of farming, something which is being slowly addressed via Environmental Land Management Schemes (ELMS) and pilot investment programmes led by supermarkets and banks.

Farmers operating nature-positive, low-input and water-efficient farming models create outcomes that nature markets can value, and which they should be paid for. Regulatory clarity can provide clearer opportunities for outside investment to finance the transition, without fear of regulatory interference.

The White Paper signals an intention to consolidate the existing agricultural regulatory framework into a set of stronger and clearer national standards. The Aldersgate Group interprets this as an opportunity to bring the

- Farming Rules for Water,

- Silage, Slurry and Agricultural Fuel Oil Regulations (SSAFO), and
- Nitrate Pollution Prevention Regulations

together into a coherent successor framework. That consolidation is the right direction and should be a priority for Defra.

At present, standardised requirements are hard to apply consistently across heterogeneous farm types, geographies and scales. A successor framework must resolve this by providing clarity on intent and outcomes while retaining sufficient flexibility for farm-specific implementation pathways.

The most pressing near-term requirement is alignment between new, consolidated agricultural pollution regulations and a reformed Urban Wastewater Treatment Framework. Without this, farm investment schemes reliant on water company regulatory spend will face friction, as additionality cannot be confidently demonstrated. Private investment in land-use change more broadly may continue to be deterred by regulatory complexity.

- **Recommendation 12a:** The Clean Water Act should place a duty on the Defra Secretary of State to introduce replacement agricultural water pollution regulations, ideally by consolidating and updating the Farming Rules for Water, SSAFO Regulations and Nitrate Pollution Prevention Regulations into a single set of Farming Water Regulations. These regulations should be designed to operate consistently and interoperably with the reformed Urban Wastewater Treatment Regulations.
- **b.** This must include a clear delineation of baseline obligations and the scope for ELMS subsidies and private sector catchment investment in service of, or additional to, that baseline.
- **c.** The Act or equivalent measure should establish a duty on the Secretary of State to publish a roadmap for progressive alignment of agricultural water pollution standards and enforcement with the water regulator, with

a view to regulatory consolidation by 2029. Consideration must be given to enforcement measures to ensure greater compliance over time.

RECOMMENDATION 13

Develop a National Nutrient Management Strategy

Beyond farm water regulation consolidation, England faces structural challenges that no successor framework will resolve without additional policy action. Countries with the most effective agricultural water regimes share a common feature: a single coherent regulatory framework that manages nutrient use at the farm gate and is designed with total catchment load in mind.⁴⁴

England has no national strategy for managing structural nutrient surplus or total nutrient load. This is a central reason for the underperformance of agricultural pollution regulations. Many intensive holdings generate more slurry and digestate than their land can absorb. The Nutrient Management Expert Group (2024) identified significant scope for more efficient nutrient use on farms but noted that capital investment costs are substantial and unbridged.⁴⁵

Without a strategy for what happens to surplus nutrients, proposals for reformed farming regulations, catchment nutrient budgeting and nutrient trading will all be undermined by an inability to control and dispose of surplus. This issue is complicated by projected increases in biogas demand that will expand digestate volumes further.⁴⁶

The White Paper does not address nutrient surplus management directly. It signals consolidation of agricultural pollution standards and stronger enforcement, but without a surplus management strategy, consolidated regulations will encounter the same structural ceiling as the current ones: no

route for effective slurry and nutrient disposal.

- **Recommendation 13a:** The Clean Water Act should place a duty on the Secretary of State to publish a National Nutrient Management Strategy within 2 years of Royal Assent, setting a roadmap for farm-gate nutrient balancing requirements and establishing managed disposal routes for surplus organic waste at national scale. Each farm business has a County Parish Holding number or Single Business Identifier, which could be the basis of inter-farm nutrient tracking.
- **b.** The Strategy should address the full nutrient cycle: precision nutrient accounting at farm gate, regulation of digestate handling and storage filling the gap in current SSAFO provisions, managed export and incineration routes for surplus slurry and digestate, and a trajectory for reducing total catchment nutrient load over time in line with Environment Act targets.
- **c.** The Strategy should be developed jointly by Defra, the Environment Agency and the new water regulator, and reviewed every 5 years in step with Regional Water Strategy cycles. It should be treated as a precondition for the effective operation of catchment nutrient budgeting under Recommendation 18.

RECOMMENDATION 14

Reform Environmental Permitting to enable cross-sectoral cumulative assessment

Although River Basin Management Plans contain provisions for cumulative assessment, the current Environmental Permitting Regulations are a reactive, site-by-site instrument. The Environment Agency issues permits on an operator-by-operator basis, with limited ability to assess the cumulative pressures that multiple activities place on a

⁴⁴. OECD Studies on Water (2014) [Towards Resilient Systems - Climate Change, Water and Agriculture](#)

⁴⁵. Defra (2024) [Nutrient Management Expert Group \(NMEG\) report](#)

⁴⁶. ADPA (2026) [British biogas could shield households from Gulf energy shock](#)

catchment. As a result, a business operating in full compliance can nonetheless face tighter permit conditions because cumulative pressures from other activities have reduced the capacity of the catchment to absorb additional impacts. There is no formal mechanism for redress and no basis for trading permit allowances with overperforming operators.

A 2025 High Court ruling (*Caffyn v Shropshire County Council*, Mr Justice Fordham) confirmed that environmental permits issued by the Environment Agency do not involve in-combination assessment of cumulative catchment impact, finding that this obligation falls to local planning authorities, who in this case had also failed to carry it out.⁴⁷ This remains a structural gap that produces unjust outcomes for businesses and poor outcomes for the environment.

The White Paper proposes bringing water abstraction and impoundment licensing into the Environmental Permitting Regulations, which is a welcome rationalisation. However, consolidating permits within a single instrument does not create the cross-sectoral planning layer needed to assess cumulative pressures, allocate responsibility fairly, or provide a mechanism for accurate data collection across the water system.

- **Recommendation 14a:** The Clean Water Act or equivalent mechanism should reform the Environmental Permitting Regulations to require cross-sectoral cumulative impact assessments at the river basin level, drawing on up-to-date source apportionment modelling. These assessments should be a mandatory consideration in all individual permit applications and renewals.
- **b.** This should include powers to expand the range of permitted activities on a phased, evidence-led basis, prioritising activities with the highest catchment nutrient impact. Ports and harbour authorities operating within estuarine and coastal environments should be explicitly included

from the outset, alongside water companies, agricultural operators, transport authorities and developers. Small farms that operate well within their permit allocation can sell allowance credits to industrial users and generate secondary income, in line with a private investment framework for water outcomes (Recommendation 17).

- **c.** Regional Water Authorities should be required to produce and maintain catchment cumulative impact assessments for each river basin, updated in step with Regional Water Strategy cycles and made publicly available as a basis for permit decisions and investment planning.
- **d.** While private sector investment in bringing certain areas up to baseline is necessary, the reformed permitting framework must include a clear delineation of baseline compliance obligations and the scope for private sector investment above that baseline. Without this statutory delineation, additionality in catchment investment schemes cannot be legally demonstrated and private capital looking for additionality cannot enter the system with confidence. Without clarity on what constitutes additionality, water companies and other actors cannot direct capital toward the highest-value environmental outcomes.
- **e.** This expanded permitting system must be enabled by a smart compliance system, reliant on a regulator owned system of compliance self-registration checked against catchment-level pollution monitoring to target farm checks and enforcement.

⁴⁷ Leigh Day (2025) [Planning permission for intensive poultry farm in Shropshire overturned in High Court](#)

RECOMMENDATION 15

Reform Environmental Quality Standards to address novel and emerging pollutants

The regulatory framework's inability to keep pace with emerging chemical threats is most acutely illustrated by PFAS. Industrial activities introduce PFAS into the sewer network at scale, where it passes through water recycling treatment largely unimpeded before re-entering the water environment. The cost of managing this contamination is largely shouldered by water companies and household billpayers. This is inconsistent with the polluter pays principle and the direction of Defra's own PFAS plan.⁴⁸

- **Recommendation 15a:** The Clean Water Act or equivalent measure should extend Environmental Quality Standards to cover the PFAS chemical family.

b. New Environmental Quality Standard (EQS) for PFAS should be introduced in alignment with Defra's PFAS Plan and the proposed statutory limit for PFAS in drinking water, creating a coherent regulatory architecture from source to tap and strengthening the Environment Agency's ability to regulate trade effluent discharges from industrial sources.

- **c.** The Government should commit to a regular review mechanism for Environmental Quality Standards, ensuring the framework can respond quickly to emerging evidence on novel pollutants.
- **d.** Defra should align with the EU's REACH regulations, which are moving towards a broad universal restriction on PFAS to address environmental contamination, on a defined timeline.⁴⁹

48. Defra (2026) [PFAS Plan: building a safer future together](#)

49. White & Case (2026) [Europe's PFAS restriction proposal is moving forward](#)

CHAPTER 4

Investment

North Star: A robust and futureproof investment framework

The Challenge

The fundamental barrier to investment in water outcomes is structural: England's investment delivery framework is geared almost entirely towards the water industry. Agricultural operators, industrial water users, ports, transport authorities, all of whom have material impacts on water quality and supply, have no equivalent investment mechanism besides subsidies, offsetting schemes or sectoral/company-level philanthropy. River Basin Management Plans establish a Programme of Measures for agriculture, but without a funding route these measures have lacked delivery. The Water Industry National Environment Programme was effective in Price Review 24 because Ofwat approved higher customer bills to fund environmental obligations. There is no equivalent investment programme for any other sector (see Diagram 5).

Around £300 billion of capital is estimated to be needed in the water sector over the next 25 years.⁵⁰ That investment will not materialise under the current framework. Delivering the government's growth ambitions will require sustained water investment through Asset Management Periods 9, 10 and beyond. A delivery architecture

characterised by unclear cross-sectoral responsibilities, subordinated environmental duties and short-term price review horizons does not generate the investor confidence needed to attract institutional capital at the scale required.

Motivated private capital from outside the water industry is available, but has no structured route to contribute. Businesses across the economy are exposed to water risk and many are actively seeking to invest in water outcomes in their supply chains, via catchment restoration, nature-based solutions and water efficiency infrastructure. The free-rider problem⁵¹ and the absence of standardised metrics make it difficult to justify these investments or demonstrate additionality to budget holders or company boards.

The water demands of government growth policy compound this. The 1.5 million homes programme, Clean Power 2030 and the Modern Industrial Strategy all carry significant water demand implications. None is adequately planned for under any statutory water framework. Without a statutory requirement to assess the water implications of major government programmes against national

50. NAO (2025) [Regulators have failed to deliver a trusted and resilient water sector](#)

51. The free-rider problem is an economic concept where individuals benefit from resources, public goods, or services without paying for them

supply and quality frameworks, growth policy will continue to create demand that the investment system is not configured to meet.

What the White Paper does

The White Paper commits to exploring environmental bonds and innovative third-party financing models, which is a promising foundation. It reiterates the PR24 investment figure of £104 billion between 2025 and 2030. Defra’s concurrent work on nature markets and the British Standards Institution’s (BSI) Nature Investment Standards programme provide a parallel architecture that a water-specific investment framework could build

on and coordinate with.

However, the White Paper neither establishes a cross-sectoral investment programme, nor does it create a robust, statutory mechanism for directing private capital into water outcomes. It does not require government growth programmes to assess their water demand implications and crucially, the data infrastructure needed to verify outcomes and build investor confidence is not funded or mandated.

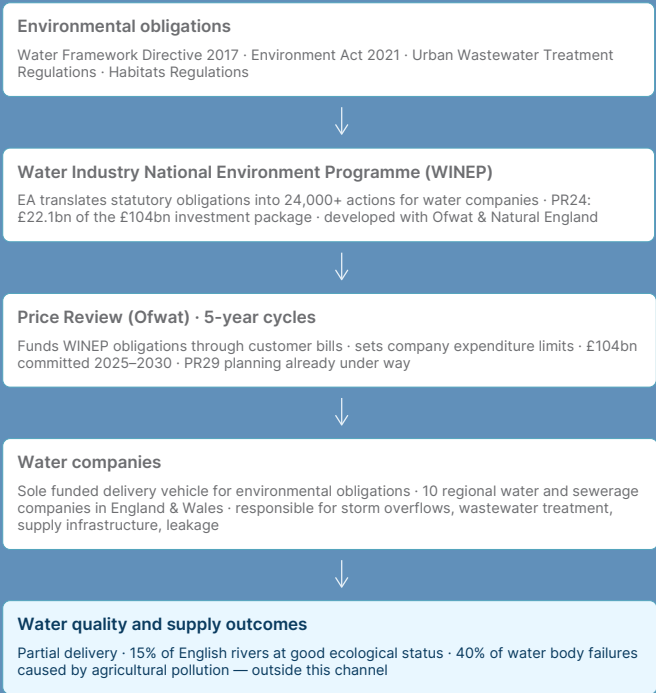
The recommendations below establish the investment architecture required to achieve the environment act targets, growth and a strong water industry.

>> DIAGRAM 5

How water investment flows today

Current system and 2026 White Paper proposals · a single funded channel with disconnected parallel flows

PRIMARY FUNDED CHANNEL



PARALLEL FLOWS — NO STRUCTURED INVESTMENT ROUTE



----- NO FORMAL COORDINATION MECHANISM BETWEEN THESE CHANNELS -----

KEY CONSTRAINT

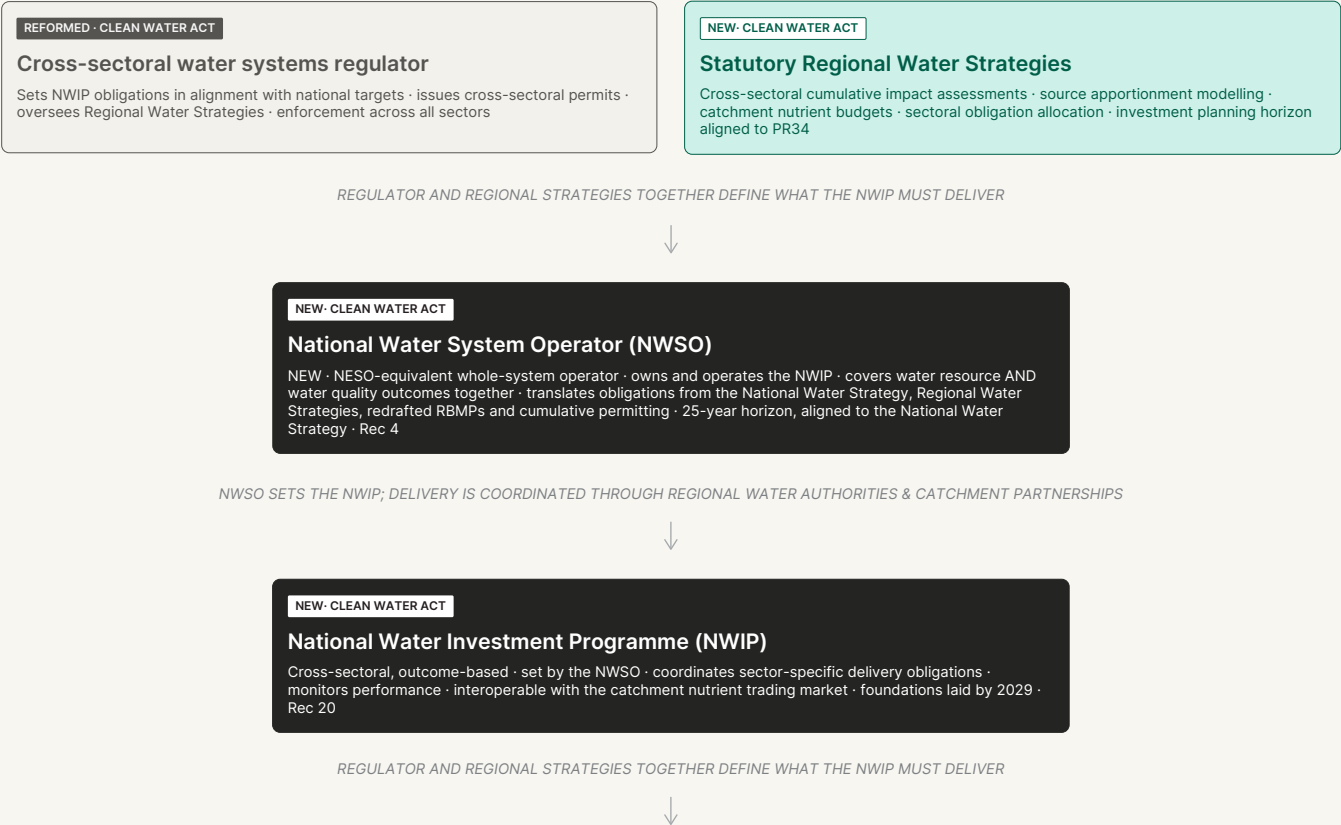
The entire funded delivery system flows through a single channel to water companies. Agriculture — responsible for 40% of water body failures — has no equivalent funded investment programme.

Private capital, catchment partnerships, developers and industrial operators have no structured route into the investment system. Cross-sector coordination is voluntary and inconsistent.

Proposed National Water Investment Programme — *how it works*

Cross-sectoral investment architecture · operational ahead of PR34 · set by the cross-sectoral regulator · coordinated through Regional Water Strategies

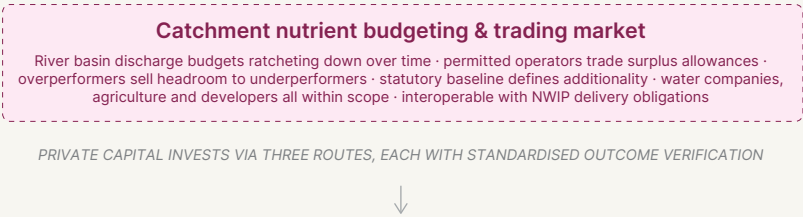
STEP 1 GOVERNANCE SETS THE FRAMEWORK AND OBLIGATIONS



STEP 2 SECTOR-SPECIFIC DELIVERY CHANNELS, EACH WITH DEFINED FUNDING MECHANISMS



STEP 3 INTEROPERABLE NUTRIENT TRADING MARKET CREATES MARKET ENTRY FOR PRIVATE CAPITAL

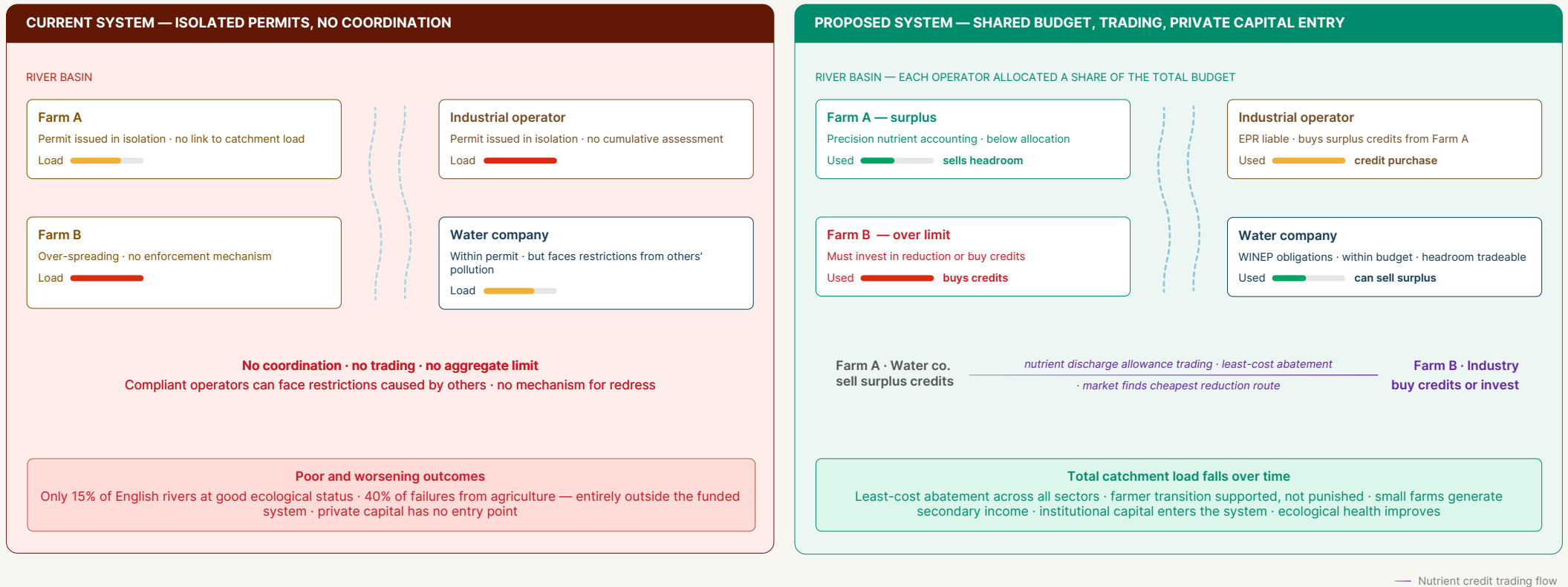


STEP 4 PRIVATE CAPITAL ENTERS VIA THREE STRUCTURED ROUTES



Catchment nutrient budgeting — *how it works*

From isolated permits to a shared catchment budget · modelled on the national carbon budget · Recs 12, 13, 14 & 18



REC 12

Reformed farming regulations*

Consolidated FRW, SSAFO & NPPR · interoperable with UWTR · clear delineation of baseline obligations · roadmap to regulatory consolidation 2035

REC 13

National Nutrient Management Strategy*

Farm-gate nutrient balancing requirements · managed surplus disposal routes · digestate regulation · total catchment load trajectory aligned to Environment Act targets

REC 14

Reformed Environmental Permitting*

Cross-sectoral cumulative impact assessments · source apportionment modelling · statutory baseline delineation · additionality legally demonstrable · smart compliance monitoring

REC 18

Catchment nutrient budgeting

River basin discharge budgets ratcheting down over time · statutory trading of nutrient discharge allowances · primary demand driver for private capital · least-cost abatement across agriculture, industry, water companies and developers · farmer income protected through credit sales

* THREE PRECONDITIONS REQUIRED BEFORE THE PROPOSED SYSTEM CAN FUNCTION — MUST BE IN PLACE BEFORE REC 13

RECOMMENDATION 16

Plan for the water impact of government growth and development programmes

The White Paper does not engage substantively with the water implications of the Modern Industrial Strategy, the 1.5 million homes programme or the low-carbon energy infrastructure drive. The new Water Delivery Taskforce is centred around removing water as a constraint on development, not ensuring development water demand is factored into long-term water resource planning. This is an important distinction highlighted by Aldersgate Group business members.

Several regions of England already face significant water constraints. Without a cross-sector mechanism to assess and plan for the water implications of economic growth and development policy, investment in water outcomes is likely to remain reactive rather than strategic. This contrasts with obligations to assess strategic carbon impacts which are much more mainstreamed, creating business uncertainty, poor outcomes for the water environment and risks undermining investor confidence in water constrained regions.

- **Recommendation 16a:** The Clean Water Act should require all major government programmes with significant water demand implications to publish an assessment of how that demand will be met in the context of the National Water Strategy, Regional Water Strategies and Environment Act targets. This should start with the Modern Industrial Strategy, the housebuilding programme and Clean Power 2030, prioritising areas where developments are planned in already water-constrained areas.
- **b.** Water Authorities should be designated as statutory consultees in the Strategic Environmental Assessment⁵² process for plans and programmes with significant

water demand implications, under the Environmental Assessment of Plans and Programmes Regulations 2004. This would ensure that the impacts of water resource use and water quality are assessed at the programme level before individual development consents are considered, rather than being managed on a project-by-project basis.

- **c.** Regional Water Authorities should engage as enablers, not blockers: their role is to identify constraints early and co-design solutions.

RECOMMENDATION 17

Establish a private investment framework for water outcomes

Businesses across the economy are exposed to water-related risks and many are actively seeking to invest in water resilience in their supply chains and premises. The public funding gap in the water sector is significant and well-documented. Private capital from outside the water industry is available and motivated but has no structured route to contribute with clear returns on investment. Water outcomes are currently treated primarily as a water industry planning exercise, funded through the Price Review and Water Industry National Environment Programme (WINEP). This locks businesses out of a domain where their investment would deliver both financial and environmental returns.

Nature markets are currently nascent in many areas. Nutrient offset markets remain geographically constrained and have faced policy uncertainty due to recent changes under the Planning and Infrastructure Act, as well as the sectoral siloes described in Chapter 3. Natural Flood Management Markets are absent despite the clear business case for operational resilience and insurance de-risking. Many codes, standards and registries exist, but the abundance of options can act as a barrier to engagement for businesses. Although the

⁵². This is in line with the May 2026 House of Lords Environment and Climate Change Committee recommendation that water companies be made statutory consultees on all major planning decisions including housing developments, data centres, and energy infrastructure projects, to support water resource planning.

polluter pays principle is firmly embedded in water environment policy, it remains poorly implemented in practice. Policies centred around a “beneficiary pays” principle remain underexplored.

The White Paper’s commitment to environmental bonds (long-term financial instruments to fund ecosystem restoration and climate resilience) and innovative third-party financing models is a promising foundation. Defra’s concurrent work on nature markets and the BSI Nature Investment Standards programme provides a parallel architecture that a water-specific investment framework can build on.⁵³ However, private investment frameworks cannot function without the underlying data infrastructure to support them.

- **Recommendation 17a:** The Clean Water Act or equivalent measure should establish a defined investment framework for private capital in water outcomes, building on the White Paper’s environmental bonds commitment and Defra’s nature markets programme.
- **b.** This framework should include standardised metrics for water outcome investment, analogous to those developed for biodiversity net gain, providing investor confidence, comparability and a basis for outcome verification. These metrics should be developed in line with the BSI Nature Investment Standards programme and aligned with the source apportionment data generated under Recommendation 14. These metrics should function as a credit system with clear verification, reporting and monitoring requirements, giving investors the ability to demonstrate that their capital produced measurable, audited outcomes, the precondition for institutional capital at scale.
- **c.** Regional Water Authorities should have a defined mechanism for receiving and directing private sector investment into their delivery plans, with returns linked to verified outcomes. This gives businesses

a recognised and accountable route to contribute to regional water targets while investing in their own operational resilience.

- **d.** The Government should consider introducing fiscal incentives, including favourable tax treatment and match funding mechanisms, to catalyse private investment in catchment restoration, water efficiency and supply resilience, reducing the cost of capital for early-mover investors and building the track record needed to attract institutional capital at scale.
- **e.** The standardisation of metrics established under this framework should set the groundwork for cross-sectoral investment allocation under the NWIP, consistent with the “polluter pays” and “beneficiary pays” principles.

RECOMMENDATION 18

Establish catchment nutrient budgeting as a demand driver for private investment

Even with reformed regulations and a National Nutrient Management Strategy in place, the water system will struggle to attract private capital at the scale required. A market mechanism that creates economic incentives for least-cost abatement and provides a credible long-term trajectory for water quality improvement is required.

There are currently no plans for a cross-sectoral architecture to achieve this. There is no aggregate budget against which sectoral contributions can be measured, and no mechanism for operators who overperform to generate value from doing so (see Diagram 7).

The White Paper’s commitment to environmental bonds and innovative financing models is a promising signal, but these instruments cannot function without a structured framework that sets a direction of travel and defines what outcomes are

⁵³. Defra (2026) [The BSI Nature Investment Guidance](#)

being purchased and by whom.

Catchment nutrient budgeting, modelled on the national carbon budget, provides an imperfect, but transferrable framework to act as a demand driver for water investment. River basin level catchment nutrient budgets create a direct incentive for private capital to invest water outcomes and are aligned with the duties of our proposed Regional Water Authorities.

- **Recommendation 18a:** The Clean Water Act must provide the statutory basis for catchment nutrient budget schemes at the river basin level, with aggregate discharge budgets set in line with the National Water Strategy's long-term targets, ratcheting downward over time. Budgets should be set by the new water regulator and coordinated through the newly established National Water Systems Operator.
- **b.** The framework must include a statutory mechanism for the trading of nutrient discharge allowances between permitted operators within a river basin, enabling overperforming operators to sell headroom to underperformers and driving least-cost abatement across the catchment. This mechanism depends on three preconditions being met: the National Nutrient Management Strategy under Recommendation 13, the delineation of baseline obligations under Recommendation 14d, and the private investment framework (Recommendation 17).
- **c.** Catchment nutrient budget schemes should function as a primary demand driver for private investment in water outcomes, giving businesses and investors a defined, verifiable entry point into the water system. This will allow institutional investors with social value duties and long investment horizons to support the climate and nature resilience of our waterways. The standardised metrics developed under the private investment framework (Recommendation 17) should be interoperable with nutrient budget

accounting to ensure comparability and investor confidence.

- **d.** Public or blended funding should be made available for the initial source apportionment modelling and monitoring infrastructure needed to establish catchment budget baselines and grow private sector confidence. Some of this can be achieved by relocating existing water quality monitors from point sources of pollution to areas conducive with measuring catchment diffuse pollution load. Without this data foundation, budget-setting, outcome verification and investor confidence cannot be established. This is a precondition on which the private investment framework in Recommendation 17 depends.
- **e.** To run a “nutrient and water budget” effectively, a system approach will be required to treat the entire catchment as an open system, where changing an input in one node (e.g. agricultural fertiliser or wastewater heat recovery) shifts the balance of the entire network. This creates the opportunity for trade-off assessment and can potentially lead to more flexible, robust and resilient approaches to policy delivery.

RECOMMENDATION 19

Commit to Extended Producer Responsibility for water

The White Paper signals movement toward a stronger polluter pays model in updating the Urban Wastewater Treatment Regulations, which the Aldersgate Group welcomes. However, it stops short of committing to Extended Producer Responsibility for water: the model adopted in the EU's 2025 revisions to their Urban Wastewater Treatment Directive (cosmetics and pharmaceuticals).

Extended Producer Responsibility would require producers and industrial dischargers in sectors such as pharmaceuticals, chemicals, cosmetics and food processing to contribute fairly to water treatment, including advanced filtration to remove micropollutants.

Under the current UK regime, the cost of treating wastewater is socialised through water bills, falling on households rather than those responsible for introducing pollutants into the system. In the UK, micropollutant treatment has limited application at present.⁵⁴ EPR is a viable avenue to fund water upgrades in line with the polluter pays principle, and could be effective if designed carefully learning lessons from the EPR for packaging.

- **Recommendation 19a:** A Clean Water Act must commit to a timeline for aligning the revised UK Urban Wastewater Treatment Regulations with the EPR model established in the EU's revised UWWTD, requiring producers and industrial dischargers to bear a fair and proportionate share of wastewater treatment costs. Doing so would reduce the treatment burden on household water customers, create incentives for pollution reduction at source and ensure that the UK's regulatory framework remains aligned with the direction of travel in EU environmental law.
- **b.** EPR is essential to the long-term viability of water-based outcome investment and can work in harmony with a regional cumulative assessment approach to environmental permitting, giving polluters clear targets and the ability to trade surplus on an open market. This would have the additional benefit of reducing trade and compliance friction for businesses operating across both markets.
- **c.** EPR is also a key input to a sustained National Water Investment Programme, core to sectoral resilience-building and in line with the polluter pays principle of good environmental regulation.

RECOMMENDATION 20

Build the foundations for a National Water Investment Programme

Closing the cross-sectoral delivery gap requires a new coordinating architecture rather than an extension of the water company model. A National Water Investment Programme (NWIP) should translate the water environment and water resource obligations generated by Regional Water Strategies into sector-specific funded delivery requirements, using the instruments most appropriate to each sector (see Diagram 6).

The NWIP should include provision for public or blended funding of the source apportionment modelling and monitoring infrastructure needed to unlock private investment at scale. Without this data foundation, outcome verification and investor confidence cannot be established.

Several design questions require resolution before the NWIP can be fully operationalised: the enforceability of obligations set under Regional Water Strategies; accountability mechanisms where one sector fails to deliver its share of a cross-sectoral outcome; and how NWIP obligations interact with water company price determination. These are not reasons to defer the architecture, they are reasons to build it carefully, with early stakeholder engagement and a phased implementation roadmap.

- **Recommendation 20a:** The Clean Water Act should place a duty on the new water regulator to establish a National Water Investment Programme (NWIP) by 2029, providing a cross-sectoral, outcome-based delivery framework that translates obligations under Regional Water Strategies and the cumulative permitting regime into funded delivery requirements across all sectors with material water footprints.
- **b.** The NWIP should be underpinned by both sector-appropriate funding mechanisms and

54. Water Magazine (2025) [UK's first micropollutant removal plants using ozone technology go live](#)

the private investment framework outlined in Recommendation 17.

- For water companies, the Price Review should be aligned with the NWIP outcomes, replacing the WINEP.
 - For agriculture, the government should explore bespoke, fair agri-food supply chain levies as the primary funding route, avoiding placing legally binding obligations on farmers without credible delivery mechanisms. ELMs for water should run through the NWIP.
 - For development, Environmental Delivery Plans related to water quality under the new Nature Restoration Fund can be formally integrated into the NWIP framework over time. This should begin with the Environmental Delivery Plans for nutrient neutrality under development. Ideally, we would prefer the private sector to establish its own nutrient neutrality schemes for the benefit of speed, cost and efficiency, with regulatory oversight.
 - Extended Producer Responsibility for water, covering industrial polluters and abstractors (Recommendation 19), would part-fund the NWIP.
- **c.** The NWIP should be set by the National Water System Operator and delivery must be coordinated through the Regional Water Authorities and affiliated Catchment Partnerships, ensuring investment obligations reflect the specific pressures, cumulative impacts and supply constraints of each river basin defined in Regional Water Strategies. The NWIP should include provision for public or blended funding of catchment-level source apportionment modelling and monitoring infrastructure.
 - **d.** Ports and harbour authorities, transport authorities and industrial water users should be included within the NWIP's scope from its establishment, with sector-specific funding and compliance mechanisms developed as part of the design process. This is in line with the cross-sectoral and whole of environment principles of good environmental regulation.
 - **e.** The NWIP must consider investments that enable better water outcomes over time, outside of the normal avenues for investment i.e. infrastructure. This should include, nature-based solutions, cumulative mitigative measures within a catchment area, and digital systems, data sharing infrastructure, real time-monitoring, and upskilling for farmers and land managers. Driving uptake in on-farm innovation can support better water outcomes in catchments and make farms more profitable.



Closing remarks

The persistence of England's water problems across successive governments, regulatory cycles and enforcement regimes is not evidence that the problems are intractable; it is evidence that the system was designed for a different set of challenges. As long as the system remains built around a single regulated industry, siloed legislation and the absence of whole-system planning, fragmented outcomes will persist regardless of changes in government, regulatory funding or regulatory practice. This briefing points to a design solution rather than calling for more effort within the existing design.

The 20 recommendations set out here are intended to be read as a single, sequenced programme rather than a menu. None requires the government to reverse course on the reforms already underway; each is a piece of architecture that the White Paper's existing direction of travel will need to hold together as sectors, price reviews and planning cycles multiply. Taken individually, several of these recommendations are modest extensions of what is already being proposed. Taken together, they amount to the systemic shift this briefing argues

for: a water system governed as a single, cross-sectoral resource rather than administered sector by sector.

This is achievable within a realistic timeframe, but it depends on legislative opportunities that do not come often. The Clean Water Bill's passage through Parliament this year is one of those opportunities, and the scope of what it ultimately includes will shape the water system's governance for a generation. Some of what we propose will ask sectors beyond the water industry, and government departments beyond Defra, to take on obligations they do not currently hold. This is not a new burden but an overdue recognition that water is a shared asset, and its governance should reflect that.

England does not lack the evidence, the institutions, or the political attention needed to fix its water system. What it has lacked is a framework that asks all of them to work toward the same outcome, on the same timeline, with clear ownership at every level. That is what this briefing calls for, and what the Clean Water Act should deliver.

>> Appendix

THE BUSINESS CASE FOR A
NATIONAL WATER FRAMEWORK

» TABLE 1
Water Policy Index

Policy Item	Post-Brexit Status	Overview	Implementation tool	Relevant Authority	Shortcomings
Water Industry Act (1991) AMENDMENTS: Water Act 2003 reformed abstraction licensing regime in response to droughts Water Act 2014 introduced retail market competition for non-household customers and new duties on companies to invest in long-term operational and financial resilience. Environment Act 2021 made DWMPs mandatory, introduced statutory pollution targets and established the OEP as an enforcement body. Water Special Measures Bill 2025 strengthened penalties and Ofwat enforcement powers	N/A	The foundational statute for the regulation of the privatised water and sewerage sector in England and Wales The Act: 1. Appoints and empowers the regulator (Ofwat). 2. Defines the legal duties of the water and sewerage undertakers. 3. Provides enforcement mechanisms when these duties are not met.	Economic regulation – Price Review via Ofwat – 5-year cycles Enviromental Regulation – Permits via Environment Agency Environmental Permitting Regulations 2016 Defra guidance to regulators via Strategic Policy Statement to Ofwat (latest 2022). Drainage and Wastewater Management Plans (DWMPs) Water Resource Management Plans (WRMPs)	Ofwat Drinking Water Inspectorate Environment Agency Defra	Price Review has prioritised economic regulation at the cost of long-term environment improvement and investment in supply. Tripartite structure (Ofwat, EA, Defra) has created an accountability gap – no body is responsible for system outcomes. WIA91 unable to tackle water challenges at the catchment scale which require coordination across farmers, local authorities, water companies and land managers. Act doesn't contain ecological quality objectives itself; it is reliant on the retained WFD to supply them. Amendments over the years have created a dense, prescriptive and output focussed regulatory framework that is inflexible to emergent issues and long-term planning for climate resilience and industrial strategy.
Water Frameworks Directive (2017) – Water Environment Regulations	Retained via the EU Withdrawal Act	Overarching goal to achieve “Good Ecological Status” and “Good Chemical Status” in all water bodies by 2027 Covers surface wawter, groundwater and coastal waters (up to 1 nautical mile)	River Basin Management Plans – published on a 6 yearly cycle	Environment Agency Natural Resources Wales	2027 target not met – English rivers 14-16% meet Good Ecological Status. River Basin Management Plans ruled unlawful in 2025 due to lack of detail and generic programme of measures (PoMs). Historically weak enforcement, particularly against diffuse agricultural pollution
Environment Act 2021	Post-Brexit framework for UK environmental governance	Introduces legally binding targets to improve water quality, reduce pollution and enhance aquatic ecosystem • Key target: aim for 75% of waters to be close to their natural state • Reduction targets aimed at specific chemicals and pollution sources • Targets on reducing water demand included • Target deadline 2038; Interim Targets 2030	Defra Environmental Improvement Plan – published every 5 years (latest 2025)	Defra OEP	Doesn't translate the ambitions of the WFD directly creating reporting incoherence. EIP25 pushed interim targets back from 2028-2030.¹ OEP have fewer enforcement powers for poor performance compared to the EU commission.² Targets for agricultural pollution weak (40% reduction by 2038) – unlikely to achieve Good Ecological Status – EIP25 heavily reliant on innovation for meeting this target.
Environmental Permitting Regulations (2016)	N/A	Primary licensing framework through which the Environment Agency regulates activities with the potential to cause pollution. Requires operators (water companies, industrial businesses, other) to hold an environmental permit for any regulated activity.	Environmental permits issued by the Environment Agency Monitoring and inspection Suspension and financial penalties; criminal prosecution for serious breaches Environmental Performance Assessment (EPA) scores water companies annually on pollution incidents and compliance	Environment Agency	Environmental Permitting Regulations (EPR) are a reactive, site-by-site instrument regulating point sources of pollution (pipes). EPR cannot set catchment level outcomes, address diffuse pollution from agriculture or the built environment (runoff), or coordinate investment across sectors. Enforcement is under-resourced. Perverse dynamics for investment. Water companies can meet their legal permit obligations while still contributing to a failure of a water body (cumulative pollution is large, despite each source being compliant).
Farming Rules for Water (The Reduction and Prevention of Agricultural Diffuse Pollution (England) Regulations 2018)	Stems from European Communities Act 1972	Introduced to prevent diffuse water pollution from agricultural sources. Rules cover: • Key target: aim for 75% of waters to be close to their natural state • Reduction targets aimed at specific chemicals and pollution sources • Targets on reducing water demand included • Target deadline 2038; Interim Targets 2030	Environment agency publishes enforcement and sanctions policy and guidance.	Environment Agency Defra	Regulations apply to non-point sources of pollution with varying effectiveness. Rules are somewhat open to interpretation. Farm inspections increasing (19,018 from April 2021- March 2026).³ Unclear guidance on winter spreading of nutrients (guidance updated post OEP intervention in 2025). Interventions focussed on behavioural changes (e.g. timing of nutrient spreading), rather than investments in physical infrastructure or catchment-based mitigation.

TABLE 1 — CONTINUED

Policy Item	Post-Brexit Status	Overview	Implementation tool	Relevant Authority	Shortcomings
Environment Agency Strategic Policy Statement	N/A – domestic policy instrument, not EU-derived	Defra statement setting the government’s strategic priorities for the EA’s regulatory and enforcement functions in the water sector. Currently operating as a transitional instrument: the EA retains its role until the single water regulator (proposed in the Water White Paper) is established, at which point the Secretary of State issues a legally-binding direction instructing the EA on how to support the water reform programme in the interim. Directs the EA to increase join-up with Ofwat, DWI and Natural England, support the 2029 Price Review, and use its strengthened powers under the Water (Special Measures) Act 2025 to address water company underperformance.	Non-statutory Defra policy statement (SPS), re-issued periodically – supplemented by a ministerial direction with legal force during the transition period.	Defra Environment Agency	Transitional/interim in nature. Designed to bridge to a single regulator model Weaker legal force than a statutory duty (contrast with Ofwat’s SPS under s.2A WIA91); relies on ministerial “expectation” and “challenge” language rather than binding targets. Priorities reset with each re-issuance, undermining long-term regulatory certainty for the sector. Creates a period of institutional ambiguity. EA exercising functions that are explicitly being planned for transfer to a new body.
Environmental Quality Standards	Retained EU law EQS Directive 2008	Sets maximum permissible concentrations for priority substances in surface waters, feeding into the “good chemical status” classification within the WFD framework and underpinning River Basin Management Plans (RBMPs).	Water Environment (WFD) (England and Wales) Regulations 2017 EA monitoring and sampling: enforcement via Environmental Permitting Regulations 2016.	Environment Agency Defra	Post-Brexit, government dropped the annual testing requirement in favour of the statutory minimum (once every 6 years), reducing data granularity.⁴ UK now exposed to divergence from EU pollutant-list updates (2026 revision) with no domestic mechanism to keep pace automatically. Reduced EA monitoring budget has narrowed the number of sampling sites, weakening confidence in compliance data. Even on existing standards, performance is poor – 2019 data (last full comprehensive assessment) showed 0% of English waters meeting good chemical status.⁵
SSAFO (Silage, Slurry and Agricultural Fuel Oil) Regulations	N/A – domestic regulation, not EU-derived	Sets design, construction and storage standards for silage, slurry and agricultural fuel oil installations to prevent water pollution. Requires minimum slurry storage capacity, impermeable bases/ bunding, and EA notification 14 days before construction of new or substantially enlarged stores.	Water Resources (Control of Pollution) (SSAFO) (England) Regulations 2010 EA notification and farmyard inspection regime. Enforcement notices. Defra Groundwater Protection Code (for underground tanks).	Environment Agency Defra	Pre-1991 installations remain exempt from build standards unless substantially altered. Legacy infrastructure risk persists.⁶ Compliance relies on self-notification and periodic inspection rather than systematic audit; enforcement capacity constrained. Fixed minimum storage periods don’t flex with increasingly variable winter rainfall under climate change. Penalties (up to £5,000 in magistrates’ court) are low relative to the scale and cost of pollution incidents.
Nitrate Pollution Prevention Regulations	Retained EU law – transposes the EU Nitrates Directive	Designates Nitrate Vulnerable Zones (NVZs): around 55% of English land. Covering areas where water is at risk from agricultural nitrate pollution. Imposes an Action Programme: nitrogen application limits, closed periods for spreading organic manure, manure storage requirements, and record-keeping obligations. NVZ designations reviewed every 4 years (current cycle 2025–2028).	Nitrate Pollution Prevention Regulations 2015. NVZ designation review process (EA/Defra). Reduction and Prevention of Agricultural Diffuse Pollution (England) Regulations 2017 – RPA inspections.	Defra Environment Agency Rural Payments Agency	Defra has missed its own statutory review/reporting deadlines under Regulation 40 (first review due March 2020, still outstanding, subject of an OEP investigation).⁷ Regional-scale monitoring data gaps increase uncertainty in the evidence base for NVZ designation.⁸ Removal of cross-compliance in England (2024) weakened the link between breaches and financial penalty.⁹ Regime overlaps with SSAFO and the Farming Rules for Water without clear integration, adding complexity without demonstrated water-quality improvement (nitrate concentrations in rivers have shown limited long-term decline).
Urban Wastewater Directive Regulations (UK) 1994	Stems from the EU Urban Waste Water Treatment Directive (1991)	Regulates sewerage systems, biological treatment, nutrient removal in “sensitive areas” and Combined Sewer Overflows (Storm Overflows) Informs and regulates water company Drainage and Wastewater Management Plans (DWMPs) Compliance with these regulations is planned through the water company price review, with costs and duties managed by Ofwat.	Environment Agency permits individual treatment works, issues enforcement notices or permit variations Defra reports compliance to the OEP Drainage and Wastewater Management Plans (WRMPs)	Environment Agency Defra OEP Ofwat	Investment in DWMPs is constrained Ofwat via the Price Review – companies must balance downward political pressure on customer bills with the need to invest in infrastructure including Combined Sewage Overflows. OEP has fewer enforcement powers compared to the EU Commission

TABLE 1 — CONTINUED

Policy Item	Post-Brexit Status	Overview	Implementation tool	Relevant Authority	Shortcomings
National Framework for Water Resources (2020/25)	N/A	This is a planning document, not regulatory, that sets out the gap between water supply and demand under different climate scenarios up to 2055 (as of the 2025 report).	Established Regional Water Resource Groups (such as WRE) to produce Regional Water Resource Plans (RWRPs) RWRPs inform water company Water Resource Management Plans (WRMPs) – which are statutory	Environment Agency Ofwat	As a guiding document, it doesn't have any policy or regulatory gaps, but the delivery of the recommendations made by the Regional Water Resource Groups are constrained by the final settlement made by Ofwat under the Price Review mechanism. ¹⁰

TABLE REFERENCES

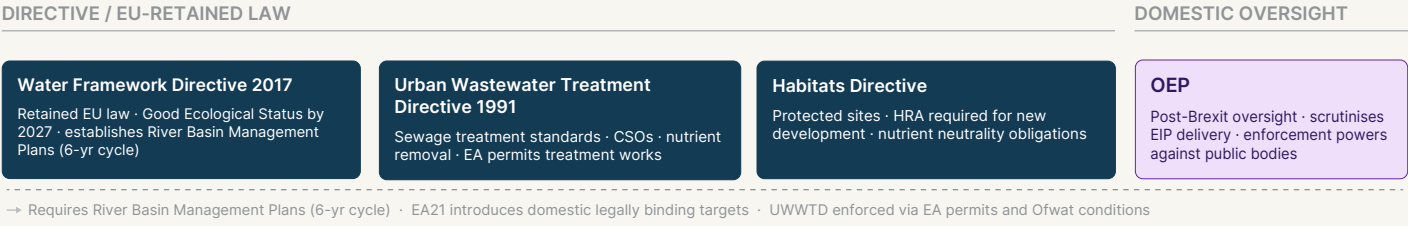
1. Defra (2025) [Agriculture water quality Environment Act target delivery plan](#)
2. Ends Report (2021) [Everything you need to know about the OEP](#)
3. Environment Agency (2026) [Agriculture and the water environment: 2026 report](#)
4. Ends Report (2023) [Water Framework Directive divergence dispute: What we know so far](#)
5. Environmental Technology (2023) [Post-Brexit UK water regulations to be set far below EU standards, reports Guardian](#)
6. The Farm Consultancy Group (2022) [Is Your Silage Storage Meeting SSAFO Regulations?](#)
7. OEP (2025) [Compliance with the Nitrate Pollution Prevention Regulations 2015 and Reduction and Prevention of Agricultural Diffuse Pollution \(England\) Regulations 2017](#)
8. Defra (2025) [Nitrate Pollution Prevention Regulations 2015 Post Implementation Review](#)
9. Defra (accessed 2026) [Nitrate vulnerable zones](#)
10. House of Commons Library (2025) [Future water resources](#)

>> DIAGRAM 8

The Regulatory Hierarchy — *Current State*

Legal authority, competent bodies and enforcement chain · UK water sector

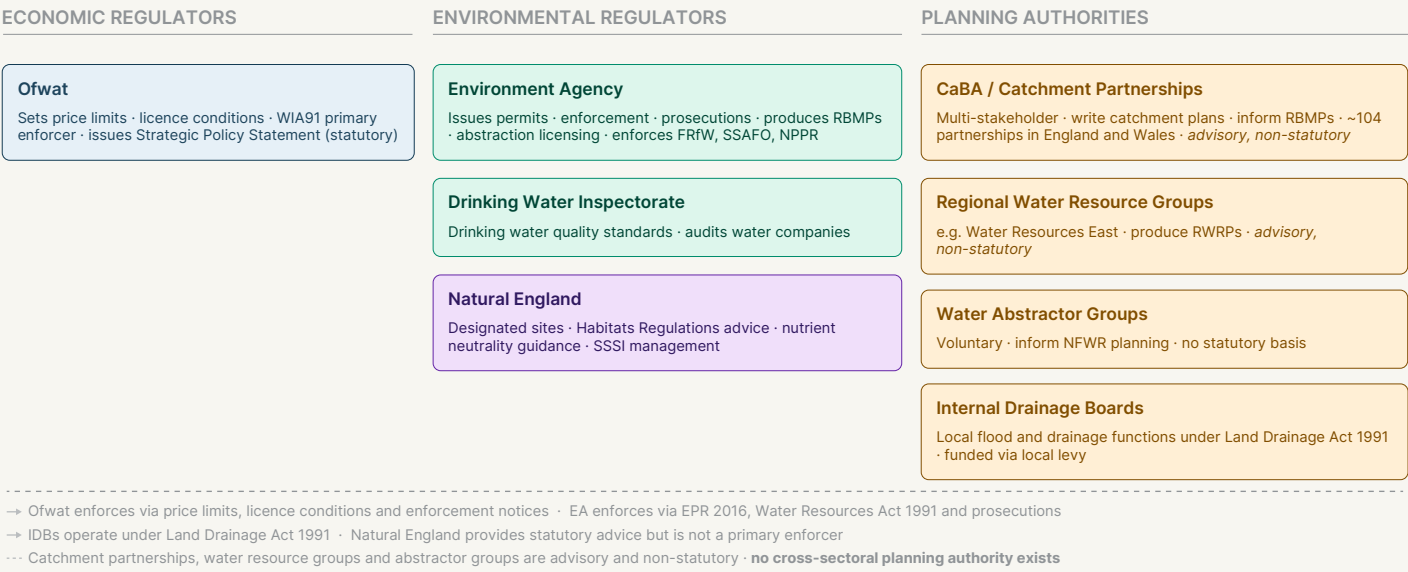
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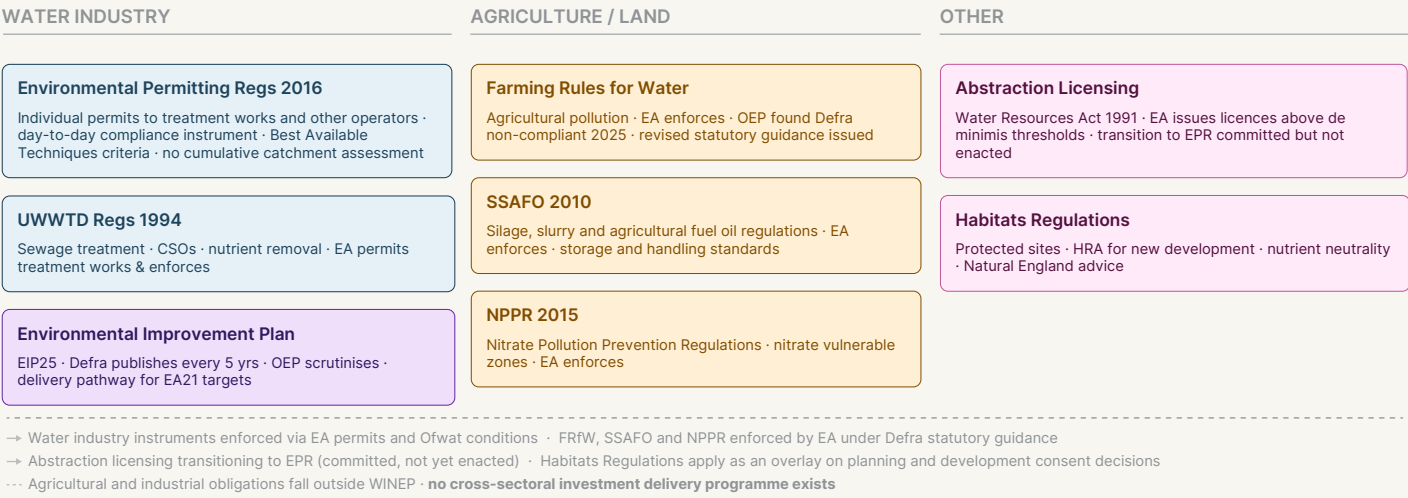
2. NATIONAL LAW



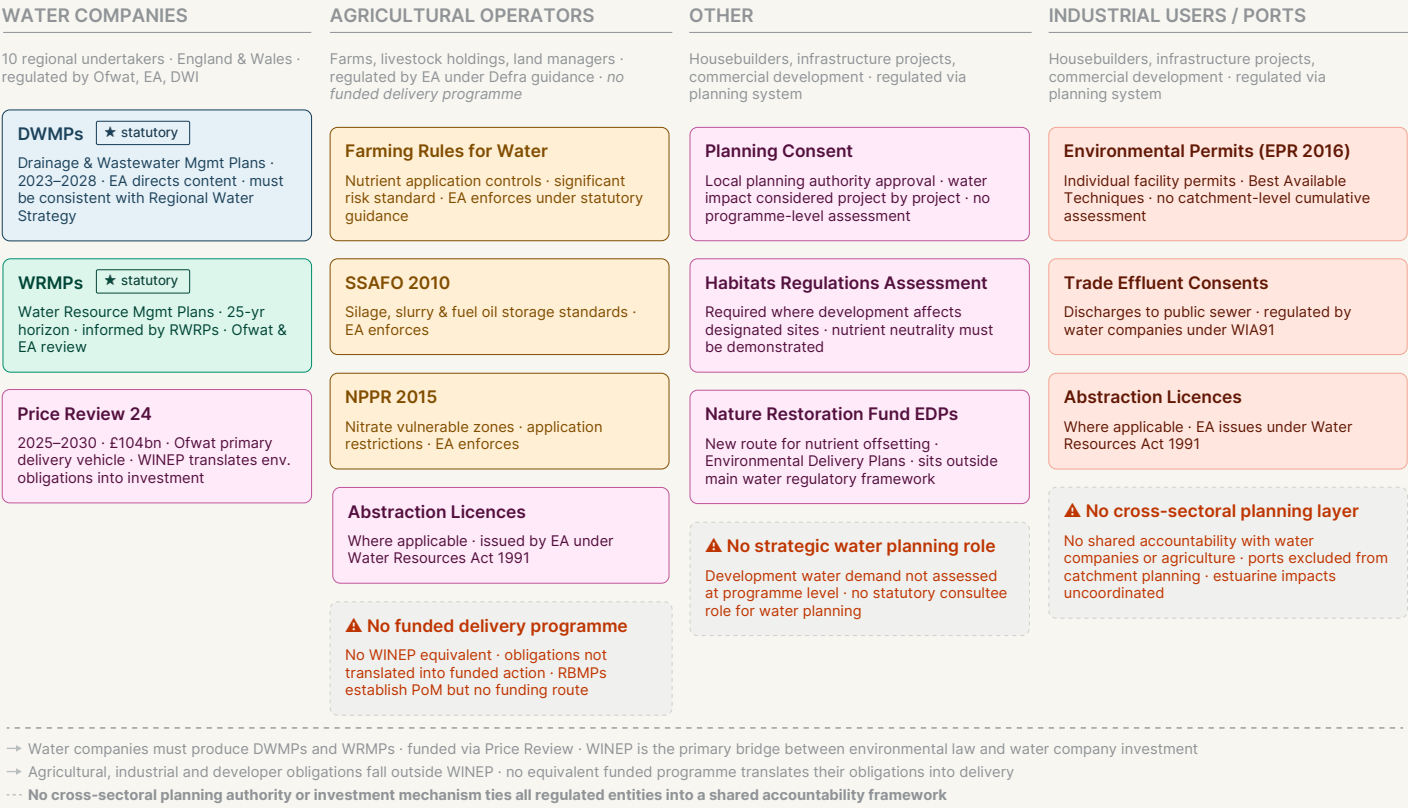
3. REGULATORS & PLANNING AUTHORITIES ECONOMIC REGULATORS



4. REGULATORY INSTRUMENTS



5. REGULATED ENTITIES



The Planning Document Flow

What produces what, and what informs what - national to company level

