



**Cyfoeth  
Naturiol**  
Cymru  
**Natural  
Resources**  
Wales

# Consultation on our Regulatory Fees and Charges for 2022 onwards.

The current schemes and changes proposed in this consultation will remain in place unless superseded by the charging schemes being developed through our Strategic Review of Charging.

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# 1 Introduction

Natural Resources Wales' purpose is to ensure that our natural resources and environment are sustainably maintained, enhanced and used in a way that is good for people, good for the environment and good for the economy.

Our remit is wide and includes providing a range of regulatory services. We are required by Government to recover the costs of these regulatory services from those we regulate, rather than through general taxation. The fees and charges raised to cover regulatory costs account for approximately 18% of Natural Resources Wales total 2021/22 funding of £220m<sup>1</sup>.

We currently review our Fees and Charges Schemes on an annual basis to ensure we recover our costs and meet any technical requirements. We also review the way we work, ensuring our processes are efficient and effective, to keep charges as low as possible.

When setting fees and charges, we follow the requirements set out in '*Managing Welsh Public Money*'<sup>2</sup> ensuring that only eligible costs are included within calculations. Our current charging schemes are available on our website<sup>3</sup>.

We regularly meet and discuss our proposals with the Charge Payers Consultative Group, consisting of various stakeholders from trade and representative organisations. This helps us to develop our charging strategy and schemes for the future. We would like to thank those in the group for their commitment in representing their members' views and continuing to work with us in this way, now and in the future. We annually review the membership of this group to make sure we have members relevant to the changes proposed. A list of current membership is attached in Annex 1.

As well as following our regulatory principles<sup>4</sup>, the Regulators' Code<sup>5</sup> and Managing Welsh Public Money, we are committed to the following charging principles;

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<sup>1</sup><https://naturalresourceswales.gov.uk/about-us/strategies-and-plans/wellbeing-objectives/introduction-to-corporate-plan/?lang=en>

<sup>2</sup> <http://gov.wales/funding/managing-welsh-public-money>

<sup>3</sup> <https://naturalresources.wales/about-us/what-we-do/how-we-regulate-you/our-charges/?lang=en>

<sup>4</sup> <https://naturalresources.wales/about-us/what-we-do/how-we-regulate-you/regulatory-principles/?lang=en>

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300126/14-705-regulators-code.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300126/14-705-regulators-code.pdf)

- transparency of our charging decisions
- avoidance of cross subsidy between regimes
- providing longer term planning horizons wherever possible
- avoiding cycles of cutting then raising charges by actively managing our surpluses and deficits
- keeping charges as low as possible through a continued drive for increased efficiency

We continue to monitor the impact on our charges following the UK's exit from the European Union (EU) now and in the future, especially in areas where our regulation is determined or influenced by EU legislation.

We are seeking your views and opinions on our proposals for our regulatory charges from 1<sup>st</sup> April 2022 as detailed in section 3 below. We will use the feedback to inform our final schemes which we intend to implement from 1<sup>st</sup> April 2022 subject to Welsh Government approval.

**This consultation closes at midday on Monday 10<sup>th</sup> January 2022.**

## 2 Changes to our existing charges

We continually review our service delivery to ensure processes are as efficient as possible. We are continuing to develop our place-based approach to regulation, helping us deliver the outcomes needed for the Welsh environment and green recovery, forming stronger connections with people and business. We are continuing to develop our cost modelling to make our long-term cost base more certain and increase the transparency of individual schemes for our stakeholders.

The Covid-19 pandemic has presented a wide range of new and significant challenges, with new working conditions, Government measures aimed at restricting the spread of the virus and difficult financial circumstances are all having an impact on businesses, people and our economy. We planned to launch a new Regulatory Charging Scheme in April 2021 arising from our Strategic Review of Charging. However, set against the backdrop of the pandemic, we are currently proposing to delay the introduction of a new scheme until later in 2022 (for permitting charges) and 2023 (for subsistence charges). We therefore need to maintain our charging schemes until such time as they are superseded.

For the period from 1<sup>st</sup> April 2022 until such time as we consult on and launch our new schemes, we are proposing to maintain as far as possible our existing Regulatory Charging Scheme. However, we do need to make adjustments to some charges to ensure we are fully cost recovering. This consultation seeks to ensure that our charge payers are both aware of these proposals and have an opportunity to give us their views.

## 3 Changes to Statutory Charging Schemes

### 3.1 Abstraction Standard Unit Charge (SUC)

We need to raise the Abstraction Standard Unit charge to service the ongoing capital maintenance needs of the section 20 Dwr Cymru Welsh Water Reservoir Programme.

In our 2019/20 consultation we highlighted the need to fund significant increases in Section 20 Reservoir Operating Agreement capital costs as well as other cost pressures through a joint review of funding options with Dwr Cymru Welsh Water (DCWW). We have a duty as far as is reasonably practicable to maintain with undertakers, secure and proper management of any reservoirs, apparatus or other works. This is to help safeguard water resource management. Changes to reservoir safety requirements, demand pressures and key assets coming to the end of their useful lives have resulted in significant infrastructure investment of £23.5 million being needed over 8 years. For example, new legislative obligations relating to enhanced standards for infrastructure such as spillways, pipes and dams means upgrades are needed. This is paid through the Standard Unit Charge account as per the terms of the Section 20 agreements.

To manage charge balances and avoid large increases in the short term the proposal we made in our 2019/20 consultation was to smooth these costs over a longer timeframe of 8-10 years. After consultation we made an initial increase to the SUC of +5% in 2019/20, +2.75% increase in 2020/21 and +2.23% in 2021/22.

We propose an increase of +2.8% for 2022/23. Future increases beyond this will also be required, given the scale of this programme.

**Question 1. What are your views on the proposed increase of +2.8% to the abstraction standard unit charge?**

### 3.2 United Kingdom Emissions Trading Scheme (UK ETS)

Following the UK's exit from the European Union on 31<sup>st</sup> December 2020, UK industry transitioned from an EU trading scheme (EU ETS) to a UK-based trading scheme (UK ETS). The UK ETS was implemented on 1<sup>st</sup> January 2021.

UK based regulators worked together and with stakeholders to develop the UK ETS and their own independent charging schemes based on recovering costs of regulating their respective schemes.

Natural Resources Wales developed a charging scheme for UK ETS which we consulted on earlier this year and implemented from 1<sup>st</sup> July 2021. The scheme was developed with stakeholders and in line with Welsh Government's 'Managing Welsh Public Money' policy to fully recover costs of regulating the scheme in Wales. Our charges incorporated a direct subsidy provided by Welsh Government to support transitional costs associated with depreciation and service management costs as a result of the transition to a UK scheme.

We are proposing an increase on average of +21% for UK ETS charges. This increase adjusts for the end of Welsh Government financial support for the transition period and adjusts for under recovery for certain activities. Our proposed charges remain on par with, or slightly below, our previous charges under the former EU ETS.

#### Full Scheme

<b>Subsistence charges</b>	<b>Current charges</b>	<b>New charges</b>	<b>% change</b>
Less than 50kt per year	£1,627	£1,973	21%
At least 50kt and no more than 500kt per year	£2,848	£3,452	21%
More than 500kt per year	£3,255	£3,946	21%
Opt out (NEW CATEGORY)	£407	£493	21%
<b>Permit applications</b>	<b>Current charges</b>	<b>New charges</b>	<b>% Change</b>
Cat A and opt outs - emitting less than 50kt per year	£1,627	£1,973	21%
Cat B - emitting at least 50kt per year and no more than 500kt per year	£2,441	£2,959	21%
Cat C - emitting more than 500kt per year	£3,255	£3,946	21%
<b>Permit variation</b>	<b>Current charges</b>	<b>New charges</b>	<b>% change</b>
Permit variations where a fee is paid with an application	£814	£986	21%
Permit variation without application	£814	£986	21%
Permit variation (termination of excluded status)	£814	£986	21%
Increase emissions target	£1,627	£1,973	21%
Permit transfer	£1,627	£1,973	21%
Permit surrender	£1,627	£1,973	21%
Permit revocation	£1,627	£1,973	21%
New entrant reserve	£2,441	£2,959	21%

#### Aviation

<b>Subsistence base charge</b>	<b>Current charges</b>	<b>New charges</b>	<b>% change</b>
Less than 50kt per year	£1,280	£1,551	21%
At least 50kt and no more than 500kt per year	£1,660	£2,012	21%
More than 500kt per year	£2,040	£2,472	21%
<b>Table 5.2.2a: Subsistence variable charges for aircraft operators</b>			
<b>Subsistence variable charge</b>	<b>Current charges</b>	<b>New charges</b>	<b>% change</b>
Less than 50kt per year	£420	£509	21%
At least 50kt and no more than 500kt per year	£553	£671	21%
More than 500kt per year	£680	£824	21%
<b>Applications</b>	<b>Current charges</b>	<b>New charges</b>	<b>% change</b>
Application for an emissions plan	£500	£606	21%
Emissions plan variation	£286	£347	21%
Application for a benchmarking plan	£553	£671	21%
Application to the Special Reserve charge	£747	£905	21%

**Question 2. What are your views on the proposal to increase charges in the UK ETS scheme by +21% on average?**

### **3.3 Water Quality Environmental Permitting Regulations**

Our charges for Water Quality have remained unchanged since NRW was formed in April 2013. We have identified under recovery within the Water Quality Permitting regime which we need to balance ahead of any proposed changes through our Strategic Review of Charging.

We are continuing to review and assess the expenditure plans in this regime to see what changes can be made, however for 2022-23 Natural Resources Wales is proposing to apply an inflationary (CPIH) increase. The rate will be +3% based on the CPIH for September 2021.

**Question 3. What are your views on the proposal to make an inflationary increase to the Water Quality Environmental Permitting Regulation charges?**

## **4 Other matters to note**

We are reviewing our provision of basic pre-application advice and our Discretionary Advice Service. We are seeking your views to help us better understand customer experience and the value of our advice. This information will be used to inform possible changes to charging schemes as part of the Strategic Review of Charging as well as improvement programmes within NRW.



## 4.2 Reviewing our provision of pre-application advice.

We would like to understand the value or benefit pre-application advice provides and any potential improvements to provision of advice or guidance we can make.

We provide basic pre-application advice to help customers understand what permissions they need and how to apply. This may include signposting to information and relevant forms or sources of information they need to prepare a quality application such as the legal requirements, how to identify environmental risks and find established best practice guidance.

Provision of basic advice in our view should be about signposting and not take as long as the maximum of two hours we currently allow. We are considering being more specific about what we will provide as a basic level of advice and removing the time component to make it clearer what might be expected by our customers from our staff.

The cost of providing basic advice needs to be recovered across the regime and may not be required or taken up by all customers so it is important we find an approach that is fair for all charge payers.

It is important to note that our basic pre-application advice is not designed to help applicants complete reports or carry out assessments of information that may pre-determine or prejudice our role in determining a permit application.

**Question 4. If you have requested basic (non-charged) pre-application advice from NRW;**

**4.1 Was the advice easy to access and did it help resolve the issue you had?**

**4.2 Why did you request pre-application advice from NRW? For example was it because the information or guidance you needed was not easy to find?**

**4.3 Did the advice help you to improve the quality of your application or do something different? Please explain how and what you did differently.**

### 4.3 Discretionary Advice Service

In addition to basic pre-application advice, NRW provide more detailed bespoke advice on request through our Discretionary Advice Service which is charged for using a standard hourly rate.

We are not the only source of bespoke advice and it is not mandatory to request our advice. However, where we are asked to do so we recognise the importance of providing a high standard of service equivalent to that provided by consultancies or other organisations available on the open market.

We are reviewing provision of bespoke advice within NRW and considering a number of ways we could improve the service. For example we may;

- Offer a single point of contact to track, manage and invoice advice delivery;
- Develop costed 'products' rather than rely on bespoke quotes;

We would welcome your views about our role and your expectations from the service.

**Question 5. If you have requested bespoke (charged) discretionary advice from NRW;**

**5.1 Was the advice easy to access and did it help resolve the issue you had?**

**5.2 Why did you request bespoke advice from NRW?**

**5.3 Did the advice help you to improve the quality of your application or do something different? Please explain how and what you did differently.**

**5.4 Was the advice delivered on time and to your satisfaction?**

#### 4.4 Strategic Review of Charging

The Covid pandemic has caused disruption to businesses and communities across the world. Our intention was to deliver our Strategic Review of Charging programme in April 2020. However, we delayed our delivery until April 2021 due to the impact on our ways of working and the evidence base we need to ensure the new charging schemes are based on sound evidence. We are planning to deliver revised application charges, where changes are needed, during autumn 2022. We then aim to deliver revised subsistence charges in April 2023.

The Strategic Review of Charging Programme (SRoC) is continuing to gather the evidence it requires to ensure that any new scheme fully reflects the work we do in each of NRW's regulatory regimes. Any changes to the charging scheme resulting from the review will also ensure that resources are allocated in the right place. Any changes will consider our statutory obligation to deliver both the sustainable management of natural resources as detailed in the Environment Wales Act 2016 and NRW's well-being goals required by the Well-being of Future Generations (Wales) Act 2015.

Our Strategic Review of Charging is guided by NRW's charging principles which are being applied across all regulatory regimes. Any proposed changes to the Charging Scheme will be transparent and shared with our Charge Payer's Consultative Group (CCG) who represent a wide range of sectors. We will work collaboratively with the CCG and consider their views when developing our proposals. NRW will ensure that we understand the impact on charge payers and sectors as a result of any proposed changes to our Charging Scheme.

## 5 Responding to this Consultation

We are seeking your views and opinions on our proposed fees and charges for 2022 onwards.

### 5.1 How to Respond

The closing date for replies is **midday** on **10<sup>th</sup> January 2022**

You can reply in the following ways:

#### Email

[feesandchargesconsultation@naturalresourceswales.gov.uk](mailto:feesandchargesconsultation@naturalresourceswales.gov.uk)

#### Post

Future Regulation Team – Fees and Charges Consultation

Natural Resources Wales

Maes y Ffynnon

Penrhosgarnedd

Bangor

Gwynedd

LL57 2DW

#### Online

Available on our website at <https://naturalresourceswales.gov.uk/guidance-and-advice/environmental-topics/consultations/?lang=en>

### 5.2 Data Protection

#### How the views and information you give us will be used

Any response you send us will be seen in full by Natural Resources Wales staff dealing with the consultation. It may also be seen by other Natural Resources Wales staff to help plan future consultations.

We intend to publish a summary of the responses to this document. We may publish responses in full. Normally the name and part of the address of the person making the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name and address to be published let us know when making your response and we will remove them from published material.

Names and addresses we remove might still be published later, although we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including Natural Resources Wales. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks us to seek information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published that is an important factor that we would take into account. However, there might sometimes be an important reason why we would have to reveal someone's name and address, even though they have asked them not to be published. We would get in touch with the person and ask their views before we finally decide to reveal the information.

### **5.3 Next Steps**

Following the consultation, we will make all comments (excluding personal information as detailed above) and our responses publicly available on our website. If you respond with an email address, we will acknowledge your response and will notify you when the summary of responses has been published on our website.

## Annex 1 - Charge Payers Consultative Group

### Membership;

Chartered Institute of Ecology and Environmental Management

Federation of Small Businesses

Hafren Dyfrdwy

Housebuilders Federation

United Utilities

Mineral Products Association

Dwr Cymru/Welsh Water

Severn Trent Water

Welsh Environmental Services Association

Country Land and Business Association

British Hydropower Association

Micro Hydro Association

National Farmers Union

Energy UK

Farmers Union Wales

UK Petrochemical Industries Association

Chemical Industries Association

CONFOR (Confederation of Forest Industries)

Chartered Foresters

Environmental Services Association

Welsh Local Government Association (WLGA)