

February 2025

Ofwat's 4th Climate Adaptation Report

Executive summary

This report sets out our progress in enabling and supporting the water sector in England to adapt to and prepare for a changing climate, covering the period 2022 to 2024. We detail our activities since our last [climate adaptation report in 2022](#), and outline our future commitments to addressing current and future risks presented by climate change.

While we generally report every five years as required by the [Climate Change Act 2008](#), this report covers a shortened timescale as required by the UK Government to align reporting with the development of the UK's next [Climate Change Risk Assessment \(CCRA4\)](#). Accordingly, we have produced this report in line with the [UK Government's fourth round of statutory climate adaptation reporting guidance for England](#) specifically focusing on our latest progress and detailing our plans particularly under our forthcoming price review PR24 (Box 1).

We recognise that the water sector is being impacted by climate change and extreme weather events when it restricts water use in dry periods, when its assets fail or degrade because of changing weather conditions, and when service levels drop and customers, communities and the environment are impacted. Recent weather challenges such as the dry summer and [heatwaves of 2022](#) and the most recent [2023/24 storm season](#) with 12 named storms are revealing vulnerabilities in our existing systems and infrastructure but also providing opportunities to understand in practical terms where and why the water sector needs to prepare for current challenges and long-term climate change.

As the economic regulator of the water sector in England and Wales, our role is to establish and operate a regulatory framework which enables water companies to effectively and efficiently carry out their functions for customers and the environment, including adapting to the risks of climate change, and to hold companies to account if they fail to meet obligations we are responsible for enforcing.

In the context of climate adaptation, our own success is measured by how we drive and shape climate adaptation and resilience outcomes through formal and informal methods of regulation. This means we prioritise investment in key resilience areas such as water resource and wastewater planning through our price reviews, we progress the development of strategic infrastructure projects and major projects to accelerate resilience outcomes, we encourage new approaches to tackle sector challenges through innovation funding, we increase water company performance monitoring, and undertake reviews where needed to address performance challenges.

Our review of past commitments identifies that we have made significant progress against all the commitments detailed in our [climate adaptation report of 2022](#) and included additional activities during the reporting period. Our actions and response are detailed in Table 1 of our report along with links for further information and guidance developed throughout the reporting period. We note that this report intentional only reports our progress as the

economic regulator within the water sector in England, climate adaptation progress of water and wastewater companies is reported separately and individually as part of the UK Government's adaptation reporting power under the Climate Change Act 2008.

During this reporting period we have provided regulatory oversight and support during our price review PR19 period across key climate adaptation areas, and consulted with companies, industry, and customers, to develop our next price control determination covering the period 2025–2030, PR24. We have taken action, and continue to take action, to enable the water sector to deliver sustainable and resilient water and sewerage services over the long term.

While there is more work to do, we continue to be informed by our strategy, [Time to Act together](#), our statutory duties¹, and our UK Government [Strategic Priority Statement](#). We continue to evolve our regulatory approach and price reviews by setting ambitious targets and outcomes for the water sector, allowing for expenditure allowances to ensure the sector delivers, assisting to reduce barriers, providing incentives to drive delivery, and monitoring and reporting to ensure our approach delivers expected outcomes and that companies are held to account if they fail to meet their obligations.

Box 1 below highlights key climate adaptation related targets, allowances, and outcomes required by the water sector over the [PR24 price period covering 2025–2030](#). This includes addressing and progressing outcomes to meet long term water needs, improving water demand management, delivering resilient drainage and wastewater services, and greater resilience to flooding and improvements to asset health.

Box 1: Our 2024 price review (PR24)

At PR24 we are requiring the water sector to deliver the largest investment programme of any five-year period since privatisation. While our determinations cover the next five years, they put the sector on track to meet long-term targets by allowing the investment needed to make progress towards addressing climate mitigation and adaptation and other challenges.

This includes £2bn development funding to kickstart £50bn investment for the biggest programme of water supply projects in decades. In total, 30 major infrastructure projects will build greater resilience to drought and water supply challenges, including building 9 new reservoirs, 9 large-scale water transfer projects, 12 water recycling plants, and hundreds of kilometres of interconnectors joining up the supply system to improve resilience and help keep water available during drought.

¹ The general statutory duties for most of our work as an economic regulator that we summarise here are set out in [section 2 of the Water Industry Act 1991](#). We also have [general environmental and recreational duties set out in section 3 of that Act](#).

To ensure water companies improve resilience to climate change, we allow expenditure allowances of £277 million to improve resilience to power interruptions and flooding for English companies to prioritise their biggest climate related risks, asset health allowances to triple the replacement rate of water mains pipes, £717 million to cut leakage by a further 17% over 2025-30 – the lowest level since privatisation, over £1.7 billion for the delivery of 10 million smart meters and upgrades to support companies to reduce leakage and reduce per capita consumption, a new £100 million water efficiency fund, and doubling the size of the existing innovation fund to £400 million to encourage new ways of working that go beyond ‘business as usual’ practices to address current challenges, including climate mitigation and adaptation.

We are allowing around £3.3 billion to deliver nature-based solutions to enable water companies to meet their environmental obligations, and we are supporting companies to deliver net zero through our net zero challenge funding, and expenditure allowances to adopt low carbon technologies and reduce operational emissions. We are encouraging companies through incentives to deliver on time and to improve their performance and complementing this through additional monitoring arrangements given the scale of the investment programme for PR24.

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1. Introduction

The water sector is experiencing increasing pressure from a changing climate². As the economic regulator of the water sector in England and Wales, our role is to establish and operate a regulatory framework which encourages water companies to effectively and efficiently carry out their functions for customers and the environment, including adapting to the risks of climate change, and to hold companies to account if they fail to meet obligations we are responsible for enforcing.

The companies we regulate already deal with weather risks as a fundamental part of their business, however, risks from droughts, storms, floods, heatwaves and other extreme weather events are escalating and increasing pressure on water supply³ and wastewater infrastructure, customers⁴, communities⁵ and the environment. Successfully adapting to these challenges is fundamental for the resilience of the water sector and the services and benefits that it provides.

This report is Ofwat's fourth climate adaptation report, covering the period 2022 to 2024. It details our progress in enabling and supporting the water sector in England to adapt to and prepare for a changing climate. This report follows our climate adaptation reports of [2011](#), [2016](#), and [2022](#), and has been produced in line with the [UK Government's fourth round of statutory climate adaptation reporting guidance for England](#), as required under the Climate Change Act 2008. For clarity, this document does not cover Ofwat's role in Wales as the UK Government's adaptation reporting power (ARP) does not extend to devolved functions.

In Box 2 we outline how Ofwat's three strategic goals facilitate change for climate adaptation now and in the future.

Box 2: Facilitating change for climate adaptation

Transforming water companies' performance

The need to transform company performance has never been greater, reflecting the significant challenges facing the sector: stepping up environmental performance and improving resilience and asset health, all at a time when customers are facing significant cost of living pressures.⁶ At PR24 we have increased the number of performance commitments to 23 per company, setting targets for leakage, storm overflows, per capita consumption, mains repair, asset health and operational greenhouse gas emissions for

² Climate Change Committee, [UK Climate Change Risk Assessment \(CCRA3\) Water Sector Briefing](#), June 2021

³ Environment Agency, [Water resources 2023-2024: analysis of the water industry's annual water resources performance](#), October 2024.

⁴ Consumer Council for Water, [Review of household customer complaint handling by water companies in England and Wales 1 April 2023 - 31 March 2024](#), October 2024.

⁵ UK Health Security Agency, [Health equity impacts of climate change](#), May 2024.

⁶ Ofwat, [Ofwat's forward programme 2024/25](#), March 2024.

instance⁷. Will continue our work with the Environment Agency (EA), Natural Resources Wales (NRW) and Drinking Water Inspectorate (DWI) to ensure we work together effectively, sharing insight on environmental and drinking water quality trends and concerns in order to advance the sector's progress in climate adaptation.⁸

Driving water companies to meet long-term challenges through increased collaboration and partnerships

Through [RAPID](#) (the Regulators' Alliance for Progressing Infrastructure Development), we will sustain momentum on the development and delivery of strategic water resource solutions to enhance the underlying resilience of water supplies to protect customers and the environment. We continue to see innovation as crucial to the sector's ability to meet future challenges. We will continue to build on the success of the Innovation Fund to date and continue to drive the sector's innovation capacity, and sharing of the insights gained. At PR24 we established the Water Efficiency Fund to support collaborative and innovative work to deliver a transformative, sustained, and measurable reduction in water demand.

Providing best value and outcomes for customers, communities and the environment, now and in the future

This goal is embedded across all our work, including PR24 and our policy work on customer support and the environment is central to our ability to deliver both the UK and Welsh governments' strategic policy objectives. We will continue to collaborate with the Environment Agency and Natural Resources Wales on a joined-up approach to monitoring and managing WINEP (Water Industry National Environment Programme) and NEP (National Environment Programme in Wales) delivery in 2025-30. We will maintain and enhance our engagement with environmental non-government organisations (eNGOs) through roundtables and building a more formal advisory panel, the purpose of which will be to challenge and support future policy development. We are also exploring how we can overcome existing barriers to increase the use of nature-based and catchment-based solutions in the next asset management period (AMP8).⁹ We continue to work with water companies to support and address the needs of vulnerable customers. In this context, we published [guidance](#) for companies and introduced a new licence condition to transform the care companies give their customers, particularly those who need extra help with their water and wastewater services. Companies will publish their final vulnerability strategies in Jun 2025.

⁷ Ofwat, [PR24 final determinations: Our approach](#), December 2024; Ofwat, [PR24 final determinations: Expenditure allowances](#), December 2024.

⁸ Ofwat, [Ofwat's forward programme 2024/25](#), March 2024.

⁹ Ofwat, [Ofwat's forward programme 2024/25](#), March 2024.

Extreme weather risks and water sector impacts

In our previous climate adaptation report published in [2022](#), we reported that the water sector was already experiencing a number of weather extremes and impacts of a changing climate. Events such as the [freeze thaw event](#) in March 2018, flooding from [Storm Ciara](#) in February 2020, and intense rainstorms that resulted in severe surface water [flooding across many parts of London](#) in July 2021.

In this report, we note that extreme weather events continued to impact the water sector, starting with the prolonged dry summer and [heatwaves of 2022](#). Weather conditions during the summer of 2022 showed the reach and impact of increasing temperatures across the UK. Having had the [driest July since 1935](#), all sectors across the UK were impacted as temperatures breached the 40°C threshold for the first time.

While the dry conditions were broadly classified as a flash drought, or within-year summer drought, the hot dry summer of 2022 provided an immediate realisation of how quickly the impacts of a changing climate can affect the water sector and its services directly. In particular, the majority of water companies across England and Wales activated their drought plans, [thirty drought permits](#) were issued to help water companies protect or improve public supply – more than any other year, and six companies introduced [temporary use bans](#) (TUB) covering 19 million people. [Total reservoir stocks](#) ranged from 54% in south-west England to 79% in east England, and all water companies reported increased leakage because of soil movement and higher demand for water.

By the end of July 2022 water levels across rivers, groundwater, chalk aquifers and public water supplies were either below normal or exceptionally low for that time of year. Low flow and drought conditions also led to a [three-fold increase in wildfires](#), or over 22,000 wildfires across England, creating new and emerging threats where water companies are required to provide sufficient water supplies and water pressure to support fire brigades and emergency services during civil emergency events.

While wetter conditions throughout 2023 and 2024 restored public water supplies and environmental flows, [Met Office reporting](#) has confirmed that the UK is heading 'outside of the envelope of historical weather observations', creating new weather records and causing significant impacts across the UK, including; significant flooding, power outages, water supply and transport disruption, and, tragically, a number of fatalities.

Managing present day weather extremes, including rapid boom-bust water cycles such as those experienced by the water sector in the UK over the past few years has important implications for water management and other sectors. Preparing for and responding to climate change is both a short-term and long-term challenge for the water sector.

2. Our role in building a climate resilient water sector

As the economic regulator of the water sector in England and Wales, our main functions and duties have not significantly changed since our last climate adaptation report in 2022. They continue to remain aligned with building a climate resilient water sector and are summarised in Box 3.

Notable updates to our role during this reporting period include:

With effect from 21 May 2024, the [UK Government's growth duty](#)¹⁰ was extended to Ofwat. This requires us, when exercising most of our regulatory functions in relation to England, to have regard to the desirability of promoting economic growth. In the context of climate adaptation, this means that we recognise that climate change cannot be managed in isolation from other water sector challenges such as population growth and the need for new infrastructure and development to support growth.

Accordingly, in PR24 we are embedding and enhancing climate resilience outcomes across the water sector by supporting the development and delivery of major infrastructure projects through our Regulators' Alliance for Progressing Infrastructure Development (RAPID) programme, allocating supply demand water balance expenditure for new developments, wastewater enhancement expenditure to increase capacity at sewage treatment works, new environmental and water efficiency standards to allow growth to be accommodated. These actions collectively and individually contribute to building a climate resilient water sector while at the same time supporting jobs and growth through new construction, operation of new infrastructure and embedding innovation through new standards.

Our Strategic Priorities Statements (SPSs) were updated by the [UK Government in March 2022](#), and the [Welsh Government in July 2022](#). The March 2022 SPS for England remains in place following the change in government, reaffirming and in places strengthening our focus on protecting and enhancing the environment; and delivering a resilient water sector over the long term. This includes the following listed water resilience priorities, which are further detailed Table 2 of this report as part of our PR24 price review commitments for the period 2025-2030:

- meeting long-term water resources needs;
- managing water demand;
- delivering resilient drainage and wastewater services;
- greater resilience to flooding; and
- asset health.

We continue to view the climate risks facing the sector as significant, as they fundamentally affect our ability to safeguard the services customers rely on. We can only fulfil our objectives

¹⁰ See [section 108](#) of the Deregulation Act 2015.

effectively if the companies we regulate address and adapt to the challenges of climate change.

Our understanding of risks arising from climate change remain in line with our climate adaptation reporting of 2022, and as per the risk areas identified by [UK's third Climate Change Risk Assessment \(CCRA3\)](#) and Defra in the [Third National Adaptation Plan](#). We continue to recognise three additional broad areas of risk that are not directly highlighted within CCRA3 for the water sector. These are: risks to the environment, risks to people, and risks to financial stability. We note that these risks may be represented in other sector areas such as business and industry, natural environment and assets, and health, communities and built environment.

Box 3: Ofwat's Statutory Duties

The general statutory duties¹¹ for most of our work as an economic regulator are set out in section 2 of the Water Industry Act 1991. These require us to carry out our relevant functions in the manner we consider is best calculated to:

- further the consumer objective to protect the interests of existing and future consumers, wherever appropriate by promoting effective competition;
- secure that water companies properly carry out their functions;
- secure that the companies are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of those functions; and
- further the resilience objective which is to secure the long-term resilience of companies' systems; and that companies take steps to enable them, in the long term, to meet the need for water supplies and wastewater services.

We have secondary duties, including to exercise our relevant functions in the way we consider will best promote the economy and efficiency on the part of companies, as well as contribute to the achievement of sustainable development.

We also have further environmental and recreational duties in section 3 of the 1991 Act.

¹¹ The general statutory duties for most of our work as an economic regulator that we summarise here are set out in [section 2 of the Water Industry Act 1991](#). We also have [general environmental and recreational duties set out in section 3 of that Act](#).

3. Ofwat's climate adaptation and resilience progress

This section details our activities to enable climate adaptation outcomes across the water sector covering the period 2022 to 2024. We also describe our future focus and commitments going forward and provide reference links to key documents and guidance produced and direct readers to those documents for further details.

3.1 Our actions progress

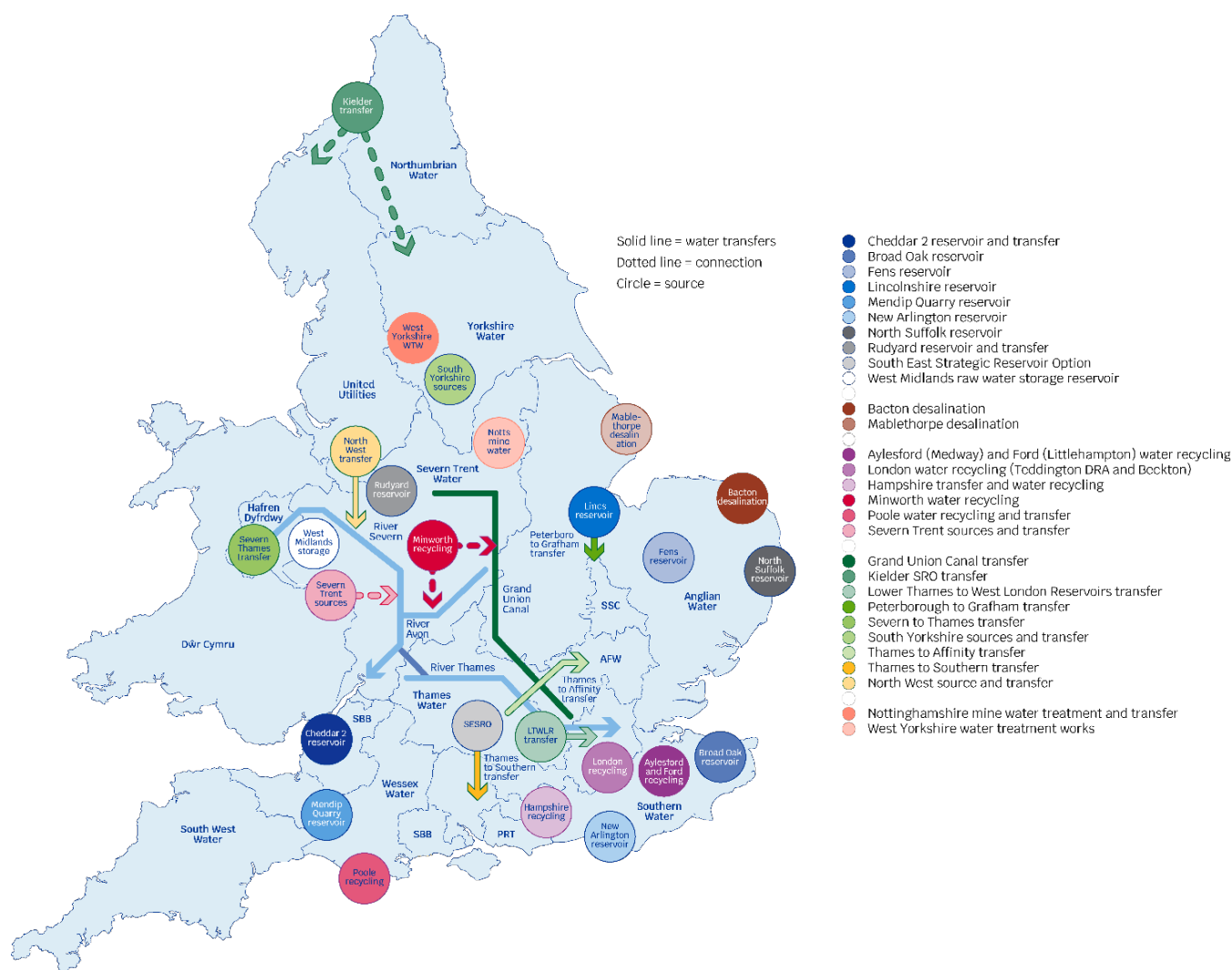
In our 2022 climate adaptation report, we detailed a series of specific commitments that would allow the water sector to positively respond to the challenges of climate change. These commitments covered actions during our PR19 pricing period and are detailed in Table 1 below, along with our response to those actions between 2022 and 2024.

While we have made significant progress against all of our previously listed actions, and included additional actions within this reporting period (see Table 1), we note some key progress highlights and notable activities in the areas of addressing supply-demand deficits through new strategic infrastructure, supporting wastewater investment, asset health planning, innovation, and, accelerating funding for schemes to improve drought resilience such as smart meters, new water resource, and water quality projects.

Highlights include:

- We have progressed [30 major strategic water supply infrastructure projects](#) (Map 1) to support a 1 in 500 drought resilience threshold through [RAPID](#), the Regulators' Alliance for Progressing Infrastructure Development. Eleven of these projects are currently earmarked to begin construction within the PR24 price period 2025–2030 based on current plans. Projects include building nine new reservoirs, nine large-scale water transfer projects, twelve water recycling plants, and hundreds of kilometres of interconnectors joining up the supply system to improve resilience and help keep water available during drought.
- Our [accelerated infrastructure delivery programme](#) supported £350m investment in water resilience schemes including the installation of 462,000 smart meters and water supply schemes to safeguard and provide a total of 161Ml/d of water supply and fortifying our resilience against droughts.
- We supported new [Drainage and Wastewater Management Plans](#) (DWMPs) to ensure risks associated with capacity, resilience, and demand across drainage and sewerage systems are planned against a five to 25-year planning horizon. Companies produced their first DWMPs ahead of PR24, with the aim of providing a strong evidence base for wastewater investment requirements for the 2025–2030 period.

Map 1 Major water projects in our PR24 final determinations

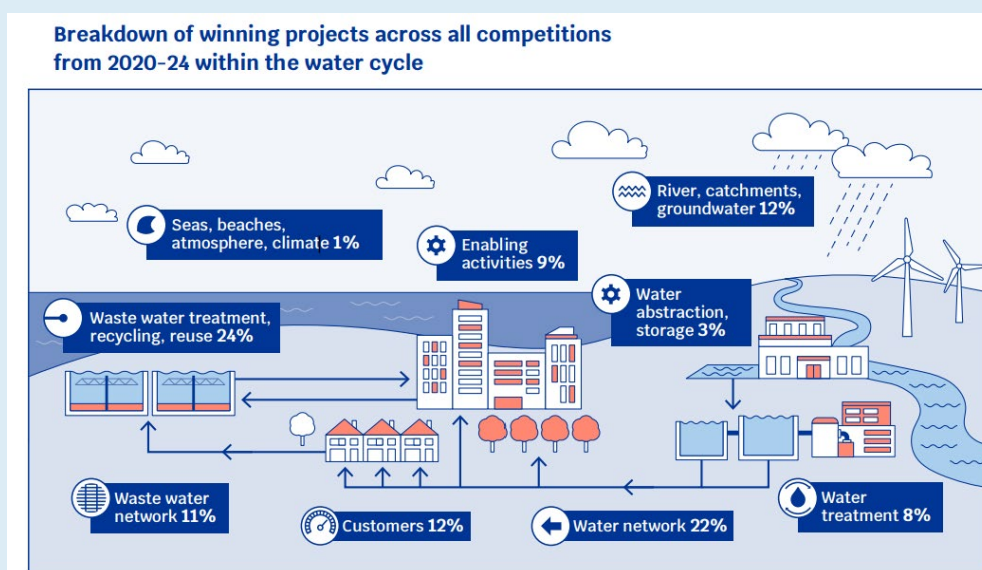


- We developed a [roadmap for enhancing asset health](#) understanding as part of our PR24 final determinations. This work will build on our understanding as asset health, increase engagement with water companies and develop an Integrated Monitoring Framework which will develop insights across all four areas of operational resilience (reliability, resistance, redundancy, recovery) into a range of performance characteristics of different assets and systems. These insights will support our views on wider performance and resilience capabilities of different assets and systems.
- We encouraged new approaches through our [Innovation Fund](#) (Box 4). So far, we have funded 93 projects that are developing solutions to address problems the water sector currently faces or will face in the future, include adapting to climate and building resilience. Building on the success of this approach, we have secured a further £400 million allocation for the PR24 2025-2030 period and recently published our [approach for 2025-30](#).

Box 4: Supporting Innovation for climate adaptation

In 2020, Ofwat launched the £200 million [Ofwat Innovation Fund](#) to grow the water sector's capacity to innovate to better meet the evolving needs of customers, society and the environment. Through a series of innovation competitions, the Fund aims to unleash a wave of innovation in the water sector. Since launching the Fund in October 2020, Ofwat have run six competitions: the Innovation in Water Challenge, four rounds of the Water Breakthrough Challenge; and the Water Discovery Challenge. Through the Innovation in Water Challenge and the Water Breakthrough Challenge we have awarded over £140 million to 74 water company-led innovations. Through the Water Discovery Challenge, we have awarded £5.5 million and a package of non-financial support to help new innovations to launch and succeed in the water sector.

Around half of the winning projects support climate adaptation, through focusing on AI, asset health, asset management, data and analytics, demand reduction, leak detection and repair, nature-based solutions, research, storm overflow, sustainable drainage systems, supply management and support for vulnerable customers¹².



We recognise that there are areas where greater progress could have been made and where more needs to be done to accelerate progress. This includes leakage reduction, where some companies will have to deliver significant reductions in the final year of PR19 to achieve the PR19 2024-25 performance commitment levels of 16% leakage reduction by 2025.

With regard to per capita consumption (PCC), all but two companies reported an annual reduction in per capita consumption and both annual and three-year average consumption is now lower across the sector than the 2019-20 baseline. Despite this, no companies have

¹² More information on the winners can be found here: [Winners - Ofwat Innovation Fund](#)

currently met their performance commitment level across the 2020-25 period to date and achieving 2024-25 targets is now very unlikely for some companies. We commissioned research to better understand the [impacts of COVID on PCC performance](#), which was cited as a key reason for PCC performance impacts.

Despite performance challenges, we expect all companies to meet targets and manage associated challenges around demand and asset management. We will continue to monitor and report on company progress in our annual Water Company Performance Report (WCPR) and our Monitoring Financial Resilience Report (MFR), and carry out enhanced monitoring and engagement in areas where we have concerns. Where companies are performing poorly against their performance commitments, we ask them to produce service commitment plans. Where companies fall short of certain legal obligations, we have powers to take enforcement action. We have done so in the current regulatory period in areas such as leakage and consumption data accuracy and water supply resilience, and we also have further on-going.¹³

The following table (Table 1) summarises our response against each of our commitments from our climate adaptation report of 2022.

Table 1 Actions and progress on climate adaptation and resilience

What we said in 2022	Our response		
At PR19 we allowed £13 billion of expenditure on resilience. We also set performance commitments (PCs) related to improving resilience in the sector, which included a focus on supply interruptions, sewer flooding and asset health.	We monitor company progress yearly through the Water Company Performance Report .		
	Performance commitment	Target by 2025	Progress made by 2024
	Supply interruptions	A maximum of 00:05:23 supply interruptions, average per property.	Some progress made, but only 4 companies reached the target.
	Sewer flooding	-41%	-10%, only 3 companies reached the target.
	Asset health	Company specific targets for mains repairs.	13 companies out of 16 water and wastewater, and water only companies achieved the agreed performance level.
		Company specific targets for unplanned outage.	All 16 companies comply with the agreed performance level.
		Company specific targets for sewer collapses.	9 out of the 11 water and wastewater companies achieved the agreed performance level.
		Company specific targets for treatment works compliance.	5 out of the 11 water and wastewater companies achieved the agreed performance level.

¹³ Ofwat, [Enforcement cases - Ofwat](#)

At PR19 we allowed companies funding to cut leakage by 16%, as part of a goal for water companies to cut leakage by 50% by 2050. We also set performance commitment levels requiring companies to deliver a 16% reduction in leakage by 2025.	We monitor company progress yearly through the Water Company Performance Report. <table><tr><th>Performance commitment</th><th>Target by 2025</th><th>Progress made by 2024</th></tr><tr><td>Leakage</td><td>-16%</td><td>-8%</td></tr></table> We expect that some companies will need to take considerable action to reduce leakage by more than 30% (compared to 2023-24) in the final year of the PR19 period. We will also continue to prioritise leakage improvements by setting a further 17% leakage reduction over 2025-30 for PR24. For most companies, this is in accordance with their published final Water Resource Management Plans (WRMP24) or our current best view of companies' proposals in their final WRMP24. This target will put the sector on track to reduce leakage by 31.4% in 2029-30 compared to 2017-18 levels and put the sector on the glidepath to meet the long-term target of a 50% reduction by 2050 (from 2017-18 levels).	Performance commitment	Target by 2025	Progress made by 2024	Leakage	-16%	-8%
Performance commitment	Target by 2025	Progress made by 2024					
Leakage	-16%	-8%					
At PR19 we allowed companies funding to reduce main bursts by 12% by 2025.	We monitor company progress yearly through the Water Company Performance Report. <table><tr><th>Performance commitment</th><th>Target by 2025</th><th>Progress made by 2024</th></tr><tr><td>Mains burst per 1000 km of water main lines</td><td>-12%</td><td>-17%</td></tr></table>	Performance commitment	Target by 2025	Progress made by 2024	Mains burst per 1000 km of water main lines	-12%	-17%
Performance commitment	Target by 2025	Progress made by 2024					
Mains burst per 1000 km of water main lines	-12%	-17%					
At PR19 we allowed companies funding to work with their customers to cut customer water usage by up to 13%.	We monitor company progress yearly through the Water Company Performance Report. <table><tr><th>Performance commitment</th><th>Target by 2025</th><th>Progress made by 2024</th></tr><tr><td>Per capita consumption</td><td>-13%</td><td>-2%</td></tr></table> Companies have proposed activities to improve performance in their WRMP24 and PR24 business plans. This includes delivery of over 10 million new meters & meter upgrades over 2025-30. We have allowed companies £1.6 billion of enhancement expenditure to deliver this, together with an additional £226m for water efficiency activities supported by a £100m water efficiency fund.	Performance commitment	Target by 2025	Progress made by 2024	Per capita consumption	-13%	-2%
Performance commitment	Target by 2025	Progress made by 2024					
Per capita consumption	-13%	-2%					
At PR19 we allowed £4.8 billion of funding to deliver the NEP for Wales and the WINEP (Water Industry National Environment Programme) for England to ensure water companies could meet their environmental obligations.	Water enhancement expenditure (which include WINEP funding) against forecast allowances has improved over the last year and companies have spent 97% of 2020-24 allowances. We are developing a Delivery Monitoring Framework (DMF) to track delivery and provide clarity and consistency in tracking and reporting WINEP projects. We expect this will help companies show delivery and encourage positive water company behaviours and culture to facilitate improved collaboration and more efficient delivery of WINEP schemes going forward.						
At PR19 we allowed £200 million to support innovation in the sector, with climate mitigation and adaptation projects being encouraged via the associated innovation competitions.	In July 2023 we published our first 'Ofwat innovation fund: annual report' to reflect on the progress of the Ofwat Innovation Fund since its launch in 2021. In the first three years of the fund, a total of 93 projects have been funded that are developing solutions to address problems the water sector currently faces or will face in the future, include adapting to climate and building resilience. In spring 2024, we carried out a consultation on the future of the Ofwat innovation fund to shape priorities for a further £400 million confirmed allocation for the PR24 2025-2030 period.						
We have facilitated investment in specialist infrastructure designed to deal with effects of climate and population change. For instance, we have allowed £4.6 billion of	The Thames Tideway Tunnel (TTT) was licenced in 2015 to design, construct, finance and maintain the TTT during its projected 120-year economic life. With major construction now complete, full testing and commissioning will commence in 2025 and the TTT is expected to be handed over to Thames Water to operate as part of its London						

investment for a new sewer to improve the water quality of the River Thames.	wastewater network in 2027 ¹⁴ . The new tunnel network, which combines the 25km Thames Tideway Tunnel and Thames Water's existing 7km Lee Tunnel, captured nearly 850,000 tonnes of sewage in a single 24h period, end of November 2024.
We remain committed to ensuring improved financial resilience. At PR19 we took steps to encourage a number of highly geared water companies to improve their financial resilience, by reducing debt levels or by reducing dividends.	We publish annual monitoring financial resilience reports which include our key messages and observations on financial resilience across the sector. In March 2023, we announced our decision on licence modifications which strengthen the ring-fence provisions in each company's licence. The modifications seek to incentivise companies to engage with us at an early stage where financial resilience is at risk and provide us with greater powers to take enforcement action where dividend payments do not take account of company performance or financial resilience over the longer term. In our Monitoring Financial Resilience (MFR) 2022-23 Report we detail that a number of companies have taken steps to support investment and strengthen financial resilience, including dividend restrictions and the injection of equity, and in our MFR 2023-24 Report we report that across the water sector, companies have continued to attract new investment with over £4.6 billion of new equity raised since 2020 – a level higher than any regulatory period since privatisation, and we observed companies reporting lower dividend yields having reflected on their performance and resilience, following the dividend policy licence condition that came into effect in 2023-24.
In 2019, we established RAPID to help facilitate and accelerate the development and funding of new large scale strategic water supply solutions by the water companies, as well as the design of future related regulatory frameworks. At PR19 we also allowed additional funding for the investigation and development of strategic regional water resource solutions.	In PR19 we made £469 million available to water companies to jointly investigate and develop strategic water resource solutions to increase future water supply. Since RAPID's formation, a total of 30 strategic water resource solutions are being explored within the programme, with a potential investment of up to £50 billion – the first time since the privatisation of the water sector in 1989 that there will be such a large supply side intervention and collaboration. We aim to see many of the solutions being developed and delivered over the next 15 to 20 years, with a potential small number of solutions ready for construction in the 2025 to 2030 period¹⁵. Projects include; 9 new reservoirs, 9 large-scale water transfer projects, 12 water recycling plants, and hundreds of kilometres of interconnectors joining up the supply system to improve resilience and help keep water available during drought. Large projects (>£200million) are expected to be taken forward through Direct Procurement for Customers (DPC). To date, several projects are progressing through this model, including United Utilities Haweswater Aqueduct Resilience Programme (HARP), Anglian Water's Middlegate project, Dwr Cymru Welsh Water's Cwm Taf project, and Portsmouth Water's Havant Thicket Winter Storage Reservoir.
We have developed Direct Procurement for Customers (DPC) as a model for delivery of large projects, including those associated with climate adaptation, and included a requirement in our PR19 Final Methodology for companies to assess as part of their PR19 Business Plans whether any of their large infrastructure projects were suitable to be	As part of PR19, we introduced the DPC model enabling water or wastewater companies to competitively tender for services in relation to the delivery of certain large infrastructure projects. DPC promotes innovation and resilience by allowing new participants to bring fresh ideas and approaches to the delivery of key projects. In March 2023 we published guidance that sets out our expectations and approval and assurance processes to support DPC projects as part of the 2024 price review, where delivery through DPC will apply by default for all discrete projects above a size threshold of £200m, which includes its total expenditure as an asset until its end of life. As part of our PR24 price review process we approved 24 major projects to be delivered

¹⁴ Ofwat, [PR24 final determinations – Major Projects development and delivery](#), Dec 2024.

¹⁵ Ofwat, Environment Agency, DWI, [RAPID Schematics](#), October 2023.

delivered by DPC. We are continuing to develop new methods of accessing finance and promoting innovation.	through DPC model to address increased future water supply needs due to climate change and population growth.
As part of our Green Recovery initiative, set up in July 2020, we have allowed extra funding for green investment projects that are enabling climate change adaption.	Overall, our green recovery package resulted in an additional £2.7 billion of environmental investment, including climate resilience, on top of the existing five-year PR19 package. Funding contributed to smart metering, flood resilience through nature-based solutions, water resource grid enhancement, system capacity improvements.
At PR24 we will encourage companies to increase their focus on the long term. We are setting out expectations that companies use scenario planning and other techniques to alleviate future uncertainty in their strategies.	Between 2021 and 2023, we hosted workshops with companies, regulators and stakeholders, consultation and development meetings with companies, and provided guidance to support the development of long-term delivery strategies. These put the water company five-year plans into a detailed 25-year context, setting out what they wants to achieve by 2050 and how they plan to deliver it. We required companies to ensure that their long-term delivery strategies were consistent with statutory requirements and government targets, including with the company's finalised water resources management plan (WRMP), final water industry national environment programme (WINEP), drainage and wastewater management plan (DWMP). All companies submitted their long-term delivery strategies as part of their business plans for PR24 in October 2023.
We are committed to ensuring greater customer engagement will continue to be a key focus area for PR24.	We set out our expectations on how companies should be engaging with customers to make sure their business plans take account of customers' needs, priorities and preferences. This included high-quality research, customer challenge on the nature, quality and use of customer engagement evidence, and assurance of the quality and use of customer engagement evidence. We expect companies to learn from their own customer engagement. While most companies demonstrated they had reflected customer perspectives into their business plans, we found there were cases where this should have been better. Ensuring effective, independent challenge within companies will therefore be an ongoing focus.
At PR24, we are proposing to consider a wider set of common performance commitments related to environmental outcomes including carbon emissions and biodiversity.	In Dec 2024, we published our PR24 final determinations which included the provision of common performance commitments for bathing water quality, river water quality, serious pollution incidents, total pollution incidents, biodiversity, operational greenhouse gas emissions, and storm overflows.
We launched the 'Future Ideas Lab' for PR24 (as a successor to the 'Marketplace for ideas' for PR19). We aim to enable stakeholders to share and collaborate on ideas to further the development of the framework for PR24 and beyond.	The Future Ideas Lab was launched as a place for anyone to submit their ideas on how Ofwat could evolve the price review to meet the challenges faced by the water sector. Over 50 submissions for the Future Ideas Lab were received by Ofwat and have been considered in the development of final methodology for PR24. Submissions relating to climate adaptation included for example, managing extreme weather risk, asset health, smart metering, innovation metrics, unlocking nature-based solutions.
We have collaborated with the Environment Agency and the DWI on producing guidance for WRMP24 (Water Resources Management Plans).	As statutory consultee for the 2024 round of WRMP24, we worked with the Environment Agency and Natural Resources Wales to develop Water Resources Planning Guidelines , participated in sector-wide engagement, and provided feedback on draft WRMP24 and draft regional plans in early 2023. Our feedback included considerations for climate resilience, such as drought resilience, flood risks, scenario planning.

We will be taking account of DWMPs, in conjunction with other strategic planning frameworks, in PR24 and future price reviews, as explained in our document ‘Creating tomorrow, together’.	Companies produced their first DWMPs ahead of PR24, with the aim of providing a strong evidence base for wastewater investment requirements for the 2025–2030 period. We have played a key role in supporting and encouraging the companies (in conjunction with other key stakeholders) to publish a strategy that considers current and future risks to wastewater catchments and identifies best value solutions to mitigate those risks, in line with the 2018 DWMP technical guidance and government guiding principles. We reviewed their plans as a non-statutory consultee. We highlighted our concerns around the quality of the plans regarding reducing the use of storm overflows, we also found that companies have not been able to satisfactorily prioritise green /nature-based and low carbon solutions such as surface water removal or separation.
We have worked to ensure protection for vulnerable customers. This includes outlining guidelines for water companies in supporting residential customers to pay their bills, access the help they need, and repay debts.	In 2023 we published guidance consisting of objectives and minimum expectations of the services that water companies deliver to customers who require extra help and the way they are delivered. In February 2024 we introduced a dedicated condition in the licence of each company in England and Wales to transform the care they give their customers, particularly those who need extra help with their water and wastewater services. In September 2024, we co-organised a vulnerability summit with Ofgem, and agreed on cross sector data sharing that will see Priority Services Register (PSR) information shared securely between energy and water firms.
In partnership with the UK government, the water industry, and environmental organisations, we have developed a Chalk Stream Restoration Strategy. As part of the strategy, Ofwat has committed to a review of the abstraction incentive mechanism (AIM).	Sustainable chalk stream restoration delivers ecosystem services that support climate adaptation by providing natural flood storage and supports biodiversity. We have completed the review of AIM and concluded that AIM is a very useful scheme for mitigating abstraction pressure from surface water abstractions and rain-fed systems, however it isn't well suited to managing the impact of chalk stream groundwater abstraction. In consultation with the Environment Agency, it was agreed and concluded that there is insufficient evidence at this stage to support further ecological benefit outcomes.
We carried out and are now considering how we can take forward the findings of our asset management maturity assessment (AMMA).	We expect assets and systems to deliver reliable services for customers and the environment under a range of shocks and stresses and companies to identify and mitigate a wide range of risks, including those connected with asset health and climate change. This includes developing a systems-based approach to resilience that accounts for internal and external system interactions and interdependencies. Following on from our Asset management maturity assessment of September 2021 and, operational resilience discussion paper of April 2022 detailing our evolving approach through the development of an integrated monitoring framework to form a holistic and complete view of asset health and operational resilience going forward. We have developed a Roadmap for enhancing asset health understanding in the water sector as part of our PR24 final determinations.
We are actively encouraging and facilitating the use of nature-based solutions to help companies better manage the risks from climate change.	We have actively adapted our PR19 methodology to remove or mitigate barriers to NBS. We have increased our engagement with other regulators, such as the Environment Agency and Natural England, to better align our positions on nature-based solutions. We have been engaged through Mainstreaming Nature-Based Solutions, a project funded through Ofwat's Innovation Fund, a collaborative partnership working to overcome barriers to the adoption of nature-based solutions at a landscape scale. In PR24 we continued to support companies in testing and applying nature-based solutions to deliver improvements.

We are encouraging the sector to use open data more.	In 2023, we published a report, setting out our findings from a review of water company progress on delivering open data and next steps and called on all companies to take immediate action on open data. Through our Innovation Fund, we also supported the establishment of Stream , a sector-wide initiative providing an open data sharing platform, including the National Storm Overflow Hub for England, and supported projects such as Unlocking digital twins , the world's first Ecological Digital Twin to name a few.
We are committed to sound internal governance procedures to ensure our effectiveness in fulfilling our role and supporting companies in the challenges they face, to ultimately ensure value for customers.	We have implemented a process of continuous improvement around our governance processes. For example, we have introduced more robust, Ofwat-wide governance reporting, and fully revised our risk processes, both at strategic and directorate level and implemented a Governance forum.
We are actively encouraging technological innovation and increased ground and weather monitoring.	At PR19 we introduced our Innovation Fund. The fund aims to grow the sector's capacity to innovate, encouraging bold, pioneering projects, and new ways of working that go beyond 'business as usual' practices. The fund has already supported over 90 innovative initiatives; ranging from trialling artificial intelligence to detect algae in reservoirs, to robots that patrol wastewater pipes to pinpoint cracks. Around half of the winning projects support climate adaptation by addressing a variety of climate risks companies face.
We are a key member of the storm overflows taskforce. The long-term ambition of the taskforce is to eliminate harm from storm overflow discharges.	Ofwat has continued to engage with Defra, the Environment Agency, water and wastewater companies and wider stakeholders on the regulation of storm overflows, including setting a storm overflow performance commitment and providing allowances for investment required to make progress towards targets in Defra's Storm Overflow Discharge Reduction Plan as part of PR24.
We are part of the National Drought Group.	We continue to participate in and contribute to the National Drought Group.
We are part of the Senior Water Demand Reduction Group, set up in 2021.	Ofwat has been part of the Senior Water Demand Reduction Group until 2022, when after issuing recommendations, the group finished its mandate .
Additional activities undertaken since our 2022 adaptation report	Our response
Accelerated infrastructure delivery project: In October 2022, Defra asked English water companies to propose schemes for accelerated additional infrastructure delivery in 2023-24 and 2024-25, in the focus area of; water resilience (supply and demand), storm overflows, and, nutrient neutrality.	We received formal submissions from all water companies except one. ¹⁶ This resulted in accelerated support for 33 schemes, across 11 companies valued at £2.2 billion overall over the 2023-25 period. Of this, £350m for water resilience schemes included the installation of 462,000 smart meters, new water resource and water quality projects. Collectively, these schemes will safeguard and provide 161Ml/d of water supply and fortifying our resilience against droughts. Further to this, we identified an additional 35 schemes , totalling potentially £371 million of investment, in the 2023-25 period and £1.3 billion in total, that companies can progress through the 2024 price review transition expenditure programme at their own risk.
Water Efficiency Fund.	In our methodology for the 2024 price review, we called for the introduction of a £100 million water efficiency fund to stimulate and support reductions in water demand across England and Wales. Since this announcement, we completed two rounds of consultation in July 2023 and May 2024 to launch the fund from 2025. We also

¹⁶ We did not received submission from SES Water.

	commissioned additional insights to understand how the fund could support the rollout of smart water metering.
Environmental incentives to support water efficiency and sustainable new homes	In September 2022 we published a review of environmental incentives to support sustainable new homes . In June 2023 we consulted on our proposals for introducing a common framework in our charging rules for environmental incentives. In January 2024, we confirmed what would be included in our common framework from April 2025 . In July 2024 we consulted on draft guidance for our common framework for environmental incentives to support sustainable new homes. In October 2024 we conducted a second consultation as a result of the responses to our first consultation. In December 2024 we published our conclusions on our Environmental Incentives Common Framework (EICF), and released our final ECIF effective 1 April 2025.
Recruitment of additional climate change professionals	We have recruited two additional climate change professionals, including one full time equivalent for climate adaptation and resilience to support internal capacity building, external engagement and policy work relating to climate change.

3.2 Enabling climate resilience through PR24, 2025–2030

A key part of our focus since 2022 has been to prepare for the water sector's next price review period, [PR24, covering 2025–2030](#). Price reviews are a key part of a long-term process to deliver what is needed, now and in the future. This forward-looking work is a central part of our regulatory approach to enabling the water sector to respond to the challenges and opportunities of climate change.

While PR24 covers the 2025–2030 period, companies were asked to set their five-year plans in the context of 25-year strategies to increase resilience, this being critical to sustaining focus over a longer period to address long-term and chronic challenges that the sector faces, and helping companies to think carefully about how they sequence their activities to achieve their objectives in the best value way over the long term.

Compared to 2020–25 investments in PR19, company investment is expected to quadruple for new infrastructure and resources, to improve the environment, resilience, and service – from £11 billion to £44 billion as part of [PR24](#). Consequently, companies in England are expected to:

- Implementing the biggest smart meter rollout to date, with 10 million delivered.
- Leakage cut by 17% – to the lowest level since privatisation.
- Reduce sewer flooding in homes by 27%.
- Triple the replacement rate of water mains pipes.
- Spend £5.4 billion to boost water supply.
- Invest £9.4 billion to reduce harm from storm overflows.
- Deliver £3.3 billion of nature-based solutions and increase biodiversity on water company land.

We will carry forward our existing monitoring arrangements into 2025–30 to continue challenging all companies to improve performance and deliver for customers and the environment. Given the increase in the scale of the investment programme for PR24, we also propose to introduce the following additional monitoring arrangements for all companies.

Table 2 details PR24 priorities and investments are focused on five key outcome areas, embedding strategic and direct outcomes for climate adaptation and resilience.

Table 2 – Ofwat current and future actions on climate change adaptation and resilience

Commitments and actions	Link to climate change adaptation
We are allowing £5.3 billion for total supply scheme funding which funds 284Ml/d benefit to be delivered from supply schemes by 2030, and investment to begin on supply schemes delivering benefit after 2030.	Meeting long term water needs: Climate change threatens to increase and exacerbate the frequency and intensity of droughts thus impacting security of supply. Companies have set out how they will achieve statutory demand reduction targets and ensure a secure supply of water and resilience to drought whilst reducing water abstraction in their water resources management plans (WRMPs). As a statutory consultee on these plans, we have challenged companies to deliver ambitious long-term demand reduction targets as part of the water resources planning process. Joining up the supply system through interconnectors is aimed at improving resilience and help keep water available during drought.
We are allowing water companies to invest £1.6 billion in 209km of interconnectors delivering 96Ml/d benefit by 2030, and to begin development on interconnectors delivering further benefit after 2030.	
We are also funding the development of 12 water recycling schemes, capitalising on circular economy principles to boost water supply.	
We are continuing to provide funding for water companies to respond to major resilience challenges by creating more RAPID strategic resource options (SROs). In PR24 we provide allowances of £2.15 billion to fund pre-construction development, commercial and procurement strategies, land acquisition and enabling works.	
We set updated performance commitments for per capita consumption, leakage and established a new performance commitment for business demand to reduce overall demand. We allowed funding for companies to reduce per capita consumption by 6% from 2024–25 to 2029–30. We allowed funding for companies to reduce leakage by 17% from 2024–25 to 2029–30. We are stretching English companies to reduce business demand by 1% in the 2025–30 period. Our 2029–30 performance commitment levels are set at a 32% reduction (from 2017–18 levels) which aligns with the sector target of halving leakage (from 2017–18 levels) by 2050.	Managing water demand: Factors such as climate change and population growth are placing increasing pressure on our water supply. We encourage companies and customers to use water resources sustainably and effectively and propose to introduce a range of measures to deliver a significant reduction in water demand. Our water demand performance commitments challenge water companies in England to meet long-term water resources needs in a sustainable way. There are performance commitments for water demand at PR24 on per capita consumption, leakage and business demand. Per capita consumption measures residential consumption by household population, leakage measures water losses from the distribution system and business demand measures business consumption. This is essential to ensure

In PR24 we established a new £100 million water efficiency fund, which facilitates the development of transformative improvements to water efficiency at a regional and national level to help to reduce demand for water.	long-term resilience and sustainability of water usage in England to protect against climate change impacts such as droughts.
We will continue to reflect on the first cycle of DWMPs and work with companies, other regulators and key stakeholders to identify and plan to mitigate current and future risks to sewerage and wastewater treatment systems.	Delivering resilient drainage and wastewater services: Companies will deliver schemes and programmes of work put forward in PR24 that were identified through the development of the first cycle of DWMPs. Companies will also soon start to develop the next phase of the plans that will continue to drive environmental improvements in key areas such as storm overflows and sewer flooding.
We allowed £3.5 billion to improve resilience and security in PR24 and we are allowing an additional of £277 million for English water companies to improve resilience to climate change, in particular resilience to power interruptions and flooding.	Greater resilience to flooding: Resilience enhancement investment is to manage increasing risks, or the changing acceptability of those risks, from hazards that are beyond companies' control and not covered by other enhancement areas. This includes river and coastal flooding.
We provide allowances for companies to reduce sewer collapses by 16%, mains burst by 6%. Companies receive increase the rate of replacement of water mains over the 2025-30 period, with the expectation to replace a minimum of 0.3% of water mains every year with base expenditure allowances in the 2025-30 period. We are also providing an additional £708 to increase renewal rates where this is required to improve asset health and reduce leakage.	Asset health: Climate change threatens to accelerate the deterioration, and thus ability of assets to deliver water and protect against flooding. Asset management is a key part of long-term resilience and is essential to ensure the environment is properly protected and that customers get an excellent and reliable service from their water company. Companies should demonstrate a clear understanding of the health of their assets including interdependencies, long-term trends and how these affect levels of overall resilience. Robust management of companies' assets is a crucial element of achieving resilience in the water and wastewater sector in England.
Between 2025 and 2030 we will work collaboratively with water companies and interested stakeholders to identify priority assets and to deliver a robust asset condition and workload dataset for these priority assets. We will use this data to inform a series of workshops with companies and stakeholders to discuss findings, solutions, and how this data can be used to assess costs at PR29.	
At PR24 we are encouraging companies to consider the use of catchment and nature-based solutions where possible. We have allowed £9.4 billion to address storm overflow spills and £2.5 billion for green solutions, including green elements of hybrid solutions. We are also allowing £825 million for green only solutions, including wetlands and green-only storage schemes.	Storm overflows are designed to act as relief valves when the sewerage system is at risk of being overwhelmed, such as during heavy downpours when a lot of rainwater runs into drains and the sewerage system in a short space of time. Spills from storm overflows are likely to become more frequent and produce greater harm to the environment and customers, if companies don't invest in climate adaptation, by preparing their facilities and processes to deal with more frequent extreme weather events. Nature-based solutions can complement or substitute hard engineering works to reduce spills from storm overflows while delivering direct improvements to the environment and wider benefits such as increased biodiversity and reduced use of carbon. These include

	the use of green solutions such as sustainable urban drainage as well as wetlands and reed beds.
At PR24, we are supporting long-term sustainability and environmental resilience by requiring companies to set their five-year business plans in the context of a 25-year long-term delivery strategy (LTDS).	These strategies identify the long-term outcomes companies will deliver, including contributing to the UK Government's net zero commitment. To ensure that water companies can achieve best value optioneering and deliver optimal outcomes for the environment and customers, Ofwat is looking to further integrate the LTDS with the other planning frameworks such as water resources management plans, drainage and wastewater management plans and the national environment plan to encourage whole water system thinking.
We are actively encouraging innovation. At PR24 we are allowing £400m for Ofwat's Innovation Fund, which is the double of allowance for the previous 5 years.	This is designed to grow the sector's capacity to innovate: encouraging bold, pioneering projects, and new ways of working that go beyond 'business as usual' practices.
We will continue to encourage the sector to use open data more. We will commence work on a licence condition that would require water companies to deliver the outcomes and expectations we are seeking on behalf of customers and the environment.	Open data could aid in the development of long-term projects and solutions that protect the environment, providing a cross sectoral data set to draw upon to deliver predictive forecasting and better understand the state of the environment allowing companies to respond to and manage the consequences of climate change.
We are a key member of the storm overflows taskforce. The long-term ambition of the taskforce is to eliminate harm from storm overflow discharges.	Reducing instances of, and impacts from, storm overflow discharges is crucial as climate change presents challenges including more frequent extreme weather occurrences and risks to infrastructure. We intend to continue our work alongside Defra and others on the taskforce.
We are part of the National Drought Group.	Climate change threatens to increase and exacerbate the frequency and intensity of droughts thus impacting security of supply. The work of this group is focused on collaboration to increase the resilience of England and Wales to the impact of drought on the public water supply, food production and the environment.
We will be revising Board reporting and Committee structures and will be introducing Objectives and Key Results (OKRs) across all Ofwat Teams, so we can demonstrate the achievement of our objectives, linked to our strategy.	We are committed to sound internal governance procedures to ensure our effectiveness in fulfilling our role and supporting companies in the challenges they face, to ultimately ensure value for customers. Our strategy puts a clear emphasis on driving the water sector to achieve net zero and adapt to climate change.
We will keep the Environmental Incentives Common Framework under review as companies begin to deliver environmental incentives, including developer incentives for new non-household premises.	The Environmental Incentives Common Framework will take effect from April 2025 and Ofwat is committed to continuously review the framework, including through the Water Efficiency Fund.
We continue to work with water companies to support and address the needs of vulnerable customers, some of which may not have the adaptive capacity to manage climate related impacts.	Central to our approach was finalising vulnerability guidance for water companies supporting customers who need more help, followed by the assessment of water company draft vulnerability strategies in preparation for final strategies in June 2025.

We are introducing price control deliverables to hold companies to account for the outputs and outcomes that they propose to deliver and to return money to customers if companies do not deliver these in full.	We are introducing incentives to encourage companies to deliver on time, so that programmes do not get pushed to the end of the period.
We will publish Ofwat's Climate Change principles to provide update our climate change policy statement.	We will be consulting with the water sector to update our climate change policy statement to provide the sector with clarity on what Ofwat expects from water companies on climate change mitigation and adaptation.
We will be revising Ofwat's work on climate adaptation and publish our findings with recommendations in 2025.	It is key for us to continuously review and improve our processes to work with stakeholders on climate adaptation.
We will deliver internal capacity building sessions on climate change adaptation and resilience.	Internal capacity building is key to increase knowledge and improve skills around climate adaptation, in order to better support the water sector in their climate adaptation progress.

4. Next steps

Actions by the water sector up to 2030 and beyond will be critical to managing and adapting infrastructure, systems, and communities to the increasing risks of climate change. We have continued to build on our regulatory approach and price reviews by setting ambitious targets and outcomes for the water sector, allowing for adaptation and resilience expenditure to ensure the sector delivers, assisting to reduce barriers, providing incentives to drive delivery, and monitoring and reporting to ensure our approach delivers expected outcomes and that companies are held to account if they fail to meet their obligations.

We understand that climate change and associated risks are challenging the water sector at unparalleled levels which require new ways of working and timely and targeted changes to critical infrastructure and systems. We recognise that the water sector is working to deliver services and outcomes in a new emerging climate, which is not just creating a series of worsening events but creating a new era of complex and evolving challenges.

Despite the risks and challenges climate change poses to the water sector, there are also significant opportunities, innovations, and unprecedented expenditure allocations through PR24 to deliver and progress climate resilience outcomes, improve service delivery, and support environmental restoration and enhancements, for example through nature-based solutions and catchment management.

We will continue to work with the water sector and key stakeholders to enable and accelerate the changes needed for the water sector to deliver adaptation outcomes on the ground, where they are most felt by customers, communities, and the environment, and at a systems level, which unpins sector-wide climate resilience. For example, this means we will continue working with water companies, other regulators, government agencies, communities, innovators, and other critical infrastructure providers to understand their progress, barriers, and challenges, and align these with our formal and informal regulatory approaches and opportunities.

In practical terms, and to ensure we make clear to our stakeholders our expectations for climate change adaptation in the water sector going forward, we will consider fourth round climate adaptation reporting across the water sector to improve our understanding of climate impacts, risks, responses, and progress. This may include opportunities to improve climate adaptation monitoring and reporting, understanding hazard impacts, costs, risk reduction, sector adaptation progress, interdependencies with other sectors, and customer and community resilience.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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