



Water sits at the heart of a prosperous society

Largely unseen, our infrastructure underpins every aspect of life in Northern Ireland. It is the foundation for public health, it can unlock economic growth and help restore the natural environment.

NI Water can only continue to play this vital role if we are able to invest today to meet not only the increased demand for our services, but also the combined challenge of the climate emergency and the biodiversity crisis. In the last year NI Water has led the way in developing approaches to tackle these pressures. Now we need to work with our stakeholders to make this a reality through innovation, collaboration and the right sense of urgency.

Our infrastructure is needed now more than ever

Northern Ireland is facing unprecedented risks to its economy and natural environment arising from the climate emergency and the biodiversity crisis. Northern Ireland is also struggling with rising prices, low productivity and low growth and with more than a quarter of the working-age population not employed, the highest level in the UK. These challenges are further exacerbated by political instability.

Building a carbon neutral and climate resilient business

Climate change is of particular importance to the water sector given its impact on the quality and quantity of water sources, the carbon intensity of its supply chain, and the exposure of its assets to extreme weather events. At NI Water, we're committed to delivering a net zero, climate resilient future for all our customers. We are determined to harness the huge and largely unseen potential for NI Water to address climate change. Our Strategy 2021-46 commits us to reducing our emissions to net zero by 2050 in line with the net zero target for Northern Ireland. The Power of Water Report launched in 2021/22 shows how our assets can play a strategically important role in helping society to generate and store renewable energy through kick-starting our hydrogen economy and deploying battery storage at scale. As one of Northern Ireland's largest land owners we can also help remove and store carbon and support strong biodiverse ecosystems, which are the basis for a resilient water supply chain. We are looking forward to launching our Climate Change

Strategy in 2022/23, which will set out our transition path to a carbon neutral and climate resilient business.

Boosting biodiversity

NI Water is a nature based business at its heart. Our assets are entwined with the natural water cycle and our land holdings hold a rich array of plants and animals. We are partnering with our stakeholders to help restore our natural environment by rewetting our degraded peatbogs, planting 1 million trees and using nature based infrastructure solutions. Not only can this help boost biodiversity, but it can also deliver a range of other benefits such as improved raw water quality, flood alleviation, carbon removal and storage and cost efficiencies.

In 2021, no river water bodies in Northern Ireland achieved good or high overall status. NI Water is one of the primary polluters along with agriculture. We are committed to rectifying this. Our PC21 Business plan makes a start to addressing the generational underinvestment in our wastewater infrastructure. A great example of how we can make the change is the £1bn Living With Water Programme, which will improve strategic drainage infrastructure in the greater Belfast area through a combination of traditional and nature based solutions.

We must start to properly fund our vital infrastructure

We share the Government's vision that we will have the infrastructure that enables *everyone to lead a healthy, productive and fulfilling life; supports sustainable economic development;*

and protects our environment. But this ambition can only be realised if we move from a 'stop-start' approach to delivery as a result of underfunding, to multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.

Having been underfunded through our PC15 period (2015-21), we were encouraged to receive full funding for the first year PC21 period (2021-27) as part of an overall £2bn investment. However the extreme rise in energy prices over 2021/22 resulted in the need for emergency funding from Government to enable NI Water to continue to deliver its services. The absence of a functioning NI Executive resulted in uncertainty over funding for 2022/23 at a time of continued energy price volatility and significant price pressures in the supply chain. Northern Ireland remains the only region of the UK where the regulated water company lacks visibility of funding across the Price Control period and lacks financial resilience. This is placing service delivery to our customers at considerable risk.

Infrastructure by its nature requires an intergenerational contract and only functions when the current generation is prepared to pay its contribution towards maintaining and building the assets, some of which can have lifespans approaching 150 years. Government, as our sole Shareholder, needs to properly fund our national critical infrastructure. We continue to engage with our Shareholder and other stakeholders to secure the funding across PC21, supported by financial resilience. We are engaging with the NI Audit Office's review on funding our infrastructure and welcome the wider focus being brought on funding from the NI Fiscal Commission and the NI Fiscal Council. The approach to funding our infrastructure rests with the DfI Minister and the NI Executive.

Seizing the opportunity

The transition to a high productivity, low carbon, climate resilient economy and restoring biodiversity are systemic problems requiring systemic solutions. We can no longer afford to take a fragmented approach to infrastructure. Looking at all forms of infrastructure, public and private, built and natural, as an interconnected system rather than isolated silos requires big changes to

Government policy and strategy, and how infrastructure is designed, delivered, funded and regulated.

We are committed to collaborating with all our stakeholders to make these urgent changes in order to deliver infrastructure fit for the challenges of the 21st century.

Delivering what matters

NI Water continued to face limitations to usual ways of working due to COVID-19 lockdown restrictions over 2021/22. Around 800 staff worked from home and around 500 staff worked in frontline operations, within the laboratories, networks or treatment works. Our role in ensuring that drinking water continued to flow to hospitals, care homes and for food production was crucial. I would like to express my sincere appreciation to all our staff, contractors, suppliers, and Board colleagues, for their continued commitment and dedication to delivering what matters. NI Water was fittingly named Team of the Year 2021 at the Belfast Chamber Business Awards, in recognition of the vital role our essential workers played at the frontline of the pandemic in ensuring public health protection across Northern Ireland.

Dr Leonard J. P. O'Hagan CBE DL
Chair of the Board
29 June 2022