

EDC No:5 of 2021-22

Memorandum for Economic Development Committee

SUBJECT**Change to Water Subsidy Policy**

Memorandum by Director of ENRP

ADVICE SOUGHT

The Economic Development Committee is asked to approve the changes proposed to the Agricultural Water Subsidy Policy.

BACKGROUND & CONSIDERATIONS

1. An agricultural water subsidy administered by ENRP's Agriculture Division exists through the Agricultural Water Subsidy Policy (AWSP). The aim of the policy is to reduce the impact on agricultural production as a result of increases in water tariffs. The policy applies to users of agricultural untreated water and agricultural treated water under Connect St Helena's tariff structure.
2. In July 2020 the AWSP was updated to reflect the increase in water tariffs implemented by Connect St Helena from 1 April 2020.
3. Over the last year 21 producers claimed for water subsidy and £3,602.00 was spent compared to 24 claimants and a water subsidy spend of £2,704.00 in 2019.
4. From 1 April 2021 Connect St Helena implemented a further increase in their water charges and a change to the AWSP is proposed in order to continue to support agricultural production.
5. The change proposed as a result of the increase by Connect St Helena is as follows:
 - an increase in subsidy from **£0.37** to **£0.47** per cubic metre for **untreated** agricultural water and an increase from **£0.74** to **£0.94** per cubic metre for **treated** agricultural water and this should come into effect immediately.
6. The updated Policy is attached.

FINANCIAL IMPLICATIONS

7. There is likely to be an increased cost to SHG in 2021 for the increase in subsidy if the same or an increased amount of water is claimed for as for 2020. Using the same number of claimants for the subsidy and same amount of water use as claimed for 2020, the subsidy required would be as follows for 2021:
 - for *untreated* agricultural water – approximately £3,620.00 per annum
 - for *treated* agricultural water – approximately £1,400.00 per annum

A scenario of the subsidy payment based on the same amount of water claimed against both water types will involve an increase of £1,418 for the year compared to 2020. ENRP will support this increased level of subsidy from their Agriculture Support budget but

**ECONOMIC
IMPLICATIONS**

the amount will still fall within the £5,000 allocated for such.

8. The agriculture sector's continued contribution to economic development on St Helena depends on affordable water supplies to the sector. By continuing to contribute to the cost of water for agricultural purposes, we can ensure that agricultural water charges does not negatively impact producers in maintaining current levels of food production and also help contribute to increased production where this is possible.

**CONSISTENCY
WITH
INVESTMENT
POLICY
PRINCIPLES**

9. This is consistent with the following principle:
- No.4: Support the locally based private sector to compete in an open economy but, where possible, avoid being overly protective.

**PUBLIC / SOCIAL
IMPACT**

10. A small but positive impact on agricultural water users to cover increased water charges.

**ENVIRONMENTAL
IMPACT**

11. An increase in subsidy to cover increased water charges may increase the amount of water used, however based on the amount of water claimed against subsidy over last 2 years we do not expect to see a significant increase in use of water for agriculture purposes to the extent that it negatively affects the Island's water supplies.

**PREVIOUS
CONSULTATION /
COMMITTEE
INPUT**

12. EDC endorsed the Agriculture Water Subsidy Policy in 2017 and its increased subsidy provision in line with water tariff increases since this time.

**PUBLIC
REACTION**

13. Public reaction to the change will be positive through demonstrating that support is continuing for agricultural water to maintain and where possible, increase local production.

PUBLICITY

14. The revised fees and charges list with the changes will be published following the proposals being endorsed.

**SUPPORT TO
STRATEGIC
OBJECTIVES**

15. Link to the 10 Year Plan:
- Altogether Wealthier Goal and Strategic Objective 3.1 Ensure Sustainable economic development.

**LINK TO
SUSTAINABLE
ECONOMIC
DEVELOPMENT
PLAN GOALS**

16. Link to Goals 2 and 5:
- Substitute Imports
 - Improve Land Productivity

**OPEN /CLOSED
AGENDA ITEM**

17. Open agenda.

DATE OF MEMO

18/05/2021

DD