

The Fowey River Improvement Scheme: Trialling a PES Auction

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South West Water & PES

- Upstream Thinking Initiative
- Westcountry Rivers Trust



- Capital works only



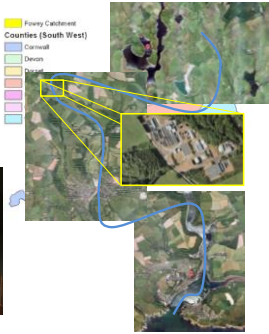
Adviser-Led PES Scheme



- WRT's Adviser-led mechanism ...
 - Case study catchments
 - 269 farm visits (<15% of total)
 - 50 investment opportunities
 - Grants at fixed 50% rate
 - Grants offered sequentially

South West Water and the Fowey Catchment

- The Fowey Catchment ...
 - ... 95% of Cornwall's water supply
- Trial an alternative PES mechanism ...



The Fowey River Improvement Auction

- Distribute £360,000
- All farmers in Fowey



The Fowey River Improvement Auction

- Distribute £360,000
- All farmers in Fowey
- Capital ... and operational



CAPITAL ITEM	PACKAGE	FARM MAN
Update slurry storage	Nutrient Management Package	Soil test all fields over 2ha, twice over
New manure storage		Run a 5 month slurry/manure trial
Roof slurry/manure/silage		Apply slurry/manure within 24 hours
Separate dirty/clean water		Only grow maize varieties that can be
Cover feeding/collecting area		Plant grass reverts only in the spring
Overwintered cattle facility	Pesticide Management Package	Separate slurry and manure used
Pesticide wash-down area		Have and implement a BESOP manual
Concrete tracks/yards		Use an BASCS approved pesticide com
Watercourse fencing		Use a FAS and PAS certified operator
Troughs and pipework		Remove adequate general pesticide
Livestock crossing/drinking	Watercourse Management Package	Designate an appropriate wash down
Re-site or stoned gateways		Exclude livestock from all watercourse
		Run a 6m watercourse buffer on sloped (>5%) arable fields >2ha
		Have and implement a full grazing/feeding management plan

The Fowey River Improvement Auction

- o Distribute £360,000
- o All farmers in Fowey
- o Capital ... and operational
- o Bids evaluated by 'value-for-money'
 - Capital items
 - Additional operational commitments
 - Location & farm type
- o Reserve 'value-for-money'
- o Multiple-rounds
- o Upto 100% capital costs ... max £50,000
- o Implemented Aug/Sept 2012 ... follow-up surveys of bidders & non-participants



Auction Outcomes: Participation

- o 42 farmers bid (48% participation)
- o Reasons for participating:
 - Benefit Farm Business
- o Reasons for not participating:
 - Time limitations
 - Complexity of forms
 - Identifying eligible projects

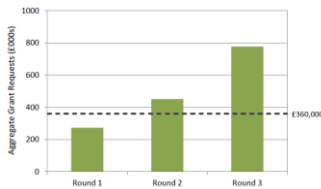


"Seems a pretty good scheme. I'm sure there are a lot of farmers out there who are rubbing their hands ... and I'm sure it will get some benefits along the catchment somewhere."

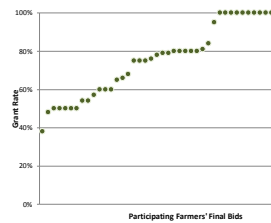
"I really didn't like the idea of bidding against my neighbours. If they wanted to help they should just give a lump sum to everyone instead of making us compete against each other."

Auction Outcomes: Bids

- o 52 bids (from 42 different farmers)
- o Range £490 to £49,000
- o £780,000 (x2.2 oversubscribed)

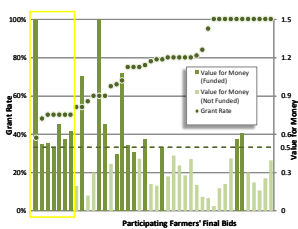


Auction Outcomes: Costs of Projects



- o Average grant rate: 59%

Auction Outcomes: Value-for-Money



- o Average grant rate: 59%
- o Value for Money (pts per £):
 - Auction:
 - 18 > 'value-for-money' threshold
 - Average: 0.875 pts per £
 - Adviser-led system:
 - 7 ≤ 50% grant rate
 - 4 would accept 50% grant rate
 - Average: 0.533 pts per £
 - Auction 20-40% more efficient

Auction Outcomes: Projects Funded

Project	Quantity	Number of Bids	Percentage of Total Payments
Update slurry storage	440 covis	2	20.8%
Hev manure storage	403 m ²	3	11.4%
Roofing for slurry, manure or silage storage	404 m ²	3	13.3%
Projects to separate dirty & clean water	678 m	5	1.7%
Covering for feeding or collecting area	2,194 m ²	8	23.7%
Hev facility for overwintering cattle	910 m ²	2	11.8%
Hev pesticide wash down area	0	0	0%
Concreting of tracks or yards	1,800 m ²	3	10.1%
Fencing of river courses	3,903 m	7	3.9%
Watering troughs to replace river drinking	15 troughs	3	0.5%
Hev livestock crossing or drinking points	5 crossings	4	0.5%
Re-siting or hard-coring of gateways	33 gates	4	2.4%
Total:		44	100%

Auction Outcomes: Projects Funded



Auction Outcomes: Projects Funded

- All projects subsequently adviser-approved
- But 25 additional projects not identified
 - ... not sure what qualified
 - ... not a business priority & would have made bid uncompetitive

Solution? Separate bids for separate projects



Lessons for PES



- Successfully deliver PES actions
 - Targeted involvement
 - Advisers do the hard work
 - Projects reflect funder priorities
 - Delivers low grant rates
 - Comprehensive involvement
 - Farmers do the hard work
 - Projects reflect business priorities
 - Delivers high value-for-money
 - Admin less costly

Small area, good local knowledge, small-scale providers, many site-specific actions

Large area, limited local knowledge, limited site information needed