

# THE UK WATER WHITE PAPER: A WATERSHED MOMENT?

*Described by the UK government as a “once-in-a-generation plan to overhaul the water system”, the Water White paper was published on 20 January 2026 (the White Paper). This is the UK government’s response to the review of the water sector in England and Wales (see our briefings on the final report and on the interim report ) carried out by the Independent Water Commission (the Commission). Whilst the White Paper sets out important decisions and outlines a number of proposals for reform, a lot of detail is yet to come. With £104 billion of investment into the sector needed between 2025 and 2030, there is likely to be pressure for greater clarity on scope and timings for the forward path.*

## 1. Background

In the Summer of 2025, the Commission published 88 recommendations for a reform of the water sector in England and Wales, including the establishment of integrated water regulators for England and Wales. The UK government rapidly confirmed its intention to abolish Ofwat and introduce a single regulator for the water system in England, and the White Paper represents its response to the Commission’s review. The Welsh government’s position on water reform for Wales will be set out in more detail in a forthcoming Green Paper.

## 2. Greater visibility of the strategic direction for water

The White Paper acknowledges the need for greater alignment among water sector stakeholders and for more cohesive planning to set longer term strategic direction.

It proposes to expand the scope of the current Strategic Policy Statements to cover 25-year time horizons and to be published every five years (with the first coming early in the price review 29 cycle (PR29)). This is intended to:

- create a longer-term approach and provide increased certainty further into the future for all stakeholders;

- increase investor confidence, creating clearer delivery pathways and potential efficiencies (see further below); and
- set a more specific, measurable short-term direction for the new regulator.

The UK government also intends to:

- set “new ambitious targets for the water environment”, in addition to the targets already set under the Environmental Improvement Plan, enabling consistent national oversight and alignment between UK government and industry;
- give the new regulator an objective to improve the creditworthiness of the industry to unlock investment and foster a stable and predictable regulatory environment; and
- introduce a new Water Bill to reduce legislative complexity.

The UK government also intends to deliver an improved water planning model, consolidating existing water industry plans and processes into two core planning frameworks for (i) the environment and (ii) water supply, enabling cross sectoral planning. The plans will be underpinned by consistent assumptions and metrics at national and regional levels and will be overseen by an enhanced and consolidated regional water planning function. To support this, the UK government will establish a Regional Water Steering Group in 2026 to scope and co-design new elements of the regional water planning function. This will include cross-sector representation including from regulators, water industry, agriculture, transport and local government.

## 3. Regulatory overhaul on the horizon

The White Paper confirms the intention to create a single new regulator for the whole water industry, bringing together the functions of Ofwat, the Drinking Water Inspectorate (the DWI), the Environment Agency (the EA) and Natural England.

The White Paper acknowledges the need for changes in the approach to regulating the water sector, observing that the current model “*relies too heavily on industry-wide benchmarking and economic modelling, which can overlook company-specific risks and performance issues*”. It proposes that the new regulator will implement a supervisory approach, with company specific teams responsible for oversight of each water company, that will enable it to take a more proactive, risk based, company specific and outcomes-oriented approach. To support this, a new model of “*constrained discretion*” will be embedded into regulation, subject always to the limits set by legislation and underpinned by principles of good regulatory practice.

A set of tools will also be developed to protect both customers and the long-term interests of companies in order to address the concern that water companies prioritise short-term profits over long-term resilience and the environment. The tools will include, for example, an oversight mechanism if a water company wants to transition to a new ownership model and will increase transparency with respect to ownership (such as by adding the water sector to the existing seventeen areas of the economy subject to mandatory notification under the National Security and Investment Act 2021).

The UK government also intends to introduce measures to improve performance across the water sector, including a new Performance Improvement Regime for poorly performing water companies.

#### 4. Encouraging investment

With £104 billion of investment into the sector needed between 2025 and 2030, the White Paper emphasises the UK government’s intention to support long-term investment in the sector by providing a predictable and reliable regulatory framework. The 5-year cycle for price control reviews will be retained, but the use of a longer term planning approach and a simplified incentives framework has been proposed in order to reduce volatility and provide more funding certainty over a longer time horizon.

The White Paper also highlights the need to improve financial resilience in the sector and, in particular, to ensure that debt levels are sustainable. It notes the role that nature-based solutions might play, such as the establishment of wetlands (rather than built infrastructure), and that associated green bonds to fund these initiatives might present an opportunity to help water companies “*expand and diversify their investor base*”. In addition, the UK government plans to implement a new supplier of last resort mechanism to

protect business customers where the market is open to retail competition.

The UK government, together with relevant regulators, will look across all regulated sectors to ensure the approaches taken by regulators are appropriate and consistent - including in respect of the approach to setting the cost of capital. It will also bring the water sector into alignment with other regulated sectors by replacing the current third-party redetermination led by the Competition and Markets Authority with a more focused appeals process.

The UK government will also create more opportunities for investment and competition by extending the scope of the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 from solely sewage-focused projects to other types of infrastructure. This will likely allow further ‘specified infrastructure projects’ to be put out for competitive tender by a water company for delivery by a third-party infrastructure provider. The White Paper confirms that this will provide a procurement model that sits alongside Ofwat’s Direct Procurement for Customers.

The White Paper also proposes to make the framework for regulating the New Appointments and Variations market more proportionate.

#### 5. Restoring consumer confidence

The White Paper aims to place customers at the centre of the re-designed regulatory framework, restoring public confidence through clearer accountability and a more proactive approach to consumer protection.

Ensuring that bills remain affordable amid the ongoing cost-of-living pressures is a priority. The White Paper makes clear that the UK government expects water companies to deliver on their 2019 commitment to eliminate water poverty by 2030. This will be supported by improved guidance for social tariffs and greater consistency across schemes.

Alongside this focus on affordability, the White Paper proposes that a new, independent and accredited Water Ombudsman will be established to handle complaints and provide legally binding outcomes where water companies fail to resolve complaints themselves. The UK government will also work with Ofwat and the new regulator to strengthen the Customer Measure of Experience to ensure high quality, responsive customer service and drive meaningful improvements in performance.

Beyond service standards, a focus has also been placed on maintaining high standards of drinking water and

increased public access to water for recreation and wellbeing.

## 6. Further action to tackle pollution

The White Paper's proposals for clean water aim to address the most high-profile and visible challenge facing the water system - pollution. The UK government is proposing a shift in focus from reactive remediation to 'pre-pipe' solutions, pointing to measures such as rainwater management, sustainable drainage systems and addressing sewer misuse.

The White Paper states that this will be underpinned by updated "*legislation, funding streams and regulatory mechanisms*", though there is little detail on the concrete next steps beyond commitments regarding:

- *Ending operator self-monitoring* - a new strengthened Open Monitoring approach has been proposed, driven by "*digitisation and automation*", and with publicly accessible "*near real time*" data. Alongside this, the UK government intends to update the current monitoring framework and to improve the use of Continuous Water Quality Monitoring data to understand the harm caused by discharges, monitor ecological health, and improve public health messaging.
- *Agricultural pollution* - the UK government will create a consolidated set of stronger and clearer national standards, backed by an increase in inspection capacity to at least 6,000 farm inspections annually by 2029. It will consult in early 2026 on bringing sewage sludge use in agriculture into the Environmental Permitting Regime and is considering extending environmental permitting to cattle farming where risk warrants it.

## 7. Bolstering resilience, security and oversight of water systems

The White Paper sets out a range of proposals relating to water systems, including a programme to address supply resilience, planning changes, demand measures, and expanded enforcement.

The UK government has proposed statutory resilience standards, forward-looking asset health metrics, and improved asset mapping, with the aim of moving all companies to a defined baseline and funding maintenance and renewal against clearer benchmarks. The new water regulator will embed engineering capability, led by a Chief Engineer, and recalibrate price controls to ensure that sufficient funding is allocated to maintaining and improving asset resilience.

Specific measures flagged include:

- abolishing the Quality and Ambition Assessment to discourage underbidding;
- revisiting the calculation of depreciation of assets; and
- ringfencing capital maintenance with separate allowances for maintenance, operating expenditure and enhancement capex.

Until the new regulator is created, Ofwat is expected to reflect this direction in PR29 with input from the DWI, the EA and Natural England.

The White Paper proposes closer alignment between water and development planning through a new plan-making system. Water and sewerage companies would be prescribed to assist plan-makers and listed as consultation bodies, with potential further roles as statutory consultees. The UK government will review permitted development rights for water companies to expedite smaller schemes and update the National Policy Statements for water resources and wastewater to clarify consenting for nationally significant infrastructure. The Regulators' Alliance for Progressing Infrastructure Development will continue to assure strategic schemes and may, subject to consultation, extend its remit to wastewater.

The White Paper also highlights demand-side measures as crucial to delivering water security. The UK government commits to accelerating the roll out of smart metering. It also intends to work with Ofwat and the new regulator to explore incentives for businesses and homes to adopt water efficiency measures, tackling tariff structures that misalign water usage incentives (such as falling block tariffs) with broader water security efforts. The UK government also reaffirmed its commitment to rollout a Mandatory Water Efficiency Label, together with policy work on reuse and rainwater management extending to large non-household developments and major water users, supported by a customer journey group to address adoption barriers. Alongside efforts to address demand, the UK government has proposed moving water abstraction and impoundment regulation into the Environmental Permitting Regulations to improve the use of water resources by water companies.

Innovation is also seen as important in this area: the UK government intends to facilitate regulatory discretion, including sandboxes, to test new approaches on scarcity, drainage and wastewater, and will review Ofwat's Innovation Fund following an independent evaluation due in March 2026.

Finally, the White Paper proposes expanded enforcement and security powers to address a more complex risk landscape, which ranges from climate change induced extreme weather to malicious interference with critical infrastructure. The new regulator would gain no-notice entry powers to enforce security and emergency directions, the ability to impose financial penalties for breaches of drinking water regulations without court proceedings, and powers to act directly against third parties operating or building assets on behalf of companies. Statutory obligations on such third parties would be introduced to ensure compliance with national security and emergency directions. New sufficiency powers are proposed to enable stronger action where companies fail to ensure adequate supply.

## 8. Turning aspiration into action

The aspiration for a more cohesive, longer-term direction for the water industry will likely be welcomed by many stakeholders. However, the level of detail contained in the White Paper about how these reforms will be achieved is limited, with many of the proposed reforms lacking essential detail on both content and timing for implementation. Further information is promised in the

Transition Plan which was originally intended to be released with the White Paper but will now follow in 2026 (to be published jointly with the Welsh government). This Transition Plan is intended to provide a roadmap for implementation of the planned reforms and will “*continue to be updated once there is greater certainty about the final shape of the new regulatory framework and proposed reforms*”.

The White Paper is therefore perhaps best viewed as a starting point, with statements of principle and direction for the ongoing process of formulating reforms, rather than a definitive description of the UK government’s plans which are likely to continue to evolve. As a result, although the White Paper may not, in itself, constitute a definitive watershed moment for the water sector, it does nevertheless indicate a broadly positive direction of travel that should enhance the level of investor confidence in the sector whilst balancing other public policy requirements. With new investment and financing required to deliver PR24 outcomes and PR29 preparation on the horizon, the details that will be set out in the Transition Plan and the planned Water Reform Bill will be of critical importance for a range of stakeholders.

# CONTACTS



**Isabel Taylor**  
PARTNER

T: 0207 090 4316  
E: [isabel.taylor@slaughterandmay.com](mailto:isabel.taylor@slaughterandmay.com)



**Michael Corbett**  
PARTNER

T: 0207 090 3431  
E: [michael.corbett@slaughterandmay.com](mailto:michael.corbett@slaughterandmay.com)



**Christian Boney**  
PARTNER

T: 0207 090 5329  
E: [christian.boney@slaughterandmay.com](mailto:christian.boney@slaughterandmay.com)



**Ian Johnson**  
PARTNER

T: 0207 090 4732  
E: [ian.johnson@slaughterandmay.com](mailto:ian.johnson@slaughterandmay.com)



**Samantha Brady**  
HEAD OF ENVIRONMENT & CLIMATE CHANGE

T: 0207 090 4279  
E: [samantha.brady@slaughterandmay.com](mailto:samantha.brady@slaughterandmay.com)



**Alex Bulfin**  
PARTNER

T: 0207 090 3454  
E: [alex.bulfin@slaughterandmay.com](mailto:alex.bulfin@slaughterandmay.com)



**Lisa Wright**  
PARTNER

T: 0207 090 3548  
E: [lisa.wright@slaughterandmay.com](mailto:lisa.wright@slaughterandmay.com)



**Susan Hughes**  
PARTNER

T: 0207 090 5155  
E: [susan.hughes@slaughterandmay.com](mailto:susan.hughes@slaughterandmay.com)

**Jake Richardson**  
ASSOCIATE

T: 0207 090 4122  
E: [jake.richardson@slaughterandmay.com](mailto:jake.richardson@slaughterandmay.com)



**Remi Pfister**  
ASSOCIATE

T: 0207 090 5261  
E: [remi.pfister@slaughterandmay.com](mailto:remi.pfister@slaughterandmay.com)



**Sarah Jackson**  
ASSOCIATE

T: 0207 090 5414  
E: [sarah.jackson@slaughterandmay.com](mailto:sarah.jackson@slaughterandmay.com)

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London  
T +44 (0)20 7600 1200  
F +44 (0)20 7090 5000

Brussels  
T +32 (0)2 737 94 00  
F +32 (0)2 737 94 01

Hong Kong  
T +852 2521 0551  
F +852 2845 2125

Beijing  
T +86 10 5965 0600  
F +86 10 5965 0650

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