

Committee on Climate Change
7 Holbein Place
London SW1W 8NR

Rt Hon Owen Paterson MP
Secretary of State
Department for Environment, Food and Rural Affairs
Nobel House, 17 Smith Square
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Dear Owen

Designing Flood Re to encourage people to reduce flood risk

As you know, the Adaptation Sub-Committee (ASC) to the Committee on Climate Change has a statutory duty to advise you in relation to the progress being made in preparing the UK economy for climate change.

Our advice to date has highlighted the opportunity to limit flood risk through the fitting of low-cost measures at the property level (e.g. door guards, air brick and vent covers). However, there has been limited progress so far, and the rate of deployment would have to increase by a factor of 20 if the cost-effective potential is to be exploited.

The Flood Re scheme offers the opportunity to strengthen incentives for the uptake of household flood protection measures but it is currently not designed to do this. The consequence is that Flood Re costs will be higher than they need to be, at the expense of householders funding the programme through the industry levy.

Your department's recent response to the consultation exercise agreed that important signals and incentives to manage flood risk need to be preserved. As this will be debated in Parliament over the coming weeks we offer five suggestions, which in turn would reduce Flood Re's costs and improve value for money (see annex for more details):

1. **Require Flood Re to build awareness of flood risk**, and establish a targeted, ongoing dialogue with those living in the highest flood risk households in the UK.

2. **Place flood risk reduction at the core of Flood Re's purpose**, by Flood Re encouraging and in certain circumstances requiring mitigation activity to take place. Flood Re could help fund improved flood protection to properties and communities, in order to reduce the levy needed over Flood Re's lifetime and improve its value for money.
3. **Publish a framework for how the transition to a free market will take place** alongside or as part of the Water Bill, so that people know in advance what to expect and households can act in advance of Flood Re's coverage being scaled back.
4. **Target the benefits more keenly**, because at present Flood Re is set to subsidise many more than the estimated number of households that might struggle to afford cover in a free market. Closer targeting will result in a smaller levy and better value for money, whilst allowing households to be rewarded in their future bills if flood risk is managed.
5. **Require households and insurers to retain some risk**, to create positive incentives to mitigate flood risk and avoid claims where possible, and to limit damage costs should flooding occur. Otherwise claim costs could spiral, putting pressure on the levy.

I hope you find these suggestions a useful contribution to the debate, and of course I would be pleased to discuss them in greater detail.

As ever



PROFESSOR LORD KREBS Kt FRS
Chairman, Adaptation Sub-Committee