



Australian Government
Department of Agriculture
and Water Resources

Ms Christine McDonald
Secretary
Senate Environment and Communications Legislation Committee
Parliament House
CANBERRA ACT 2600

Email: ec.sen@aph.gov.au

Dear Ms McDonald

Thank you for inviting the Department of Agriculture and Water Resources (the department) to provide a written submission to assist the inquiry into the Water Amendment (Purchase Limit Repeal) Bill 2019.

The effect of the Bill would be to repeal Division 5 of Part 2 of the *Water Act 2007*, which would remove the cap of 1,500 gigalitres (GL) on surface water purchases. The department is responsible for recovering water in the Murray-Darling Basin consistent with the Water Act, including through water purchases.

The Explanatory Memorandum to the Water Amendment Bill 2015 (which introduced the cap), provides information on why the 1,500GL cap was introduced. It states that it was consistent with the Commonwealth's *Water Recovery Strategy for the Murray-Darling Basin*, which prioritised environmental water recovery through infrastructure investment over water buybacks. It also set out that the purpose of the legislation was to provide increased assurance to rural and irrigation communities regarding the implementation of the Basin Plan and the commitment to minimise the potential socio-economic impacts of Commonwealth environmental water purchase.

The Basin Plan set out that 2,750GL of water needed to be recovered from the consumptive pool to provide for an environmentally sustainable level of take. This figure has been amended as a result of the Northern Basin Review and has been reduced to 2,680GL. It will be further amended by the operation of the Sustainable Diversion Limit Adjustment Mechanism, which provides the equivalent environmental benefits of 605 GL. The Basin Plan provides for a reconciliation process in 2024 under which the SDL will be reviewed in light of supply measure implementation. This process is intended to account for any variation in ecological outcomes between the package of supply measure projects as originally notified to the MDBA by Basin states (Queensland, New South Wales, Victoria, South Australia and the Australian Capital Territory) and the final configuration of projects as implemented by 30 June 2024.

In meeting Basin Plan water recovery targets, a total of 1,224 GL of water purchases have been made to date. This means that water purchases are currently 276 GL beneath the purchase limit of 1,500 GL. As at 30 November 2018, if all contracted water is delivered, approximately 30 GL of surface water is needed to bridge the gap to the sustainable diversion limits established in the Basin Plan.

In the event of non-delivery of contracted water or adverse impacts on the long term average annual yield of water recovered (as a result of final conversion factors in water resource plans), there remains sufficient capacity available under the 1,500 GL cap to meet the need for any further water recovery that may be required. Any shortfall can be recovered through either direct purchases or through infrastructure works. It remains the Australian Government's stated preference to recover water through infrastructure over buybacks.

I note that the department has continued to purchase water in the period since the 1,500 GL cap has been in place – including through strategic water purchases and the recent groundwater tender in the Condamine-Balonne alluvium in Queensland.

I note that the Murray-Darling Basin Authority (the MDBA) has provided a submission that draws the Committee's attention to a number of social and economic studies that the MDBA has undertaken on the effects of water purchase in the Murray-Darling Basin. In addition, in 2017 the department commissioned economic consultant Marsden Jacob Associates to provide an analysis of the economic effects of Commonwealth-funded water infrastructure programs in the Murrumbidgee Irrigation Area (i.e. the Griffith region). The study, *Economic effects of the Commonwealth water recovery programs in the Murrumbidgee Irrigation Area*, is on the department's website here:

<http://www.agriculture.gov.au/water/mdb/basin-plan/economic-effects-water-recovery>

I also note that the cap does not apply to the recovery of 450 GL of efficiency measures required by the year 2024. The recovery of water through efficiency measures is subject to other legislative requirements set out in the Basin Plan and the Water Act. The Basin Plan requires that the water is delivered through works that improve the efficiency of water use and that are socio-economically neutral or positive. Funds in the Water for the Environment Special Account (the WESA) can only be used for projects that meet the legislative requirements.

The department appreciates being given the opportunity to present this submission. If the Committee feels that further information from the department is required, please contact Mr Matthew Dadswell, Assistant Secretary of the Murray-Darling Basin Policy Branch on

Yours sincerely

Malcolm Thompson
Deputy Secretary

1 March 2019