



**Environment Victoria submission to House of Representatives Regional Australia Committee**

**Water Amendment (Water for the Environment Special Account) Bill 2012**

Environment Victoria is the state's peak non-government, not-for-profit environment organisation. Since 1969 we have worked with all Victorians to safeguard our environment. Our Healthy Rivers program has focussed for a decade on returning water to the rivers of northern Victoria.

While Environment Victoria welcomes the Commonwealth government's commitment to securing at least 450 GL for the Murray system over and above the 2750 GL enshrined in the Murray-Darling Basin Plan, we have some serious concerns about the proposed Water Amendment Bill. These are outlined in this submission.

The Bill sets aside \$1.77 billion over a period of 10 years for the specific purpose of enhancing the environmental outcomes that can be achieved by the Basin Plan (86AA (1)). This is a laudable aim but the contents of the Bill ensure that it will not be achieved to the extent committed by the government.

Previous Commonwealth government investment of \$5.8 billion through the Sustainable Rural Water Use and Infrastructure (SRWUI) program is likely to recover around 600 GL of water for the environment<sup>1</sup>. It is difficult to estimate the actual cost per megalitre of water recovered because of the complexities of the program, but at a very conservative estimate it would be at least \$5,000/ML. At this average price, and if every single cent was spent on infrastructure improvement, the funds set aside in the Special Account would result in 355GL of water recovery for the environment. Well short of the government's commitment of 450GL to South Australia. And well short of the 888GL of environmental water that could be acquired if the funding was committed to buying back water from willing sellers at the average price of \$2,000/ML.

Either the funding for the Special Account will need to be increased or the acquisition of environmental water will need to be decoupled from the SDL adjustment mechanism and other forms of water recovery allowed if the Bill is to meet the government's objectives.

**Specific problems with the Water Amendment Bill**

1. The Bill does not commit to recovering 450 GL of environmental water for the Murray as announced by Prime Minister Gillard, instead it aims to increase 'the volume of the Basin water resources that is available for environmental use by **up to** 450 gigalitres' (86AA (3)(b)). This is a central flaw in the Bill. The clause requires amendment to read 'by **a minimum of** 450 gigalitres' to make good on the Prime Minister's commitment.
2. Environment Victoria supports the objects listed under 86AA (1) and (2). However the proposed environmental outcomes to be achieved by the extra water provided by the Special Account appear to

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<sup>1</sup> Senate committee Hansard 23/08/12

<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Fcommsen%2Fed78afa6-5ded-4138-91c7-304b142f8787%2F0003;query=Id%3A%22committees%2Fcommsen%2Fed78afa6-5ded-4138-91c7-304b142f8787%2F0000%22>

be limited to the Murray system (86AA (2)). The clause should be amended to include protecting and restoring environmental assets in the northern basin as well as in the southern connected basin.

3. The purposes of the Water for the Environment Special Account (86AD (2)(a)) include 'increasing the capacity of dams and storages to deliver environmental water to the environmental assets of the Murray-Darling Basin' (subclause iv).

The imposition of dams and storages on river systems has been a chief cause of their ecological decline and there is no scientific evidence to show that increasing dam capacity will have any beneficial effect on rivers. On the contrary, a proposal to increase the size of the Buffalo dam in the Ovens River catchment would have negative consequences not only for the Ovens River itself but also for downstream sites as far away as Barmah Forest, Gunbower and Hattah Lakes, and the proposal would affect water availability for users in South Australia and NSW as well as in Victoria<sup>2</sup>.

Since all Commonwealth water recovery for the environment is to be in the form of water shares, there is already an ability to store this water within existing storages and no additional capacity is required. Clause 86AD (2)(a)(iv) should be deleted from the Bill. If a specific clause is required to allow alterations to dam outlets to enable the provision of environmental flows, then a clause to this effect should be substituted.

4. Clause 86AD (2)(c)(ii) allows funds from the Special Account to be used 'to address any detrimental social or economic impact on the wellbeing of any community in the Murray-Darling Basin that is associated with a project or purchase referred to in paragraph (a) or (b) or subparagraph (c)(i) so as to offset any such impact'. This clause is open ended and could result in the majority of the funds in the Special Account being used for a range of purposes other than the acquisition of water for the environment.

For example, water corporations are concerned that on-farm efficiency measures will reduce the volume of water that they deliver and necessitate a price increase for all their customers, including those who have not benefitted from the infrastructure upgrades. This could be interpreted as 'a detrimental economic impact' under clause 86AD(2)(c)(ii) and require offsetting.

Any offsetting of detrimental impacts is properly the business of other government funding streams such as those dedicated to regional development. If this clause is to remain in the Bill, then the level of funding for the Special Account will have to be very significantly increased to accommodate it and this money quarantined from funds for water recovery and constraint remediation. Otherwise the clause should be deleted.

5. Paragraph 86AG sets out the financial amounts to be credited to the Special Account in each year of its existence. It does not set out a parallel schedule for water recovery in each year which is the object of the Special Account as set out in s86AA. This is a major omission from the Bill. While it may be difficult to develop the annual water recovery targets in the time available before the Bill is passed, the Bill should as a minimum provide for developing a schedule within 12 months and having it adopted as a regulation.

A further problem with paragraph 86AD is that it does not require unspent money in the Special Account to be rolled over into the following year. As drafted unspent funds could be returned to

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<sup>2</sup> SKM (2008) Hydrological modelling to assess the impact of enlarging Buffalo dam  
[http://www.water.vic.gov.au/\\_\\_data/assets/pdf\\_file/0003/55920/BR10\\_Hydrological-impacts-of-enlarging-Lake-Buffalo.pdf](http://www.water.vic.gov.au/__data/assets/pdf_file/0003/55920/BR10_Hydrological-impacts-of-enlarging-Lake-Buffalo.pdf)

consolidated revenue at the end of each financial year. The wording needs amending so that this is not possible.

6. Paragraph 86AH states that 'The balance of the Water for the Environment Special Account from the beginning of 1 July 2024 is zero', meaning that any unspent funds will be returned to the Budget on that date. It does not make any similar statement about water recovery being complete by 1 July 2024. The Bill needs a statement that the full 450 gegalitres will be recovered by that date.

#### **Additions required to the Water Amendment Bill**

7. The annual report described at paragraph 86AI is limited in scope. It should be required to include the following :
  - a determination of whether projects listed under 86AI (2)(b) reflect an Environmentally Sustainable Level of Take, as required of all changes to SDLs made under other provisions of the Water Act;
  - whether the projects demonstrate value for money;
  - progress against the schedule of water recovery developed under s86AG;
  - a forecast of whether the objectives of the Special Account (ie the recovery of at least 450 gegalitres of water for the environment) will be achieved within the lifetime of the account.
8. If the annual report and forecast reveal that the water recovery target is not likely to be met, then this should trigger a review of expenditure priorities and, if necessary, the appropriation of further funds to meet the objectives of the Special Account. Buyback should be prioritised over infrastructure at this point, being the more cost-effective means of retuning water to the environment.
9. The Water Act mandates that all decision making on the Basin Plan and Sustainable Diversion Limits (SDLs) be based on best available science (s21(4)). It is highly likely that new scientific knowledge of the water requirements of the Basin's environmental assets and the effects of climate change on water resources will become available over the 10 year lifespan of the Special Account. The Bill should therefore include a provision for incorporating this new knowledge.

As currently drafted, the Bill (86AD (4)) requires that all changes to SDLs as a result of funding through the Special Account be made through the SDL adjustment mechanism set up under recent amendments to s23A of the Water Act. Yet the adjustment mechanism is designed to operate using the 2750GL Basin Plan modelling as a baseline and does not take account of any refinements of that modelling or improved scientific knowledge. Either the adjustment mechanism should have an ability to incorporate new knowledge or exceptions should be possible to 86AD(4) to enable projects to be included/accelerated/adjusted as a result of new knowledge.

10. Paragraph 86AF(2) should include a requirement that any state project funded from the Special Account should be consistent with the objective of returning at least 450GL of water to the environment, and should reflect an environmentally sustainable level of take.

For more information, please contact Juliet Le Feuvre  
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