



Christine McDonald  
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The Senate Environment and Communications Legislation Committee  
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Wednesday 27 February 2019

Dear Ms McDonald

**RE: Inquiry into the Water Amendment (Purchase Limit Repeal) Bill 2019**

Thank you for the opportunity to provide a submission to the Senate Environment and Communications Legislation Committee Inquiry into the Water Amendment (Purchase Limit Repeal) Bill 2019.

The enclosure accompanying this cover letter outlines Murray Irrigation's issues concerning the Bill, set against the intent of the original 2015 Bill that imposed the statutory limit on environmental water purchases. In summary, we don't believe the cap needs to be repealed in order to achieve the Basin Plan's 2,750 GL water recovery target; however we do think its retention is critical for providing regional communities with continued certainty as the Plan's implementation is rolled-out.

We are very happy to give evidence at a public hearing should the Senate Committee find this useful.

Yours Sincerely,

**Michael Renehan**  
Chief Executive Officer

Enclosure – Murray Irrigation Commentary on the Commonwealth’s *Water Amendment (Purchase Limit Repeal) Bill 2019*

Explanatory Memorandum – 2015 Bill to <u>INTRODUCE</u> the Purchase Cap	Commentary
<p>1. The introduction of the 1,500 GL purchase cap reflected the intent of the June 2014 Commonwealth <i>Water Recovery Strategy</i> for the Murray-Darling Basin, which clearly prioritised infrastructure investment over buy-backs.</p> <p>Introduction of a legislated cap provided ‘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 purchases’ (paragraph five).</p> <p>The purpose of the legislation was to ‘provide certainty to communities and businesses throughout the Basin, while continuing to deliver on the environmental outcomes outlined in the Basin Plan’ (paragraph six).</p>	<ul style="list-style-type: none"> <li>• ‘Infrastructure over buy-backs’<sup>1</sup> has been the foundation of environmental water recovery under the Basin Plan since the release of the <i>Water Recovery Strategy</i> in 2014.</li> <li>• Infrastructure investment is intended to help communities, as a whole, adjust to less water being available for consumptive use.</li> <li>• Infrastructure investment also provides communities with certainty about how much water will be leaving districts, and over what timeframe.</li> <li>• Repeal of the 1,500 GL cap certainly implies that the prioritisation that has been in place since 2014 is now under question. Any suggestion that ‘infrastructure over buy-backs’ will be overturned would seriously undermine the certainty that communities have relied upon for the last five years.</li> </ul>
<p>2. ‘The legislation [to introduce the cap] does not impose additional requirements for water recovery, nor does it undermine the efforts of the Commonwealth to implement the Basin Plan’ (paragraph six).</p>	<ul style="list-style-type: none"> <li>• Since introduction of the Basin Plan, regional and irrigation communities have clearly understood that the priority for governments is to recover 2,750 GL of surface water for the environment by 30 June 2019.<sup>2</sup></li> <li>• The Commonwealth’s 2014 <i>Water Recovery Strategy</i>, which was still deemed current in April 2018, confirms that the total buy-back needed to meet the 2,750 GL target is expected to be ‘significantly less than the 1,500 gegalitre cap’ (page 18). As at 30 November 2018, 1,224 GL had been recovered against the water purchase limit (<a href="http://www.agriculture.gov.au">www.agriculture.gov.au</a>).</li> <li>• Based on the current arrangements, which are clearly understood and supported by communities, repeal of the 1,500 GL cap is unlikely to be needed to meet the 2,750 GL target by 30 June 2019.</li> <li>• Communities have joined in agreed Basin Plan processes, in good faith, for five years in reliance on the prioritisation of ‘infrastructure over buy-backs’. It is concerning this Bill would significantly change these processes four months out from the 1 July 2019 start date.</li> </ul>

<sup>1</sup> Commonwealth *Water Recovery Strategy 2014* p 18.

<sup>2</sup> Under the Basin Plan, the 2,750 GL can be adjusted if equivalent environmental outcomes are achieved ‘without needing to reduce consumptive take as much as originally anticipated’ (p. 42). The *Water for the Environment Special Account*, is a Commonwealth program under its Water Act to address constraints in the Basin and deliver 450 GL of additional environmental water.

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	<ul style="list-style-type: none"> <li>The proposed substantial change in approach, at this late stage, has been put forward without consulting affected communities or obtaining their support. As a result, it would considerably weaken the certainty these communities have relied upon for the last five years.</li> </ul>
Explanatory Memorandum – 2019 Bill to <b>REPEAL</b> the Purchase Cap	Commentary
<p>3. 'The limit on buy-back was never part of the original Murray-Darling Basin Plan' (page 1).</p>	<ul style="list-style-type: none"> <li>Prioritisation of 'infrastructure over buy-backs' has been the commonly agreed implementation pathway since 2014 in line with the <i>Water Recovery Strategy</i>.</li> <li>Repeal of the 1,500 GL cap is unlikely to be needed to meet the Basin Plan's 2,750 GL target by 30 June 2019.</li> </ul>
<p>4. 'Removing the limit will mean that if a review of the Murray-Darling Basin Plan, or of the 605 gigalitre 'supply projects', demonstrates the need for more water purchases then there is no legislative barrier to being able to achieve that policy' (page 1).</p> <p>'The legislation means the Government has options in regard to any advice of the independent Murray-Darling Basin Authority that recommends that more water is required to return the system to health, or if the 'supply projects' won't deliver the expected environmental outcomes' (page 1).</p>	<p><u>Supply Projects</u></p> <ul style="list-style-type: none"> <li>The Basin Plan already allows for a reconciliation and final determination for supply projects (Chapter 7). This process respects the original intent of the Plan that projects won't necessarily become operational until 30 June 2024. Critically, this process also contains a clear public consultation step.<sup>3</sup></li> <li>Just as for the arrangements to meet the 2,750 GL target, communities have participated in related supply project processes in good faith for seven years. Participation has been based on the distinct understanding that these projects have another five years to become operational.</li> <li>The explicit statement in the Explanatory Memorandum anticipating 'the need for more water purchases' is expressly at odds with the supply project processes that have been in place since 2012. Once more, this would reflect a significant change in approach, put forward without consulting affected communities or obtaining their support.</li> <li>The significant reemphasis on water buy-backs could also undermine confidence in the supply projects themselves, and unreasonably set up these projects to fail, five years ahead of the agreed deadline.</li> </ul>

<sup>3</sup> For example, the requirement for public consultation before finalising a determination of the amounts of proposed adjustments: Basin Plan section 7.06.

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	<p><u><i>Proposed Additional Water Purchases Under the Basin Plan</i></u></p> <ul style="list-style-type: none"><li>• The <i>Water Act 2007</i> (Cth) allows for the Basin Plan to be reviewed.<sup>4</sup> The default date for the first review<sup>5</sup> respects the original intent of the Basin Plan that both supply projects and the 450 GL of additional environmental water recovery won’t necessarily be completed until 30 June 2024. Critically, this review process also contains very clear consultation steps.<sup>6</sup></li><li>• The explicit statement in the Explanatory Memorandum that more water (to be acquired through buy-backs) may be required to return the system to health suggests that there is a pre-determined outcome in mind for what is meant to be a fully transparent, comprehensive, and consultative review under the <i>Water Act 2007</i> (Cth).</li><li>• If this were the intention of Bill, it would represent another significant change in approach, put forward without consulting affected communities.</li><li>• The negative socio-economic impacts of water buy-backs have been identified in various studies. For example, reports by Aither,<sup>7</sup> RMCG,<sup>8</sup> and HMC Property Group and Agriculture Victoria<sup>9</sup> have found that buy-backs results in:<ul style="list-style-type: none"><li>• increases in water allocation prices and temporary water costs;</li><li>• losses at the farm gate totalling hundreds of millions of dollars per year;</li><li>• reduced water availability, resulting in reduced production; and</li><li>• reduced business confidence due to uncertainty surrounding water availability and volatile water prices.</li></ul></li></ul>
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<sup>4</sup> *Water Act 2007* (Cth) section 50.

<sup>5</sup> The default date is 2026, with a review to be carried out every ten years thereafter; *Water Act 2007* (Cth) subsection 50(1). However, a review may be undertaken on request of the Minister or all Basin States if they are satisfied that the objectives for the Basin Plan are not being achieved or those objectives are no longer appropriate for the Basin water resources; *Water Act 2007* (Cth) subsection 50(2).

<sup>6</sup> *Water Act 2007* (Cth) section 51.

<sup>7</sup> Aither, ‘Water Market Driver in the Southern MDB: Implications for the Dairy Industry’ (Report prepared for the Dairy Industry, 29 July 2016) pp 6-9.

<sup>8</sup> RMCG, ‘Basin Plan – GMID Socio-Economic Impact Assessment (Final Report, October 2016) pp iv-vii.

<sup>9</sup> HMC Property Group and Agriculture Victoria, ‘Regional Irrigated Land and Water Use Mapping in the GMID’ (Technical Report, 2017) pp 74-75.

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	<ul style="list-style-type: none"><li>• The Murray-Darling Basin Authority has found<sup>10</sup> large job losses in a number of communities in the Basin resulting from the implementation of the Basin Plan and it has acknowledged<sup>11</sup> that infrastructure investments (as opposed to buy-backs) help to minimise the socio-economic impact of water recovery on communities.</li><li>• The 1,500 GL cap on buy-backs limits the potential socio-economic damage to Basin communities in the process of achieving the Basin Plan’s water recovery targets and it ought to be maintained.</li></ul>
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<sup>10</sup> Murray-Darling Basin Authority, ‘Basin Plan Evaluation Addendum June 2018’, p 5.

<sup>11</sup> Murray-Darling Basin Authority, ‘Basin Plan Evaluation 2017’, p 86.