



9 August 2021

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: rrat.sen@aph.gov.au

Dear Committee Secretariat

Re: Senate Inquiry into the *Water Legislation Amendment (Inspector-General of Water Compliance and Other Measures) Act 2021*

The National Farmers' Federation (NFF) provides the following submission to the Senate inquiry into the *Water Legislation Amendment (Inspector-General of Water Compliance and Other Measures) Act 2021*.

The NFF strongly supports the *Water Legislation Amendment (Inspector-General of Water Compliance and Other Measures) Act 2021* (the Act). We are comfortable with the details of the Act and processes undertaken by Commonwealth and state governments in its development. We will assess the effectiveness of the Act at an appropriate time following implementation.

Consistent with our Murray-Darling Basin Plan policy, the NFF supports:

- An urgent, coordinated and concerted approach to deliver the Supply Measures program. Governments must explore flexible pathways to allow new, improved or replacement SDLAM projects over time and ensure greater participation and communication, and fully implement well-designed and appropriately consulted projects to achieve at least 605 GL;
- Not achieving the 450 GL efficiency measures from either the consumptive pool or river operations. Governments should seek and fund alternatives;
- Appropriate reforms to the water market that provide greater confidence and transparency in water trading, should be implemented expeditiously;
- A clear, proper process for over-recovered water to be addressed, including exploring the option to return water to the consumptive pool, informed by meaningful consultation with communities in affected valleys;
- Exploring opportunities to use parcels of water to generate multiple outcomes; and
- Complementary measures being considered in both Supply and Efficiency Measures.

Our policy is **attached** for information.

Yours sincerely

TONY MAHAR
Chief Executive Officer



Murray-Darling Basin Plan Policy

Policy Position

The NFF supports a healthy Murray-Darling Basin that truly balances the economic, social and environmental objectives our nation enjoys from our largest river system. The NFF favours the implementation of the Plan, recognising there are a number of improvements which need to be made to make it fairer and more workable. Governments must ensure that the Plan is implemented in a way that minimises adverse social and economic impacts of recovering and using water for the benefit of the environment.

Issue

It is critical that Governments adopt a 'pathway of least impact' when implementing the Plan.

The Plan has fundamentally changed the trajectory of irrigated agribusinesses and the communities depending on them. Water recovery for the environment, mostly under the Plan but also earlier programs such as The Living Murray, has already reduced the pool of water available for irrigation by almost 30 per cent. At the same time, water market reforms accelerated under the Plan have changed the volume and location of demand in the Basin, with implications for all water users.

Genuine economic and social investment in communities adversely affected by water reforms must be a priority for governments. Recovering water from the consumptive pool causes social and economic impacts for basin communities. This is particularly the case for buybacks, which have had significant localised social and economic impacts and left some regions bearing a disproportionate burden of adjustment. In some river valleys, too much water has been recovered, with recovery now above the agreed limits.

Recovering more water from the consumptive pool, whether through buybacks or on-farm efficiency projects, inevitably means less supply to meet existing demand. Climate change will compound both water scarcity and demand as crops and pasture use more water in warmer, drier conditions. These drivers will continue to put upward pressure on water prices on the permanent and temporary markets. The impacts of severe drought on water allocations leads to pressure on individual farmers and their communities as well as influencing market behaviour and exacerbating physical delivery of water.

The timeframe to implement the Sustainable Diversion Limits is also too short and does not allow sufficient time for industries, farmers and communities to adjust, nor to get quality and community-supported Plan mechanisms in place. Governments should explore flexible pathways to allow new, improved or replacement SDLAM projects over time and ensure greater participation and communication.

Another key issue is the ability of the Commonwealth Environmental Water Holder (CEWH) to effectively manage its water portfolio and to deliver water to the environment efficiently without flooding private land and infrastructure. Communities that live along the river are concerned that Governments are not listening to them on the magnitude of current and future impacts. The budget and timeframe to address these issues is inadequate. Continued recognition that environmental and consumptive water share entitlement and allocation characteristics is important. It is also critical that the CEWH is able to generate the best possible outcomes from their water portfolio.

Background

The Plan was adopted in 2012 with a legislated goal to recover water entitlements equal to an annual average yield of 2,750 GL. The Commonwealth owns these entitlements, which are managed by the CEWH for the benefit of the environment; \$13 billion was allocated to implement the Plan.

Water recovery goals were originally divided with the northern Basin to deliver 390 GL and the southern Basin to deliver 2,360 GL. The northern Basin target was subsequently reduced to 320 GL in 2016 on review, on the basis of toolkit measures coming into effect. The effective Plan recovery target is now 2,680 GL.

The Plan includes the Sustainable Diversion Limit Adjustment Mechanism (SDLAM), allowing the original 2,750 GL target to be reduced by up to 650 GL (called Supply Measures) through projects delivering similar environmental benefits but with less water. This would reduce volume of water entitlements that had to be recovered for the environment.

The SDLAM also allows an additional 450 GL in entitlement equivalents (called Efficiency Measures) to be recovered above the 2,750GL, through projects with positive or neutral socioeconomic impacts. The total volume of water recovered in entitlement equivalents could be 3,200 GL.

Various contemporary, independent reports have agreed that the acquisition of 450 GL from the consumptive pool are not likely to be achievable without significant and deleterious impact on irrigators, riparian landholders and communities. There are potentially other pathways to achieve environmental outcomes. These are areas that should be considered and pursued in an inclusive, considered and consultative manner.

In 2017, the modelling by the MDBA found that water recovery through environmental offsets at 605 GL rather than the 650 GL as originally intended was the most appropriate outcome to pursue. The Commonwealth Water Act and Plan also set the long term average use across the entire Basin at 10,873 GL, which could only be adjusted under the SDLAM by a maximum $\pm 5\%$ or 543 GL. This means in effect a minimum 2,207 GL in entitlement equivalents must be recovered, to deliver the environmental outcomes assumed under a 2,750 GL Plan,

in conjunction with Supply Measures. The Australian Government says at least 62 GL needs to be recovered through Efficiency Measures projects to meet the SDLAM minimum recovery threshold.

As of 31 March 2019, the Australian Government had recovered over 2,100 GL equivalents in water entitlements by direct purchasing (buyback), and investment in on- and off-farm water efficiency projects.

A plethora of inquiries continue to be held into various components of the Plan. The most independent and comprehensive has been the Productivity Commission's five year assessment of the Murray-Darling Basin Plan. This report maps a pathway to resolve key implementation and other issues in the Plan.

What the industry needs

A cohesive, community-wide approach to implementing a Plan that can work despite its imperfections.

To minimise the social and economic impacts of implementing the Plan, we need:

Commitment to implement Productivity Commission findings

- Basin States and Commonwealth commit to implement in full the recommendations of the 2018 Productivity Commission Inquiry into the Murray-Darling Basin Plan. They need to be implemented with appropriate haste, prioritising:
 - Extending the timelines to implement the Sustainable Diversion Limits, particularly the SDL Adjustment Mechanism projects, consistent with the Productivity Commission's recommendations;
 - Action to address deliverability issues and third party impacts;
 - Fixing institutional and governance issues within the Murray-Darling Basin Authority;
 - Measures to address over-recovered water; and
 - Resolving governance and funding issues for supply measures.

Sustainable Diversion Limit Adjustment Mechanism

Supply Measures

- An urgent, coordinated and concerted approach to deliver the Supply Measures program to reduce the potential for further water recovery from the consumptive pool.
- The Supply Measure projects should include an adaptive component to allow for the incorporation of new science and risk management in their implementation.
- Governments to explore flexible pathways to allow new, improved or replacement SDLAM projects over time and ensure greater participation and communication.
- Fully implement well-designed and appropriately consulted projects to achieve at least 605 GL.

Efficiency Measures

- The acquisition of 450GL is not achievable from the consumptive pool nor river operations and is therefore not supported.
- Government must seek and fund alternative measures that are outcomes focussed.
- Where it is necessary to vary legislation to achieve these outcomes then that should be supported.

General issues

- Appropriate reforms to the water market that provide greater confidence and transparency in water trading, should be implemented expeditiously.
- Genuine economic and social investment in communities adversely affected by water reforms must be a priority for governments.
- A clear, proper process for over-recovered water to be addressed, including exploring the option to return water to the consumptive pool, informed by meaningful consultation with communities in affected valleys.
- Cultural water is highly respected by the agriculture sector. Cultural water for contemporary economic use must be purchased on the market with the same characteristics as other entitlements, whilst non-economic cultural water must not be sourced from the consumptive pool similar to other non-economic water holders.
- We should always look for opportunities to use parcels of water to generate multiple outcomes.
- Complementary measures can have a positive effect on both Supply and Efficiency Measures and should be considered in the context of both.
- A greater commitment to adopting complementary measures, that go beyond the existing requirements of the Plan, so as to optimise environmental outcomes.

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