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30th July, 2015

Committee Secretary
Senate Standing Committee on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600
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RE: Senate Committee Inquiry into the Water Amendment Bill 2015

The NSW Nature Conservation Council (the NCC) provides a shared voice for more than 120 environmental organisations across NSW, with a combined membership of over 60,000 individuals.

The NCC welcomes the opportunity to comment on this important piece of legislation, most notably the proposed formalisation of restrictions on how water is recovered for the Environmental Water Holdings.

The most efficient and equitable method of recovering water for the environment (while compensating water licence holders) is through a voluntary buy-back of entitlements. However, Division 5 of the Bill proposes a statutory limit on the ability of Government to buy-back water through such a mechanism to an equivalent of 1,500GL – representing the statutory entrenchment of a reactionary and poorly considered existing policy position. The proposed Cap is poorly defined, is not in the national interest, is financially irresponsible, will have unintended consequences, and will ultimately prove ineffective in its objectives for the following reasons – viable efficiency investments are unlikely to supply sufficient water to the Environmental Water Holdings, local socio-economic impacts will occur regardless, and across the Basin as a whole communities have the capacity to adjust to marginally reduced average irrigation activity levels.

Consider the following facts:

- If an on-farm water efficiency investment will yield sufficient water to justify its cost, then the owner of the farm will make such an investment privately and receive a positive investment return through the sale or use of subsequent savings. Constraints on the purchase of water for the environment through the market will reduce demand and therefore market prices, reducing the potential for financially viable investments. Furthermore, any and all proposed Government investments in on-farm water use efficiency will likely be financially inefficient with the partner irrigator simply seeking to subsidise their investment through the sharing of uneconomic costs and risks.
- Government subsidies for water efficiency have operated in one form or another for the past twenty years and there is no 'low hanging fruit' left. Much of this investment occurred as part of the refurbishment of irrigation infrastructure during the gift of ownership from Government to customers. Others (such as the NSW Groundwater Water Use Efficiency Scheme) specifically

sought to support a structural adjustment to reduced levels of future water supply and they were grossly undersubscribed (on reasonable participation restrictions) or ended up funding ancillary farm management activities rather than core water savings.

- Water efficiency investments that are not exclusively focused on reducing evaporation (including any involving reduced infiltration, run-off or return flows) will simply reduce the volume of water subsequently available to groundwater or down stream water users and have no effect on the net supply of water across the Basin, resulting in a need for other water users to undertake compensatory investments in order to simply maintain their existing reliability of supply.
- Local impacts arising from a buy-back will happen regardless of the Government's intervention through the proposed Cap on the buy-back. Sellers of water entitlements, who would logically participate in any buy-back, will continue to use the market to dispose of their excess holdings and in many instances the buyer will be remote from the locality of the seller. However, the price they receive will be reduced due to the reduced in-market demand arising from the Cap.
- The need for, and intent to, return water from the consumptive pool to the environment has been well known throughout Murray-Darling Basin communities for at least 20 years, which has included a period of extended contraction in irrigation due to drought. Businesses that are unprepared for a further marginal reduction in irrigation activity are clearly not managing their risk profiles or overstating their dependence on local irrigation activity.
- Changes in technology and irrigation practice will over time result in an increase in opportunities for financially viable investment in water use efficiency to increase the consumptive pool in a rational and effective manner, through natural market influences.

In light of the above observations the proposed Division 5 Cap on market purchases included in the Bill (and currently in place through a memorandum of understanding) contradicts the very objects of the Water Act 2007 as it will unreasonably (further) delay the return of water diversions to sustainable levels, will result in the on-going degradation of wetlands and in-stream environments that have been acknowledged as stressed for over twenty years, and will not act to maximise the economic benefits of water use in the Basin.

The NCC recommends the removal of any imposed limits on the method by which the Government quickly and efficiently recovers environmental water for the benefit of the Australian people, in the pursuit of sustainable and equitable water management in the Murray-Darling Basin.

Sincerely yours,

Arthur Buckingham

Nature Conservation Council - Water Advisory Group Convenor