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**WWF submission to the House Standing Committee on Regional Australia:**  
Inquiry into the impacts of the Murray-Darling Basin Plan in Regional Australia

Dear Committee

Attached is WWF's submission on the Guide to the proposed Basin Plan. The matters addressed have significant overlap with the terms of reference for the Committee's Inquiry into the Plan.

Responses to the Inquiry's terms of reference are provided below, citing our Guide submission where relevant. In responding to the Inquiry we have grouped the terms of reference into two categories: economic impacts and water efficiency.

WWF believes that the Basin Plan is a unique opportunity to establish sustainable diversion limits, and end the years of uncertainty and degradation. We recognise that this cannot occur at the expense of the viability of the irrigated agriculture and the communities that rely upon the economic flow on effects. The Inquiry is an important part of the process to achieve these dual aims.

**Economic impacts and structural adjustment**

- The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community well-being.
- Opportunities for economic growth and diversification within regional communities; and
- Previous relevant reform and structural adjustment programs and the impact on communities and regions.
- It is essential that the full range of consequences of changed water available for regional communities informs the final Basin Plan.
- This means that social and economic impact analysis should not merely address a worst case scenario by listing potential impacts on agricultural production and flow on effects, with no mitigating factors taken into account (which economic investigations undertaken by the Authority have done to some extent).
- Any analysis must incorporate the impact of the Water for the Future program which aims to mitigate the impact of reduced water allocations.
- The effect of other government regional development programs as well as projections for broader economic activity should be taken into account.
- There should also be consideration of what new programs might be effective with assisting regional communities adjust to lower water allocations.
- Importantly, the Inquiry should consider whether money from the Water for the Future program would be more effectively invested in other methods of adjustment, including assistance to those not directly involved in irrigation businesses.
- It is essential for sustainable diversion limits to be achieved, and for these to be achieved with minimal disruption to regional communities.
- Ideally the Inquiry can shift the debate from arguing about what sustainable diversion limits are, to a discussion of how communities can best be assisted to move to lower water availability.



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- The WWF submission on the Basin Guide, identifies the flaws in economic analysis to date and provides a suggested terms of reference to address key information gaps so that social, economic and environmental outcomes can be optimised.

#### **Water efficiency**

- Options for water-saving measures or water return on a region-by-region basis with consideration given to an analysis of actual usage versus licence entitlement over the preceding fifteen years.
- The role of governments, the agricultural industry and the research sector in developing and delivering infrastructure and technologies aimed at supporting water efficiency within the Murray-Darling Basin.
- Measures to increase water efficiency and reduces consumption and their relative cost effectiveness
- Governments should not be subsidising water infrastructure.
- Part of the reason that the Murray-Darling Basin has become over-allocated is the government subsidy provided to previous irrigation projects.
- The CoAG Water Resource Policy and more recently the National Water Initiative committed all levels of government and industry to water pricing and investment frameworks which are based on full cost recovery and user pays, and the removal of government subsidy.
- The Water for the Future program has the bulk of its \$9 billion set aside for investment in water efficiencies.
- Both the Productivity Commission and the Federal Department of Finance have questioned the economic value of the investments in large infrastructure to achieve water savings, and advised that money should be moved to buy-back in cases where evaluations show that projects do not provide a sufficient return on investment.
- Funds made available from not investing in unviable water efficiencies could also be made available to alternative adjustment investments for the broader MDB community.
- The Inquiry should directly address the issue of government involvement in water efficiency investment and what benchmarks should be put in place to ensure the investment is sound.
- Ideally investment in water efficiencies should be made by dam operators and irrigation businesses based on sound economic analysis.
- Many dam operators and irrigators have already made such investments and should not be disadvantaged by their early efforts to modernise their operations.
- Governments should restrict their role to the planning necessary to assist with efficiency uptake, as well as the development and communication of water efficient technologies.

Thank you for the opportunity to make a submission on this important matter. For further information please contact Sean Hoobin

Yours sincerely

Sean Hoobin  
Policy Manager Freshwater

## **WWF submission — Guide to the proposed Basin Plan**

### **Introduction**

The work that supports the Guide to the Basin Plan, in particular for the identification of environmental assets and their flow requirements, is a significant step forward for sustainable water management in Australia. The Water Act, which sets out the requirements for the Basin Plan, provides a sound framework for the management of water in the Murray-Darling Basin.

The use of the scientific investigations to inform the implementation of the Act provisions should ensure a sustainable future for the MDB. However, the Guide itself has some significant flaws as it fails to faithfully implement the provisions of the Water Act.

Only minimal returns of water to the environment are proposed which will likely be insufficient to meet the requirements for the establishment of environmentally sustainable limit of take as required under the Water Act. The proposals contained in the Guide will fail to give effect to relevant international agreements as required under the Water Act, in particular key aspect of the Ramsar convention.

There are also significant flaws in the analysis to optimise economic, social and environmental outcomes, as is required by the Water Act, including:

- Assuming that the significance of the impacts of one outcome (economic impacts) rule out particular flow scenarios as being able to optimise outcomes.
- Completely failing to under an optimisation analysis for flow scenarios over 4000 GL.
- Not having sufficient information to inform the economic benefits of improved environmental flows (and therefore preventing a full optimisation analysis).
- Not taking into consideration actions to mitigate impacts (such as the Water for the Future Program) and therefore not properly considering how outcomes can actually be optimised.

These legislative flaws if perpetuated preclude the Basin Plan from meeting its intended purpose of establishing environmentally sustainable levels of take and optimising economic, social and environmental outcomes. These proposals will result in continuing degradation of the environment and lack of certainty for rural communities. If these proposals are written into the Basin Plan they increase the likelihood of legal challenge.

### **Insufficient environmental flows to meet Water Act requirements**

- To achieve the environmentally sustainable limits required under the Water Act, the Authority has determined that a range of 3000 - 7600 GL is necessary to be returned to the environment.
- The Authority prematurely restricted the proposed returns to only the lower end of this range, 3000-4000 gegalitres, due to supposed economic impacts.
- The Guide admits that this will result in poorer environmental outcomes.

- It is highly contestable that these lower environmental flows will meet the Water Act requirements.
- The Water Act requires the Basin Plan to provide for the establishment of environmentally sustainable limits on the quantities of water that may be taken from Basin water resources.
- For these lower level water returns, the condition of many catchments will remain at poor or moderate rankings.
- It is highly arguable that such outcomes would meet the definition under the Act of "environmentally sustainable level of take".
- These sub-optimal outcomes are predicated on a number of factors which may not eventuate, the key one being "a high dependence on a long-term return to wetter climatic conditions across the Basin".
- It would be useful to get the opinion of the CSIRO on the likelihood of wetter conditions taking into consideration the consequences of climate change.
- If the proposals of the Guide are incorporated into the final Plan, the Plan will likely not be compliant with the Water Act, and may be legally challengeable.

#### **Insufficient outcomes to meet international treaty obligations**

- The initial purpose of the Basin Plan is to give effect to the relevant international agreements, such as the Ramsar convention, as they relate to the use and management of Basin water resources.
- A number of individual with expertise in the Ramsar Convention have suggested that the Authority has not fully understood the Convention's requirements and therefore has not given effect to them as required under the Water Act.
- Central to this lack of implementation of the Ramsar Convention is the ecological outcomes arising from only returning 3000-4000 GL.
- Key areas where the Guide proposals do not give effect to the requirements of the Ramsar Convention include:
  - failing to maintain the ecological character of listed wetland sites
  - failing to conserve a representative range of wetland types
  - a lack of proper consideration of the ecosystem services of wetlands
  - sacrificing large areas of significant wetlands (e.g. 25% Red Gum floodplain forests).
- The Water Act is explicitly required to meet international treaty obligations, and its constitutional power is based upon these.
- Therefore it is essential that the identified flaws are remedied.

#### **Legal requirements for sustainable limits and optimisation**

- There has been significant public commentary on how environmental flow recommendations should take into account economic, social and environmental factors, and in particular the relative weight each of these should be given.
- Claims have been made that the environmental objectives override the social and economic objectives (in fact the decision to restrict flow returns to 3000-4000 GL shows that it is economic factors that are given a higher priority).

- There have also been reports of differing views of the Authority and the Minister.
- The Authority's statement of 7 December said that it had received legal advice that "it cannot compromise the minimum level of water required to restore the system's environment on social or economic grounds."
- The Australian Government Solicitor's advice to the Minister is not inconsistent with this.
- The advice merely confirms that economic and social factors can be considered.
- However, the advice also confirms that the Basin Plan must give effect to international agreements and must provide for the establishment of environmentally sustainable limits of use of water resources.
- As stated in paragraph 14 of the advice to the Minister "The effect of the object is that economic objects can only be pursued to the extent that they are consistent with addressing overallocation and overuse."
- The Minister has emphasised the aspects of the advice that clarifies that economic and social factors can be considered, however, this in no way affect the consistency of the legal advices to the Minister and the Authority.
- If there is a genuine belief that there are differences between the advice provided to the Minister and that provided to the Authority, there should be a request for advice immediately sent to the Australian Government Solicitor to resolve the matter.
- The Water Act requires that environmentally sustainable limits of extraction are established, and once this baseline has been achieved the requirement is to optimise the economic, social and environmental outcomes.
- As discussed above it is highly questionable that the proposals in the Guide meet the requirement to establish environmentally sustainable limits of extraction.
- As is discussed below, the Guide fails to undertake the necessary analysis to demonstrate that the proposals optimise economic, social and environmental outcomes.

#### **Methodology precludes analysis necessary to optimise outcomes**

- The AGS legal advice clarified that the Plan must establish environmentally sustainable limits, but within this parameter, the Plan needs to optimise economic, social and environmental outcomes.
- Importantly, it must optimise outcomes for all three factors, not favour one over another.
- The Authority has favoured one outcome (economic) over others and therefore has used a fundamentally flawed methodology to address optimisation, and consequently it is unlikely to have met this requirement of the Water Act.
- In Chapter 7 of the Guide the Authority rules out any water returns above 4000 due to the economic impacts, with the reduction in gross value of irrigated agriculture the key impact cited.
- This approach dismisses consideration of other outcomes based on the supposed significance of a limited subset of economic outcomes.
- The economic impacts considered are very limited, focusing on irrigated agriculture production with no real attention given to broader economic factors and transitional arrangements.
- It is not sufficient merely to say a sub-set of economic outcomes are so significant that

certain scenarios are ruled out, as the full range of impacts on all outcomes have not been accounted for and therefore an optimisation analysis has not occurred.

- The Guide states that only three scenarios, the three lowest scenarios, are identified for detailed scrutiny.
- No attempt has been made to list the environmental cost/benefits of the various flow scenarios and to compare them to the economic cost/benefits, and then select which scenario brings optimal outcomes.
- Without the analysis of the other environmental flow scenarios there simply hasn't been an optimisation analysis undertaken.
- As stated in the AGS advice to the Minister "Therefore, where discretionary choice must be made between a number of options the decision-maker should, having considered the economic, social and environmental impacts, choose the option which optimises those outcomes."
- The methodology used to inform the choice to restrict the return of environmental flows to 4000 GL clearly does not meet this requirement under the Water Act.
- Further studies must be undertaken to remedy these methodological and information gaps so that recommended sustainable diversion limits are based on a full analysis of outcome optimisation (see Attachment 1).
- It is quite plausible that, based on a full analysis of the cost-benefits of returns of water above 4000 it would be found that optimal outcomes would be achieved due to the significant benefits of returning water to the environment — both ecological and economic.
- Chapter 7 of the Guide on social and economic impacts devotes only 3 paragraphs to the economic value of environmental benefits.
- The Authority unsurprisingly concludes that more work need to be done.
- Without this information it is simply impossible to have the data necessary to undertake an analysis of what flow scenario achieves optimal outcomes.

#### **Adjustment options omitted from impact and optimisation analysis**

- Another significant omission from the impact analysis is incorporating the consequences of the Water for the Future investment as well as other potential and existing regional economic development packages.
- The very purpose of the Water for the Future program is to assist with the economic impacts of returning water to the environment i.e. to optimise economic, environmental and social outcomes.
- The omission of the effects of the \$9 billion Water for the Future program makes the Authority's impact analysis deeply flawed and equates to a decision to model a scenario that simply will have no relationship to any future reality.
- The effect is to significantly overstate the economic and social impacts of water reductions, which erodes the credibility of the Authority's optimisation process.
- Other modelling has been undertaken of the consequences of the Water for the Future program by ABARE.
- The report found that the Water for the Future program almost halved the impact of water

reductions on gross regional production.

- Importantly the study showed that the Federal investment would result in Basin-wide employment actually increasing — with job losses in the agricultural sector being offset by growth in other areas, allowing people to find other jobs.
- These results completely undermine the Authority's claims that economic impacts above the 4000 GI threshold would have unacceptable impacts, as these impacts can clearly be mitigated.
- Beyond the Water for the Future program there are a number of other State and Federal regional development programs underway or in the pipeline, which would further assist communities.
- Further analysis needs to occur on the full range of economic, social and environmental consequences of all scenarios, incorporating both existing and potential adjustment programs so outcomes can actually be optimised.

### **Conclusion**

The Water Act is a sound piece of legislation to achieve sustainable management of water resources in the Murray-Darling Basin. The proposals contained in the Guide however need to be amended so the draft Plan will comply with the Act.

Of critical importance is undertaking the further work that has been identified (attached is a Terms of Reference summarising the further research that WWF believes needs to be undertaken). This information should be complemented by the findings of the current Parliamentary Committee investigations.

A final decision needs to be made with a full understanding of the economic, social and environmental consequences. It is also critical that this information is communicated to the wider community so they understand why decisions are being made and how their interests are being looked after. The consultation so far has focused on the size of the cuts and the negative impacts these may have. The further research underway to look at the local impacts appears to further entrench this approach.

The Water for the Future Program and the Water Act were bi-partisan processes and had widespread community support. This consensus has been eroded subsequent to the release of the Guide. There was always going to be some negative reaction when the actual figures for water reductions were released. The scale of the reaction was significant. Other public consultation strategies may need to be used in the future.

As the outgoing Chairman stated, the Commonwealth and the States need to support the work of the Authority, and its engagement with stakeholders, to a much greater extent. That said the Authority needs to better communicate the benefits of restoring environmental flows and how this can occur whilst minimising impacts on existing communities (and ultimately having a positive impact). The debate needs to move from "How much water is to be cut" to "How best can we manage the necessary return of water".

## Further socio-economic, and environmental analysis

For the Basin Plan to meet the requirements of the Water Act to optimise environmental, social and economic outcomes substantive further research is required. The Authority has recognised this to some extent with the announcement on 17 October of further socio-economic investigations. The scope of this further work would appear to be insufficient, focusing almost exclusively on listing the potential negative economic impacts. The study must be broader to address the flaws in the optimisation analysis identified above including a full understanding of the cost and benefits of all environmental flow scenarios factoring in the mitigating effects on economic impacts of transitional assistance.

### **The economic assessment of agriculture should address:**

- The economic impacts arising from changing the land use from irrigated agriculture to other uses (e.g. dryland cropping, grazing).
- Mitigating effects of Water for the Future on water availability and agricultural production.
- Production improvements arising from benchmarks in water efficiencies being achieved across the Basin.
- Production and profitability improvement arising from water trading and production movement from low to high value crops.
- The production improvements arising from restored environmental flows such as increased beneficial flooding of grazing properties and improved fisheries.

### **The economic assessment should address:**

- The economic costs/benefits of returning water to the environment for the full range of environmental flow scenarios. This should include both the economic benefits of improved ecosystem services (e.g. the recent Authority study on Coorong wetlands), direct benefits to industries such as tourism, as well as the inferred value of environment protection.
- Mitigating effects of Water for the Future on the broader MDB economy and on job creation.
- Mitigating effects of all other existing State and Commonwealth government economic development programs.
- Mitigating effects of other potential programs for transitional assistance (e.g. if \$1 billion from the Water for the Future fund became available, how could this money be best spent to assist small businesses that rely on irrigation business spending). This is a significant gap in the Authority's work. It is hard to claim that social, economic and environmental outcomes are being optimised if investigations do not occur into how this can best occur. Otherwise economic impact modelling is based on taking no mitigating actions and equates to a worst case scenario.
- The direct economic and ecosystem service benefits of investment in actions which complement the ecological benefits of improved environmental flows.