



North East CMA (CMA) submission to the Inquiry into the impact of the Murray-Darling Basin Plan in Regional Australia (the Inquiry)

Terms of Reference

The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community wellbeing;

1) River Health is an essential part of a regional community.

The CMAs Regional Catchment Strategy and associated River Health Strategy has identified river health as an essential asset for the community and that river and catchment protection and improvement is supported by the community. The CMA supports the protection and improvement of environmental assets through improved flow regimes. The CMA supports the need for improved flows for downstream environmental assets in the Murray River Valley.

2) The Committee's consultation processes should aim to reemphasise the reason for the Basin Plan.

When inquiring into the impact of the proposed Basin Plan the Committee will need to clearly outline and reemphasise the need and purpose of the Basin Plan. This will assist in understanding the direct and indirect impacts. As hydrology is one of the key components of an integrated river health program, the CMA recognises that there is a problem with the current water sharing arrangements. Therefore the concept of reducing current diversions in the Basin and improving the sharing of water resources during and after droughts and increasing environmental flows is supported by the CMA. Ultimately the level of risk taken to achieve an improved environmental outcome will need to be a community decision. There is a clear need to develop messages around why upstream Sustainable Diversion Limits (SDL) areas will need to reduce diversions for downstream environmental needs.

3) A reduction in average annual diversions is not required to maintain the environmental assets and functions of the Ovens, Kiewa and upper Murray Rivers.

The CMA agrees with the Murray Darling Basin Authority's (Authority) assessment of the environmental water requirements for the Ovens, Kiewa and upper Murray (Vic). The CMA also believes the long term environmental water requirements for these areas are largely met under the current levels of development. The major environmental water sharing issues in these areas are around how to manage timing of take and use of both surface water and connected groundwater resources.

4) Fixed catchment SDL in the Southern Connected Murray will lead to perverse outcomes.

Reducing diversions from willing sellers, savings or reconfiguration programs may be more viable in some SDL areas than others. The proposed Basin Plan should allow for the reduced diversions for out-of-valley, or downstream environmental water requirements, to occur in those regions least likely to be least affected by it. This will reduce the direct impacts from the proposed Basin Plan.

The implementation of the proposed SDL in the Kiewa and Ovens areas will have perverse outcomes within those regions. Setting fixed catchment SDL in upstream areas of the Basin for down valley needs does not necessarily allow for down valley needs to be found in the most optimal location. Opportunities to achieve reductions in other SDL areas that could also contribute to lower valley needs may be overlooked.

A better approach is to have surface and groundwater SDLs for in valley needs and to have an aggregate SDL for downstream needs or allowing SDLs to move between catchments. Another downside of fixed catchment SDL for down valley needs is that it could inhibit trade of water to its highest value use. All in all, reducing the pool of entitlement available in upstream SDL areas purely for a down valley need has the potential to miss optimisation opportunities and would have perverse outcomes in the upstream SDL areas. This concept also fits with facilitating water trade flexibility that allows water to move to its highest value. The CMA is willing to discuss this important issue with the Committee further.

If all water recovered in the Ovens and Kiewa SDL areas is sourced from surface water entitlement holders, the reduction in diversions will result in a much smaller pool of entitlement holders and associated service industries. This may have a larger social and economic impact than recovering water from a larger pool of water users (e.g. interception activities, groundwater users, and surface water users in other SDL areas).

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

5) Usage versus entitlement is important

In the Ovens, Kiewa and Murray SDL areas there is a large proportion of unused and untraded entitlement. This means to achieve the desired reduction in diversion significantly more entitlement than the 40-45 % stated in the Guide to the proposed Basin Plan will need to be purchased. For example, the Ovens System regulated entitlement holders have a 10 year average use of entitlement (1998-2008) of around 30-50%. If a reduction in diversion of 10 GL was required, and this was to be sourced solely from water course diversions, then around 20 GL of surface water entitlement may need to be acquired. This issue is also relevant for the Kiewa and Murray (Vic) SDL areas.

6) All forms of take should be included in the policy options to close the gap.

To close the gap between current and sustainable diversions the CMA believes that all forms of take that can contribute to downstream environmental outcomes should be included in the Basin Plan programs. As it stands, only those users with policy options available will be targeted. For example, the integrated management of ground and surface water is being progressed in the Ovens River Basin. The strong connection between ground and surface water resources in this region means that groundwater use can influence surface water, and vice versa. Based on this logic, groundwater users should also be included in the pool of water users that can contribute to reduced diversion. Where groundwater is connected it should be included with surface water diversion limits to maximise effective water management.

Reducing interception activities, such as stock and domestic dams and plantations, should also have policy responses. Interception activities become a big focus under the Basin Plan. Given their relative contribution to current levels of diversion in the CMA region, there is a need to fully understand how they can be managed to minimise their impacts and how they can be included in the programs to contribute to achieving the SDL (for example age class management of plantation forestry).

7) The criteria for sharing reductions needs to be reviewed. The proposed reductions in the Ovens and Kiewa systems are not supported.

The Guide seems to propose inequitable sharing of reductions in take between the SDL areas. It also appears to concentrate contributions to reductions on one set of users, the watercourse diverters. The ability for each SDL region of the Basin to contribute to downstream environmental watering requirements and outcomes is different. In addition

the total amount and types of entitlement available to be purchased or saved is also different. For the Ovens and Kiewa SDL areas the reduction in diversions, whilst relatively small in quantum, are proportionally amongst the highest in the Basin (40-45%). When reductions are attributed solely to surface water diversions the proportional reduction shifts from 12-13% to a 40-45%.

The proposed Basin Plan should maximise the pool of users contributing to the reductions (for example interceptions, connected groundwater). By not concentrating on watercourse diverters alone the regional impacts will be reduced and optimisation opportunities maximised. A simpler and fairer approach would be to cut the aggregated Current Level of Development on a pro rata basis. The criteria for sharing reductions needs to firstly look at which users are going to contribute, then at what is equitable sharing from these users.

8) Unregulated systems are different to regulated systems.

Reducing diversions in largely unregulated SDL areas will be different to regulated regions. It will be important that the proposed Basin Plan acknowledges the relationships between current use and the various forms of take within the SDL areas. For example all entitlements for watercourse diversions in the Kiewa SDL area are unregulated. A large proportion of these entitlements are consistently unused. Reducing diversions from this set of users alone would require accounting for the non used component of the entitlement purchased. This may result in a significantly high proportion of entitlements being purchased. The potential economic impact of this approach may outweigh the reduced water diversion achieved.

9) Transition periods and wider support programs are needed

To allow communities to adapt to reduced consumptive water availability it is critical that the proposed Basin Plan provides for a reasonable transition period. In some cases it will be necessary to provide wider support programs to support the transition. This task should not be left solely up the Basin States and Regions and is particularly important where the changes in the irrigated related sector could be proportionally high (for example North East Victoria).

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.

10) Targeted water buyback programs are preferred.

The CMA believes that targeted water acquisition is preferable to 'ad hoc' buyback programs. Targeting buyback will optimise use of delivery infrastructure. Planning and integration of buyback, on farm efficiencies and delivery infrastructure renewal programs will avoid buyback of highly efficient water use.

11) The CMA supports Research and Development into understanding the regional water cycle and the allocation of natural resources in a sustainable manner.

The efficient use of water requires a good understanding of the water cycle. By understanding the water cycle, including the connections between ground and surface water resources and influence of interception activities it is possible to set up a management framework that optimises the use of water resources whilst minimising the impact on aquatic dependant ecosystems. The CMA supports ongoing and enhanced research that will inform management frameworks that align water use with availability whilst supporting aquatic dependant assets.

12) The CMA has skills in delivering an integrated Catchment Management Approach.

The CMA has been working in the area of integrated catchment management, environmental water management, and community consultation over a number of years. For example, in partnership with the Department of Primary Industries the CMA has delivered an on farm irrigation efficiency program, which with the right metric could reduce current diversions and leave regional production in place.

13) The CMA has skills in environmental water recovery and management.

The CMA has reviewed the logic and method used by the Authority to determine the environmental water demands and set sustainable diversion limits. The CMA has capability and resources to contribute to the development of proposed Basin Plan. We believe our unique knowledge of the region's environmental water requirements, the dynamics of the region's water cycle and the communities that are supported by consumptive use of water will assist the Committee in its Inquiry into the proposed Basin Plan and making informed trade-off recommendations. Over the last five years the CMA has been an advocate for conjunctive management of ground and water resources and has operational agreements with the water resource manager. The CMA has also developed a joint business case with the urban water corporation to improve the low flow sharing arrangements in the Ovens River.

In examining each of these issues, the Committee will also consider community views on:

- *Measures to increase water efficiency and reduces consumption and their relative Cost effectiveness;*

14) Works and Measures to reduce environmental water requirements are important.

The CMA believes there are limited (some) opportunities for a works and measures programs to offset the need for reduced diversions within the Ovens, Kiewa and upper Murray SDL areas. However, as these programs have significant potential to reduce the environmental water requirements in downstream SDL areas it will be critical that the proposed Basin Plan details how they can contribute to the proposed reductions and subsequently potentially increase the SDLs in the upstream areas.

- *Opportunities for economic growth and diversification within regional communities; and*

15) The Economic and Social Benefit of Environmental Flows needs to be Investigated

It is likely that the proposed Basin Plan will provide for new business opportunities. It is also likely that a healthier river system will contribute to community wellbeing. These potential benefits and opportunities need to be further investigated by the Committee.

- *Previous relevant reform and structural adjustment programs and the impact on communities and regions.*

16) Overbank flooding is problematic.

Overbank flooding is needed to maintain healthy river systems. Flooding is also a significant contributor to the reductions needed to meet SDL. In regulated systems there are significant opportunities to design and use a series of works and measures to obtain environmental outcomes on floodplains whilst mitigating third party flooding impacts. Reducing downstream environmental water requirements will reduce the amount of water needed to be recovered in upstream areas.

17) Previous programs need to be considered when closing the gap.

Previous water purchase programs and modernisation initiatives that have recovered water for the environment should be recognised in future recovery programs. Programs such as the Living Murray program and Northern Victorian Irrigation Renewal Program

have already influenced the makeup of the regional communities connected with those programs. Future recovery efforts should aim to be consistent with the objectives of previous programs.

18) Regional consultation should be part of the solution.

Development of the Basin Plan provides an opportunity for a new and productive dialogue between all stakeholders on the future of water management in the Basin. The CMA recognises that all regions within the basin need to participate in the trade off discussions associated with reducing diversions. Further to this the CMA wishes to be involved in future forums and discussions around the proposed Basin Plan. It is essential to involve regional communities as information comes to hand, and to use regional stakeholder forums and focus groups to ensure appropriate understanding of the material presented. This consultation will generate local ideas which can benefit the proposed Basin plan. The centralised model without stakeholder engagement in the development of the Guide to the Proposed Basin Plan has clearly failed.

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