



Hon Jay Weatherill MP
Premier of South Australia

PREM12D02645

The Hon Tony Windsor MP
Chair, Standing Committee on Regional Australia
Parliament House
CANBERRA ACT 2600

Dear Mr Windsor

Thank you for your letter of 1 June 2012, regarding the Standing Committee on Regional Australia's *Inquiry into Certain Matters Relating to the Proposed Murray-Darling Basin Plan*. In particular, you requested that the South Australian Government provide written comment on:

'progress to date in water recovery towards bridging the gap by 2019 through both irrigation infrastructure investments and water purchase.'

Under the Terms of Reference for the Inquiry, the Minister for Sustainability, Environment, Water, Population and Communities, the Hon Tony Burke MP, has asked the Committee to inquire into:

- 1. Progress to date in water recovery towards bridging the gap by 2019 through both irrigation infrastructure investments and water purchase.*
- 2. The potential role that new environmental works and measures projects could play in partially offsetting SDL reductions under the Basin Plan, focussing particularly on prospective project proposals identified by state governments and community interests.*
- 3. The groundwater sustainable diversion limits (SDLs) for the Basin in the revised proposed Basin Plan.*

The South Australian Government provided an extensive submission to the Murray-Darling Basin Authority (MDBA) on its Proposed Basin Plan (the Basin Plan). The submission contained 71 recommendations to improve the Basin Plan and enhance supporting initiatives from the Commonwealth Government. These recommendations have been largely unaddressed by the MDBA in the current version of the Basin Plan.

The South Australian Government will not accept a Basin Plan that does not fulfil the objectives of the *Water Act 2007*. For too long South Australia has observed a decline in the environmental health of the River Murray and has borne an unfair burden of limiting our take to address this decline. It is time to move forward with a Basin Plan that delivers on the core objectives of the *Water Act 2007*.

Please find attached a submission to the Committee's *Inquiry into Certain Matters Relating to the Proposed Murray-Darling Basin Plan*. This submission focuses on the Term of Reference on which the Committee has expressly sought comment. Background is also provided to the Committee on other Terms of Reference with reference to the State submission to the MDBA.

Thank you for seeking my Government's views on the matters before the Inquiry.

Yours sincerely _____

Jay Weatherill
PREMIER

15/6/2012

Encl. Submission to the *Inquiry into Certain Matters Relating to the Proposed Murray-Darling Basin Plan*

**SOUTH AUSTRALIAN GOVERNMENT SUBMISSION
TO THE STANDING COMMITTEE ON REGIONAL AUSTRALIA
INQUIRY INTO CERTAIN MATTERS RELATING TO THE PROPOSED
MURRAY-DARLING BASIN PLAN**

The Chair, Standing Committee on Regional Australia, wrote to the Premier of South Australia on 1 June 2012, requesting comment on:

'progress to date in water recovery towards bridging the gap by 2019 through both irrigation infrastructure investments and water purchase.'

Under the Terms of Reference for the Inquiry, the Minister for Sustainability, Environment, Water, Population and Communities, the Hon Tony Burke MP, has asked the Committee to inquire into:

1. *Progress to date in water recovery towards bridging the gap by 2019 through both irrigation infrastructure investments and water purchase (as above),*
2. *The potential role that new environmental works and measures projects could play in partially offsetting SDL reductions under the Basin Plan, focussing particularly on prospective project proposals identified by state governments and community interests, and*
3. *The groundwater sustainable diversion limits (SDLs) for Basin in the revised proposed Basin Plan.*

This submission focuses on the first Term of Reference as requested.

This submission does not specifically address the other lines of inquiry identified in the Terms of Reference, however, the South Australian Government's full submission to the MDBA details our position in relation to these matters. Recommendations 18 and 32 are particularly pertinent.

A copy of the submission can be found via the following internet link:
<http://www.waterforgood.sa.gov.au/rivers-reservoirs-aquifers/murray-darling-basin-plan/sas-response-to-the-draft-basin-plan/>

1. Progress to date in water recovery towards bridging the gap by 2019 through both irrigation infrastructure investments and water purchase.

Water Recovery – General

The South Australian Government has provided an extensive submission to the Murray Darling Basin Authority (MDBA) on its proposed Basin Plan. The submission contains 71 recommendations to improve the proposed Basin Plan and to seek supporting initiatives from the Commonwealth Government and the MDBA. The South Australian Government makes specific recommendations regarding the water recovery scenario adopted in the proposed Basin Plan which are supported by expert scientific analysis by the Goyder Institute for Water Research.

The South Australian Government's position as outlined in its submission on the draft Basin Plan is that there should be no forced reductions. The gap between baseline diversion limits (BDL) and new sustainable diversion limits (SDL) must be bridged by the Commonwealth Government through a combination of water purchase from willing sellers and water savings from investment in infrastructure and other projects (see South Australian Government recommendations 25, 26 and 27).

The South Australian Government maintains the view that water purchase remains a cost effective way to direct water to its highest value use, including the environment and must be a key element of any water recovery strategy. However such a strategy must not be used to impose an unjust burden on South Australian irrigation communities and must recognise South Australia's early actions to cap its entitlements from the River Murray and the efficiency of our irrigators.

A key recommendation in the South Australian submission to the proposed Basin Plan was that South Australia's mandated contribution to the water recovery target must be no more than the 101 GL currently specified in the Basin Plan except where agreed to by the South Australian Government and the relevant industry organisations. As such, the 971 GL shared reduction amount should not be apportioned to, or mandated to be sourced from South Australia unless there is agreement from the South Australian Government and relevant industry bodies (see South Australian Government recommendation 23).

Water Recovery – Buy Back

Recovery to date

The South Australian Government has purchased 1 GL of water in addition to the State's existing contribution of 35 GL to The Living Murray Initiative.

Approximately 88 GL of South Australian entitlements have been purchased by the Commonwealth Environmental Water Holder in South Australia as at 30 April 2012. This translates to approximately 79 GL long term average annual yield for each entitlement. Long term average annual yield is determined using a conversion factor applied by the Commonwealth Government to gauge the gap between the current level of diversion and the new limits under the Basin Plan.

South Australia's River Murray irrigation industry is a mature and established industry with a focus on permanent plantings. Such plantings do not offer the flexibility of annual or perennial crops. Water purchase in South Australia therefore has the general effect of the retirement of enterprises, which leads to increased costs to surrounding enterprises. Consequently, continuing enterprises must carry the increased burden of the maintenance of water delivery infrastructure as there are less irrigators to share the ongoing infrastructure maintenance costs.

Potential future recovery projects

- SA Water offer of 20 billion litres of water for environmental flows

SA Water has offered 20 billion litres of water for the Federal Government to purchase for environmental water flows down the river. Negotiations are currently underway between SA Water and the Federal Government.

Water Recovery – Infrastructure Projects

Over the past 30 years most of South Australia's irrigation water delivery infrastructure has been upgraded to fully piped pressurised systems. Additionally, farmers have invested in high-efficiency irrigation infrastructure to maximise water effectiveness in a constrained environment.

As such, it is not reasonable that South Australia should miss out on potential economic investment in infrastructure through the Commonwealth Government's \$5.8 billion Sustainable Rural Water Use and Infrastructure Program because of its past investment in irrigation infrastructure. The South Australian Government has therefore recommended that the Commonwealth Government change its funding criteria to ensure more targeted and equitable access to funds, including the Water for the Future program and the Regional

Development Australia fund. In particular, the South Australian Government seeks flexibility in the application of remaining unspent Commonwealth funds (see South Australian Government recommendation 34).

Recovery to date

A limited number of infrastructure projects are currently underway including the following initiatives:

- Private Irrigation Infrastructure Program for South Australia (PIIPSA) – 4 GL
- Woodlane Irrigation – 1 GL
- On-farm Irrigation Efficiency – 1 GL

Other existing projects such as those under the Riverine Recovery Program will enable South Australia to achieve the 101 GL currently specified in the Basin Plan.

Potential further infrastructure projects

In addition to existing projects, South Australia has further opportunities for water recovery.

- **Water Industry Alliance South Australian River Murray Improvements Program**

The Water Industry Alliance (WIA) has developed the *South Australian River Murray Improvements Program* in conjunction with the South Australian irrigation industry and the Government of South Australia. This \$240 million Program proposes to deliver up to 40 million unit shares of Class 3 Water Access Entitlements (i.e. up to 40 billion litres of water) from the South Australian River Murray irrigation sector to the environment through the Commonwealth Environmental Water Holder.

Targeted water savings will occur through a South Australian River Murray irrigation efficiency, reconfiguration and renewal program. It is planned for the Program to be delivered in two 20 GL stages, spanning five-years.

A \$1.34 million proposal for a Project that will develop a Business Case and Program Proposal for the full Program has recently been put to Minister Burke. It is hoped that implementation of the Program will begin in July 2013.

- **Adelaide Desalination Plant to secure 6 billion litres of water entitlements**

Through augmentation of the Adelaide Desalination Plant to 100 billion litres per annum, the State Government will secure 6 billion litres of high reliability water entitlements under the ownership of SA Water.

This volume of water will be earmarked for environmental purposes in South Australia's part of the Murray-Darling Basin and is available as an offset in meeting the State's SDL under the impending Basin Plan.

In 2011-12, the Government of South Australia has purchased 2 GL of South Australian River Murray water entitlements from SA Water with the remaining 4 GL of water entitlements planned for acquisition in 2012-13.

The South Australian submission to the proposed Basin Plan maintains that beyond 101 GL further water recovery must be agreed to by the South Australian Government and relevant industry bodies (see South Australian Government recommendation 23).

Issues with current infrastructure funding programs

There have been issues with current funding programs as highlighted by the recent Australian National Audit Office report which questioned the ability of some NSW projects to realise the water savings originally proposed. The South Australian Government has raised the need for the MDBA to develop a robust and transparent framework for evaluation of water recovery savings or sustainable diversion limit offsets that may accrue from infrastructure investments (see South Australian Government recommendation 35).

South Australia has had challenges with PIIPSA. At a program level, the criteria do not recognise South Australia's specific circumstances, in particular, the previous investments made by irrigators and governments to achieve a very efficient irrigation sector (see South Australian Government recommendation 34).

For the individual applicant, the requirements to gain funding through this program are arduous, with key concerns including:

- The application process is complex and lengthy. As a result many applicants require assistance from business consultants to meet the minimum requirements. Applications are therefore costly and time consuming which has the effect of reducing the number of applicants applying for funding.
- The assessment process is extremely lengthy. Significant time passes between lodgement to notification, therefore making it extremely difficult for irrigators to undertake their own farm planning.
- There is anecdotal evidence that the current delivery model for PIIPSA may disadvantage small private diverters as the program only provides for a limited number of categories of applicants it will consider which captures medium to large irrigation trusts or delivery partners. If a small operator is unable to find a suitable delivery partner, then they may not be eligible under the program.
- Inflexible criteria that do not take into consideration the specific requirements of the diverse irrigation districts and their previous investments in sustaining highly efficient irrigation infrastructure.

The above concerns and inflexible application and assessment criteria have resulted in difficulty for South Australian irrigators to access funds. Some existing requirements do not allow for small individual South Australian irrigators to apply for funds and infrastructure programs that recognise existing efficient water practices (see South Australian Government recommendation 34).

Infrastructure projects require independent assessment of the water volumes any project intends to provide. Post implementation assessments should also occur and if a project is found to not yield the water volumes required, appropriate adjustments should then occur (see South Australian Government recommendation 34).

A project should not simply be assessed against the impact on its immediate local environment. Projects that have an impact on river flows will cause an impact to downstream areas. As the downstream State, South Australia has experienced the effect of upstream works since irrigation and the storage of water began in the Murray-Darling Basin. Robust, transparent and scientifically based methods must be used to assess the outcomes from projects as well as impacts (see South Australian Government recommendation 18 and 40).

Finally, greater clarity around the requirements of the Commonwealth due diligence process and certainty on timelines for the due diligence process to be completed are necessary. Issues of a material nature related to cost escalation, project implementation timeframes and

stakeholder expectations, have emerged that detrimentally impact on achieving the outcomes of the projects. These matters could have been managed more effectively through a transparent and timely due diligence process.

Water Recovery – Other projects

Need for a program to address physical, operating and policy constraints

System constraints constrain the effective delivery of water by preventing deliveries at required volumes, water levels, times, frequencies and/or durations. Constraints can be either physical, operational or policy in nature. Until these issues associated with system constraints are fully investigated and addressed, a significant portion of the River Murray floodplain will remain at high risk of further decline. Further analysis and modelling is required as a priority to transparently quantify the impact of constraints on the delivery of water recovered under the Basin Plan (see South Australian Government recommendations 5, 6, 7, 8 and 9).

Identifying and addressing system constraints is a key issue which should receive attention in considering actions and investment that can deliver significantly better environmental outcomes. A program to address constraints should form part of any approach to make the best use of the environmental water recovered under the Basin Plan (see South Australian Government recommendations 5, 6, 7, 8 and 9).