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SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE REPORT

‘Rural Water Resource Usage’

GOVERNMENT RESPONSE

October 2006

**GOVERNMENT RESPONSE TO SENATE RURAL AND REGIONAL AFFAIRS AND
TRANSPORT REFERENCES COMMITTEE REPORT:
*'Rural Water Resource Usage'***

Preamble

The Australian Government has considered the *'Rural Water Resource Usage'* report from the Senate Rural and Regional Affairs and Transport References Committee and is pleased to provide the following response. The Government would like to acknowledge the efforts of the Committee in preparing the report that seeks to address a range of issues relating to future water supplies for Australia's rural industries and communities.

The Australian Government is committed to the efficient and effective management of Australia's water resources as its role in developing the National Water Initiative (NWI) and the Murray Darling Basin Agreement attests. On 25 June 2004 the Council of Australian Governments (COAG) agreed to the NWI which contains a number of national water reform actions to be implemented as priorities by the Australian, State and Territory governments over the next 10 years.

Implementation of the NWI will be overseen by the Natural Resource Management Ministerial Council in line with detailed implementation plans to be developed by each State and Territory and the Australian Government and accredited by the National Water Commission.

Consistent with the National Water Initiative, the Australian Government has established the National Water Commission as an independent statutory body. The *National Water Commission Act 2004* came into effect on 17 December 2004. The Commission will accredit State and Territory implementation plans, assess progress in implementing the NWI and advise on actions required to better realise the objectives of the Agreement. The Commission also undertook the 2005 assessment of progress with implementing water reform commitments under National Competition Policy and administers the *Water Smart Australia* and *Raising National Water Standards* programmes under the Australian Government Water Fund.

The Committee's recommendations are addressed in turn below.

A copy of the Intergovernmental Agreement on a National Water Initiative is at Annex A.

COMMITTEE'S RECOMMENDATIONS

Recommendation 1

The Committee recommends that a cap for water extractions in the Queensland part of the Murray-Darling Basin should be decided by the beginning of 2005.

Response:

Supported.

The Murray-Darling Basin Ministerial Council discussed the establishment of a Cap for water extractions in the Queensland part of the Murray-Darling Basin at its meeting on 26 November 2004.

The Council noted the progress being made by Queensland towards the establishment of its Cap and acknowledged that the establishment of a Cap forms an integral part of Queensland's water resource planning process, a prescribed process in accordance with Queensland's *Water Act 2004*.

Queensland has now gazetted water resource plans for all its Murray-Darling Basin valleys. Resource Operations Plans, on which Caps will be based, are currently being developed with an expectation that they and their relevant Caps will be finalised over the next two years.

In the meantime the moratorium imposed by Queensland in September 2000 effectively places a cap on works and diversions. The moratorium prevents further storages or pumps from being constructed or works authorised under licence which would increase the take of surface and overland flow water.

Recommendation 2

The Committee recommends that COAG should negotiate an ongoing shared program for funding the reforms in the Intergovernmental Agreement on a National Water Initiative.

Response:

Noted.

Recommendation 3

The Committee recommends that COAG should develop a policy on rules to control the water market to prevent profiteering or speculation by non-users, including foreign interests, to the detriment of water users or the environment.

Response:

Not Supported.

The risk of profiteering or speculation by non-users was considered during the development of the National Water Initiative, which includes a staged approach to removal of barriers to open trade and close monitoring of impacts.

The Australian Government considers that the *Trade Practices Act 1974* and related State and Territory Fair Trading Acts already provide an appropriate national framework capable of addressing any concern in relation to anti-competitive or unfair trading practices in relation to water entitlements.

Recommendation 4

The Committee recommends that COAG should commit to a jointly funded program of structural adjustment assistance to communities whose economies are contracting because of water trading, and agree to provide adequate financial support for projects to promote environmental recovery in degraded areas.

Response:

Noted.

Under Clause 97 of the NWI, all parties have agreed to address significant adjustment issues affecting water access entitlement holders and communities that may arise from reductions in water availability as a result of implementing the reforms outlined in the National Water Initiative. States and Territories will consult with affected water users, communities and associated industries on possible appropriate responses to address these impacts, taking into account factors including:

- possible trade-offs between higher reliability and lower absolute amounts of water;
- the fact that water users have benefited from using the resource in the past;
- the scale of changes sought and the speed with which they are to be implemented (including consideration of previous changes in water availability); and
- the risk assignment framework referred to in Clauses 46-51.

States and Territories have also agreed that in relation to facilitating intra and interstate water trade, they will implement measures to facilitate the rationalization of inefficient infrastructure or unsustainable irrigation supply schemes, including consideration of the need for any structural adjustment assistance as noted in Clause 60 (vi).

With respect to the provision of financial support for projects which promote environmental recovery in degraded areas, the Australian Government and the Southern Murray Darling Basin States and Territories have committed \$500 million (\$200million from the Australian Government) over five years to the Murray-Darling Basin Intergovernmental Agreement which will consider a range of measures to recover water for the environment including investment in water infrastructure. In addition, the Murray-Darling Basin Commission (Commission) has made available \$1 million to fund pre-feasibility studies of cost effective infrastructure improvement projects that would recover water for the environment. The Australian Government also announced in its 2006-07 Budget, additional funding of \$500 million to the Commission for expenditure between the period 2006-07 and 2010-11. This additional funding will boost the capacity of the Commission to undertake essential works in the Basin that are necessary for the river systems to operate at optimal efficiency. The Commission will also fund further projects under the Living Murray Environmental Works and Measures Programme to make best use of recovered water. The additional funding will also assist Governments to meet the water recovery targets of the Living Murray Initiative by 2009.

The Living Murray Works and Measures Program is an eight year \$150 million programme to deliver works and measures to improve the health of the system by making the best use of water currently available, optimising the benefits of any water recovered in the future and targeting investment towards the best environmental outcomes.

In addition, the \$2 billion Australian Government Water Fund will support the achievement of the principles, outcomes and actions of the National Water Initiative through its three programmes: *Water Smart Australia*, *Raising National Water Standards*, and *Australian Government Community Water Grants*.

The *Raising National Water Standards* programme will invest in Australia's national capacity to measure, monitor and manage its water resources, including through working with local communities to improve the conservation of water systems with high environmental values through measures such as planning, voluntary conservation agreements and improved knowledge.

Under the \$200 million *Australian Government Community Water Grants* programme, community organisations will be provided with grants for on-the-ground work to increase water use efficiency, improve river or groundwater health or improve community education on water saving.

\$1.4 billion has been committed over seven years under the National Action Plan for Salinity and Water Quality to tackle salinity and improve water quality in 21 priority regions.

The Rivercare programme of the \$3 billion Natural Heritage Trust invests in activities that contribute to improved water quality and environmental condition in our river systems and wetlands.

In December 2000, the New South Wales, Victorian and Australian Governments signed a Heads of Agreement outlining a plan to boost the Snowy River's flow to 28% of its original level. The plan includes a target of restoring 21% of the original flow to the Snowy River within 10 years. The Australian Government agreed to contribute \$75 million, in particular to secure environmental releases of 70 GL for the River Murray. Water for environmental flows will be acquired primarily through investing in water savings projects and if necessary, through purchasing water entitlements and water rights.

Recommendation 5

The Committee recommends that water management authorities should take steps to properly assess in all catchments the amount of water necessary to maintain environmental health and the amount available for trade

Response:

Noted.

Under the NWI, State and Territory Governments have agreed to planning frameworks that, once initiated, will be characterised by planning processes in which there is adequate opportunity for productive, environmental and other public benefit considerations to be identified and considered in an open and transparent way (Clause 25 (iii)). Parties to the NWI have agreed to undertake water planning that, broadly, will provide for:

- secure ecological outcomes by describing the environmental and other public benefit outcomes for water systems and defining the appropriate water management arrangements to achieve those outcomes; and
- resource security outcomes by determining the shares in the consumptive pool and the rules to allocate water during the life of the plan (Clauses 36-37).

The *Raising National Water Standards* programme of the Australian Government Water Fund will support the development of a nationally consistent system for collecting and processing water related data to create confidence in decisions by investors in the water market and the water industry more broadly, and to improve the setting of sustainable flow levels in rivers. Such a system could involve automatic data collection at monitoring stations, national standards for water accounting and metering, and improved hydrologic modeling of priority water sources.

Recommendation 6

The Committee recommends that water management authorities should give priority to establishing the systems necessary to account for the total water balance of catchments to allow better management of water-intercepting activities.

Response:

Noted

Parties to the NWI have agreed to water resource accounting with the outcome of ensuring that adequate measurement, monitoring and reporting systems are in place in all jurisdictions, to support public and investor confidence in the amount of water being traded, extracted for consumptive use, and recovered and managed for environmental and other public benefit outcomes (Clause 80). To achieve this outcome, Parties have agreed, among other things, to develop and implement water resource accounts that include:

- a water balance covering all significant water use, for all managed water systems;
- systems to integrate the accounting of groundwater and surface water use where close interaction between groundwater aquifers and streamflow exist; and
- consideration of land use change, climate change and other externalities as elements of the water balance (Clause 82 (iii)).

The parties to the NWI have also recognised that land use change activities have potential to intercept significant volumes of surface and/or ground water now and in the future (Clause 55). Parties recognise that if these activities are not subject to some form of planning and regulation, they present a risk to the integrity of water access entitlements and the achievement of environmental objectives for water systems. The intention of the NWI is therefore to determine whether the volume intercepted from any land use change activity is 'significant' in the catchment of the water system in which it occurs. This assessment will necessarily be based on an understanding of the total water cycle, the economic and environmental costs and benefits of the activities of concern, and to apply appropriate planning, management and/or regulatory measures where necessary to protect the integrity of the water access entitlements system and the achievement of environmental objectives (Clause 56).

State and Territory Governments that are signatories to the NWI are responsible for implementing the Agreement in their respective jurisdictions.

Recommendation 7

The Committee recommends that relevant Commonwealth funded research programs should give priority to researching the total water balance of catchments to allow better management of water-intercepting activities, with particular reference to the effects of large scale plantation forestry on runoff.

Response:

Noted.

The Parties to the NWI recognise that a number of land use change activities, such as intercepting and storing of overland flows and large scale plantation forestry, have potential to intercept significant volumes of surface and/or ground water now and in the future. The NWI recognises that if these activities are not subject to some form of planning and regulation, they present a risk to the future integrity of water access entitlements and the achievement of environmental objectives for water systems. The Parties have committed to assessing the significance of such activities on catchments and aquifers, based on an understanding of the total water cycle, the economic and

environmental costs and benefits of the activities of concern, and to applying appropriate planning, management and/or regulatory measures where necessary to protect the integrity of the water access entitlements system and the achievement of environmental objectives (Clauses 55 – 57). As noted above, State and Territory Governments that are signatories to the NWI are responsible for implementing the Agreement in their respective jurisdictions.

The NWI recognises that there are significant knowledge and capacity building needs associated with ongoing implementation, including in the areas of regional water accounts, assessment of availability through time and across catchments and changes to water availability from land use change (Clause 98). Parties to the NWI have agreed to:

- identify the key knowledge and capacity building priorities needed to support ongoing implementation of the Agreement; and
- identify and implement proposals to more effectively coordinate the national water knowledge effort (Clause 101).

The Australian Government and other jurisdictions make significant investments in knowledge and capacity building in water, including through: the Cooperative Research Centres programme; the CSIRO, including through its flagship program, *Water for a Healthy Country*; Land and Water Australia and direct investment by State agencies, local government and higher education institutions.

The Bureau of Rural Sciences' *Water 2010* project will provide information on the relationships between rainfall, evaporation, transpiration, runoff, and drainage to ground and surface water, or on the linkages between catchments and storages. The project will capture information on the water balance (water availability, reliability and use) at the finest scale possible for the continent (including groundwater); construct a national water balance and identify catchments of concern; investigate the impact of likely or desired changes in land use, demography, climate and policies/practices on water resources; and identify the challenges (risks and opportunities) for communities, industries and regions, to underpin policy development.

Recent research into effects of plantations upon the total water balance of catchments includes CSIRO Forestry and Forest Plantations Report '*Water Use By Tree Plantations in South-East South Australia*' (Technical Report No 148, 2004); the Bureau of Rural Sciences '*Plantation Impacts on Stream Flows- the need for a whole of landscape approach*' report and the Forests and Wood Products Research and Development Corporation '*Plantations and Water Use: a review*' paper.

Recommendation 8

The Committee recommends that the Commonwealth should, as a matter of urgency, address the impact of Commonwealth-licensed oil drilling on the Latrobe aquifer and propose solutions which respect the rights of groundwater users.

Response:

Noted

The Australian Government notes the report by the CSIRO, *Falling Water Levels in the Latrobe Aquifer, Gippsland Basin: Determination of Cause and Recommendations for Future Work*, published in September 2004. The report concludes that water levels in this aquifer have been falling for several decades, impacting on irrigators and potentially on the wider community through land subsidence.

Whilst acknowledging the impacts of withdrawals by the mining (including coal), irrigation and offshore oil and gas industry, the report was unable to accurately determine the proportion of impacts due to offshore or onshore abstraction and recommended further analysis be undertaken.

The Government has made a commitment, as part of the \$2 billion Australian Government Water Fund, to provide funding for research and structural adjustment for the Yarram Irrigators adversely affected by the fall in water levels of the Latrobe Aquifer. Funding would be subject to matching Victorian Government funding. This commitment supports the CSIRO report recommendations, which identify a need for additional scientific research into this issue. The proposed further research will determine how best to answer the problem of declining water levels in the aquifer.