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**Submission to Senate Inquiry
Water Amendment Bill 2015**

The Inland Rivers Network (“IRN”) is a coalition of environment groups and individuals concerned about the degradation of the rivers, wetlands and groundwater sources of the Murray-Darling Basin. IRN has been advocating for the conservation of rivers, wetlands and groundwater in the Murray-Darling Basin since 1991.

IRN welcomes the opportunity to submit comments to the Senate Inquiry into the Water Amendment Bill 2015 that proposes to cap Commonwealth surface water purchases in the Murray-Darling Basin at 1,500 GL and to increase the flexibility of water recovery mechanisms funded under the Water for the Environment Special Account.

While IRN fully supports the increased flexibility to recover water for the environment under efficiency measures, we consider that the proposed cap on Commonwealth surface water purchases to achieve the Sustainable Diversion Limit (SDL) under the Basin Plan is inconsistent with the objects of the Water Act 2007.

This submission will cover the following key concerns with the proposed cap on the purchase of surface water entitlements for environmental use:

1. Inconsistency with objects of Water Act 2007
2. Restrictions on free market trade
3. Definition of long-term annual average quantities of water

1. Inconsistency with objects of *Water Act 2007*

IRN is concerned that the proposal to limit Commonwealth surface water purchases to 1,500 GL will impact on the Commonwealth's ability to meet the objects of the *Water Act 2007*:

3a) to enable the Commonwealth, in conjunction with the Basin States, to manage the Basin water resources in the national interest; and

The Basin Plan requires the Commonwealth and Basin States to meet an SDL to address previous over allocation of water resources that has caused environmental degradation in the Basin. The purchase of water licences on the open water trading market is an efficient way to achieve this outcome in the national interest. The proposed restriction of this cost-effective mechanism will severely hamper the ability to achieve the SDL and meet this objective.

3b) to give effect to relevant international agreements (to the extent to which those agreements are relevant to the use and management of the Basin water resources) and, in particular, to provide for special measures, in accordance with those agreements, to address the threats to the Basin water resources; and

The purchase of surface water licences in the Basin water sources that support Ramsar listed wetlands and migratory bird species protected under international agreements is an important mechanism for meeting this objective. A restriction on the purchase of water entitlements may prevent the improved watering of these key assets across the Basin. The Commonwealth obligations under the Ramsar and migratory bird treaties may be compromised through the proposed amendment.

3c) in giving effect to those agreements, to promote the use and management of the Basin water resources in a way that optimises economic, social and environmental outcomes; and

IRN considers that the purchase of surface water entitlements from willing sellers on the open water trading market assists in the optimisation of economic, social and environmental outcomes.

The Marsden Jacob Associates 2012 report entitled '*Survey of water entitlement sellers under the Restoring the Balance in the Murray-Darling Basin Program*'¹ made a number of key findings.

These included that a large number of irrigators who sold their water entitlements remained in the region and continued farming. The majority interviewed considered that the sale of their water had been a positive or very positive outcome.

¹ Marsden Jacob Associates, *Survey of water entitlement sellers under the Restoring the Balance in the Murray-Darling Basin Program: Final report prepared for the Department of Sustainability, Environment, Water, Population and Communities*, June 2012

IRN considers that a range of complex economic issues can impact on regions that are heavily dependent on the irrigation industry. Commodity prices, weather conditions, exchange rates and terms of trade all influence farming.

The implementation of the Basin Plan has committed \$2.5m per day over the next 4 years to improve water use efficiencies in irrigation areas. This has a direct economic and social benefit.

The opportunity for willing sellers to trade water to the Commonwealth should not be prohibited through an artificial cap of 1,500GL.

This amendment does not help to promote the use and management of the Basin water resources in the most efficient way.

3d) *without limiting paragraph (b) or (c):*

(i) to ensure the return to environmentally sustainable levels of extraction for water resources that are overallocated or overused; and

IRN considers that the proposed cap of 1,500GL on Commonwealth purchase of surface water entitlements will hinder the return to an environmentally sustainable level of extraction

(ii) to protect, restore and provide for the ecological values and ecosystem services of the Murray-Darling Basin (taking into account, in particular, the impact that the taking of water has on the watercourses, lakes, wetlands, ground water and water-dependent ecosystems that are part of the Basin water resources and on associated biodiversity); and

IRN considers that this objective of the *Water Act 2007* will not be able to be met under the proposed *Water Amendment Bill 2015* Division 5: 1,500 gegalitre limit on water purchases: s85B, s85C and s85D.

The protection, restoration and provision of ecological values and ecosystem services of the Murray-Darling Basin can only be met using a full suite of mechanisms for returning water to the environment from water resources that are over-allocated or overused.

The proposed 1500GL cap on purchase of licence entitlements will unnecessarily restrict the implementation of the Basin Plan.

(iii) subject to subparagraphs (i) and (ii)—to maximise the net economic returns to the Australian community from the use and management of the Basin water resources; and

The failure of the Basin Plan to meet an environmentally sustainable level of extraction will cause a number of economic impacts on the Australian community.

An increase in salinity levels and toxic algal blooms will increase the cost of filtering town water supplies in the Basin and will also impact on irrigated crop productivity.

IRN considers that the substantial investment in on-farm water use efficiencies, as part of the implementation of the Basin Plan, has assisted to maximise the net economic returns from the use and management of the Basin water resources.

A substantial move away from inefficient flood irrigation of the low value cotton and rice crops would improve net economic returns. The use of modern irrigation technology would enable the industry to grow more in years with high water availability and manage better during droughts.

The option for water licence holders to willingly sell part or whole entitlements to the Commonwealth can assist in investment in water use efficiency and diversification of agricultural production.

To cap this opportunity at 1,500 GL will not help to maximise the net economic returns to the Australian community.

It has been recognised by the Regional Australia Institute² that economic diversification plays an important role in providing resilience and flexibility for regional Australia's economies.

The reliance on one or few main industries has been identified as a key economic threat in many regions.³

2. Restrictions on free market trade

The Australian economy is conducted as an open free market economy. IRN does not support the proposal to restrict the water trading market so that willing sellers are unable to sell part or whole surface water entitlements to the Commonwealth as a mechanism to achieve the SDL under the Basin Plan.

3. Definition of Long-Term Annual Average Quantities of Water

The calculation of long-term annual average yield of water entitlements is a changing volume depending on the period of time under consideration.

The proposed *Water Amendment Bill 2015* does not define in s85B whether the 1,500 gegalitre limit is on entitlements or on long-term annual average yield of entitlements.

While s85C refers to long-term annual average quantity there is no definition of what this means or how it is to be calculated, over what period of time.

IRN considers that these proposed amendments to the *Water Act 2007* will be impossible to implement and are entirely unnecessary.

² <http://www.regionalaustralia.org.au/>

³ ABS 2013