



National water reform 2026: Preliminary assessment

Interim update 2

Executive Summary

The National Water Initiative (NWI) has fundamentally reshaped Australian water governance, and the Commission's interim assessment demonstrates the substantial progress made in implementing fit for purpose governance in states and territories. The challenge in providing a more effective, effective and transparent framework for water management should be focused on where planning systems, information systems and governance arrangements intersect. Institutional fragmentation and inaccessible data among the greatest challenges to good water management worldwide.

The next phase of reform must focus on ensuring existing ones work together. This submission recommends:

1. Affirm the NWI's fit-for-purpose architecture for Australia's diverse water systems.
2. Define catchment outcomes and require every planning instrument to demonstrate its contribution to them.
3. Build a statutory national water information base on the Bureau of Meteorology's existing Water Act mandate and the Water Data Hub architecture already under construction, covering interception, connected groundwater take and entitlement ownership.
4. Restore Commonwealth water reform funding and condition it on independently assessed delivery of agreed outcomes, with remote and regional water services the first priority and each government's response to the Commission's assessments tabled in Parliament.

The assessment consistently identifies the same underlying gap: outcomes are increasingly recognised but remain only partially enforceable. Water connects everything. The next phase of reform is to ensure Australia's governance is as connected as the water itself.

Prepared for: Productivity Commission

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This submission responds to Information Requests 1 and 2.

- 1 Connecting planning addresses section 3.
- 2 Connecting information addresses sections 7 and 9.
- 3 Connecting governance addresses sections 6, 9 and 11.

Australian water governance

The NWI remains one of Australia's most significant and enduring policy reforms. Its greatest achievement has not been any individual policy measure, but the establishment of a nationally consistent framework for water governance capable of supporting long-term environmental, economic and community outcomes.

The Commission's interim assessment demonstrates the substantial progress made in implementing this framework. Across jurisdictions, statutory water planning has become well established, water access entitlements are increasingly secure, environmental water management has matured, water accounting and compliance systems have improved, and institutional arrangements have become considerably more sophisticated than those that existed prior to the NWI.

While implementation remains incomplete in some jurisdictions and policy areas, the assessment demonstrates that Australia's water governance framework has reached a level of institutional maturity that would have been difficult to envisage in 2004 when the NWI was agreed. This progress is important because it changes the nature of the remaining reform challenge. The first generation of reform was necessarily concerned with establishing the institutional building blocks of effective water management. Much of the remaining work identified by the Commission, however, increasingly concerns how these established components interact.

The assessment is no longer simply documenting where individual reforms remain incomplete. It also reveals that many emerging challenges occur at the boundaries between planning systems, information systems and governance arrangements that were originally developed largely as separate reform streams.

The assessment records two kinds of remaining work. Some is unfinished first-generation work, where instruments are genuinely incomplete: metering standards are not on track, most jurisdictions do not have an NWI risk assignment framework, and rural performance benchmarking was discontinued in 2014 and never replaced. The rest, increasingly, is connection work, arising where completed instruments must operate together. The final report would be strengthened by distinguishing this completion agenda from the connection agenda, because they call for different responses.

Recognising this transition does not diminish the importance of completing outstanding reforms. Rather, it reflects the natural evolution of the reform program.

Transition is now the reform task

The Commission's interim assessment considers a broad range of issues, including water planning, water services, environmental management, information, Indigenous participation, governance, climate resilience and regional water security.

Viewed individually, these appear as distinct policy topics. Viewed collectively, however, they reveal a broader pattern. Increasingly, Australia's remaining reform challenges arise where mature systems must operate together. Planning decisions increasingly depend upon coordination across sectors and jurisdictions. Information systems increasingly need to support adaptive decision-making rather than simply reporting. Governance arrangements increasingly need to coordinate multiple organisations responsible for delivering shared environmental, social, cultural and economic outcomes.

This represents a natural progression in institutional maturity. As the principal components of Australia's water governance framework become established, improving the relationships between those components becomes increasingly important. It is also, characteristically, high-leverage work: connection reforms, particularly in information and accountability, are among the least costly available and determine whether every other reform holds.

This pattern isn't unique to Australia. In the 2026 Global Water Policy Report, national water leaders of 102 United Nations member states ranked fragmentation of institutions and inadequate or inaccessible data among the three greatest challenges to good water management, findings consistent across the survey series since 2021.¹ Australia's connection challenge is the global condition.

The following sections develop this transition from the evidence in the assessment itself and identify practical opportunities for the final report. The assessment's component-by-component discipline, applied over successive cycles, is what has made the pattern at the interfaces visible. The risk lies in continuation by habit: if future assessment examines only the components, the connections where the remaining problems arise will stay outside the frame, and the issues the Commission has documented will persist. The opportunity for the final report is to read the evidence at both levels: the progress of each component, and the connections between components on which that progress now depends.

1. Connecting planning across sectors and jurisdictions

The interim assessment identifies numerous examples where successful water management depends upon effective coordination beyond traditional water planning processes.

The evidence clusters at the interfaces. No jurisdiction has provided updates on developing clear triggers for rebalancing environmental and consumptive uses since 2024 (p. 5), and recognition of climate change "has not consistently translated into enforceable safeguards" in plans (p. 5). Major interception activities remain unlicensed or unrecorded, including farm dams and plantation forestry in Victoria (p. 6), and most of the floodplain harvesting is reported as estimates rather than measured (p. 7). The 2026 review of sustainable diversion limits excluded groundwater from its scope (p. 6), while participants seek greater understanding of surface water and groundwater interaction (p. 7). In urban systems, the assessment finds "further work is required to embed integrated water management" across land and water planning (p. 19).

Water planning increasingly intersects with land use planning, regional development, infrastructure investment, urban growth, environmental management and water service delivery. Decisions in one domain increasingly influence outcomes in another. The first generation of reform successfully established statutory water planning frameworks; the next challenge increasingly concerns ensuring that those planning systems operate coherently alongside the broader planning systems that influence water outcomes. This represents an

¹ Water Policy Group (2026), 2026 Global Water Policy Report: Listening to National Water Leaders, published July 2026 in partnership with UNSW Sydney. <https://waterpolicygroup.com>

evolution of the planning task rather than a departure from the principles of the National Water Initiative.

Recommendation 1. Enable fit-for-purpose mechanisms for different water systems.

Water systems are complex, and Australia's range from heavily developed and overallocated to largely undeveloped. The NWI was negotiated for that range and says so in its own provisions: alongside the entitlement framework, the Agreement expressly accommodates fixed-term and other arrangements in less developed systems, and paragraph 38 provides for planning effort proportionate to the level of development, projected demand and risk. The Commission's own 2024 report affirmed both: that entitlement frameworks "should be fit for purpose" with fixed-term arrangements appropriate in relatively undeveloped systems, and that jurisdictions retain paragraph 38's discretion. The Agreement was designed with this flexibility built in.

In systems not yet fully allocated, including much of the Northern Territory and parts of northern Western Australia and Queensland, water for the environment and for First Nations economic purposes can be reserved ahead of further consumptive licensing, at a fraction of the cost the southern Basin now pays to recover water allocated without charge to incumbents. The instrument already exists: the Northern Territory's Aboriginal Water Reserves demonstrate reservation in practice under current law. The quantum, purpose and governance of any First Nations reserve remain matters for First Nations parties; their organisations have made their own submissions to this inquiry.

We recommend the final report reaffirm the fit-for-purpose approach the Commission itself recognised in its 2024 report: assess jurisdictions against the Agreement's outcomes; recognise mechanisms suited to developing systems, including adaptive term-based arrangements and reservation ahead of further licensing, as legitimate pathways rather than departures; and identify reservation before further consumptive licensing as good practice wherever the sequence remains open, so the affirmation carries a practical direction rather than an interpretive note.

Recommendation 2. Make each component accountable to catchment outcomes.

Water outcomes are produced at catchment scale, but accountability is organised by component: plans report against plan objectives, licensing against licences, environmental water against holdings, and no instrument answers for whether the catchment outcome is achieved. Catchment outcomes are measurable environmental, cultural, social and economic conditions achieved at whole-of-catchment scale, regardless of which institution contributes to them. The assessment records the result: outcomes specified in ways that do not enable tracking of performance, fragmentation of responsibility that weakens accountability (p. 13), and special requirements for high conservation value assets that are met in form while the Ramsar-listed Macquarie Marshes is classified endangered (p. 15).

We recommend catchment outcomes be defined, and every planning instrument be accountable for its contribution to them, agreed, published and reported against. Without accountability to the whole, each organisation can comply while the shared result is missed. For example, a catchment objective for improving river condition should identify the contribution expected from water planning, land-use planning, environmental water management and infrastructure investment, with annual reporting against the shared outcome.

2. Connecting information to adaptive decision-making

One of the NWI's enduring achievements has been the significant improvement in water information. Monitoring networks, water accounting, modelling, reporting and compliance systems have all expanded substantially over the past two decades. Australia now possesses a far stronger evidence base for water management than existed prior to the NWI.

The Commission's assessment suggests that the next opportunity lies less in expanding information collection than in improving how information supports decision-making. Where information architecture has a national owner and a statutory footing, it advances: the Bureau of Meteorology has automated national water accounts (p. 16), the National Performance Report has expanded from 86 to 300 entities, including Aboriginal and Torres Strait Islander communities not previously covered (p. 12), and the Water Data Hub and Water Markets Data Standards are due for full implementation by 1 July 2027 (p. 8). Where it does not, information stalls or is discontinued: most jurisdictions are not on track for AS4747 metering and five report nothing on meter uptake (p. 17), water registers show "limited progress since 2024" (p. 8), rural performance benchmarking was discontinued in 2014 and never replaced (p. 12), the Inland Waters Target remains unfinalised (p. 24), and an independent review found Australia lacks collective strategic water research priorities (p. 21).

Information therefore increasingly functions as enabling infrastructure rather than simply a reporting requirement. Its value lies not only in transparency, but in supporting adaptive management, improving coordination between institutions and enabling governments to respond to changing environmental and social conditions.

Recommendation 3. Build the national water information base around catchment decisions.

We recommend a statutory National Water Outcomes Account, housed within the Bureau of Meteorology's existing information mandate under Part 7 of the Water Act 2007 (Cth), extending the National Water Account from water balances to outcomes. This is a regulation amendment, not new legislation: prescribing outcome and condition data as water information under the existing framework. The design test should be decision-usefulness at catchment scale, not coverage. Each dataset collected and reported should be traceable to the catchment outcome it informs (Recommendation 2) and the decisions it enables: allocation, rebalancing triggers, plan review. On that test the priority addition is interception and connected groundwater take, without which no catchment water balance is complete. The Account makes catchment decisions possible; Recommendations 2 and 4 make them happen.

In parallel, the Water Data Hub and Water Markets Data Standards now being delivered should be extended to include a public register of entitlement ownership with concentration reporting. Ownership transparency is standard in other regulated asset markets; its absence in water is increasingly inconsistent as the market matures.

Our companion submission makes the parallel case for community-level drinking water quality reporting under the same mandate. Reporting standards should be co-designed with community-controlled organisations and give effect to Indigenous data sovereignty: communities should hold and govern the data on which decisions about their Country and their services are made.

Information is the cheapest reform available, and it underpins every other one: nothing else in this submission can be implemented, audited or contested without it.

3. Connecting governance to shared outcomes

The assessment also highlights the increasingly interconnected nature of water governance. Many of the issues considered by the Commission, including Indigenous participation, environmental outcomes, regional resilience, pricing, community expectations and water services, cannot be addressed through the actions of individual organisations acting independently. They require governance arrangements capable of coordinating multiple organisations with different responsibilities but shared objectives.

The assessment finds that “fragmentation of responsibility weakens accountability” in environmental water management (p. 13) and that outcomes are often specified in ways that do not enable tracking of performance (p. 13). First Nations participation is “still framed largely through advisory and consultative mechanisms rather than shared authority” (p. 24), cultural objectives are “acknowledged in plans and policy, but are not embedded in binding protections, allocation settings or implementation arrangements” (p. 24), and progress on Indigenous Cultural and Intellectual Property “appears piecemeal” (p. 20). On the National Water Agreement, participants call for “clear accountability for delivery” (p. 30). Across the assessment, at least fourteen sub-elements record no jurisdictional update since 2024.

The pattern across this evidence is the gap between recognised and enforceable water values. Environmental, cultural and community outcomes are now recognised almost everywhere in Australian water management, in plans, policies and agreements. However, they aren’t supported at the same level by enforceable requirements: not specified so that performance can be tracked, not embedded in binding protections or allocation settings, and not owned by any party who answers when they are not delivered. When outcomes are recognised but not enforceable, commitments fade without any decision being made to abandon them. National water leaders worldwide identify the same failure mode: where governance prevents water goals being achieved, the most cited reason is inadequate implementation and enforcement.²

An assessment framework that faithfully documents non-delivery, cycle after cycle, with no consequence attaching, is not a failing of the Commission. It is the clearest evidence of the gap this submission describes. The first generation of reform clarified responsibilities within organisations; the emerging challenge is governance across them, between governments, regulators, service providers, environmental managers, Traditional Owners, communities and regional stakeholders, to achieve outcomes no single institution can deliver independently. Catchment-scale governance that assigns ownership of the connections between land use, water quantity and water quality, and intergovernmental funding that attaches consequence to outcomes, are where recognised values become enforceable ones.

Recommendation 4. Connect funding with consequences.

There is a proven Australian precedent: under National Competition Policy, payments to jurisdictions were tied to delivery of the 1994 water reform framework and were suspended for shortfalls, including suspensions totalling \$74.5 million in 2004-05, released when jurisdictions complied. The NWI that followed carried no equivalent: implementation was never funded or linked to payment. The program funding that did exist was progressively centralised into the Commonwealth department in the years before the National Water Commission's abolition in 2015 dispersed its remaining functions, benchmarking to the Bureau of Meteorology and assessment to this Commission. Every function survived; what

² Water Policy Group (2026), 2026 Global Water Policy Report: Listening to National Water Leaders, published July 2026 in partnership with UNSW Sydney. <https://waterpolicygroup.com>

was lost was independence with standing, and any connection between findings and funding. The history is consistent: implementation has been most effective when it was funded.

We recommend the final report propose that Commonwealth funding for water reform be re-established, modelled on the program investment that accompanied the NWI's early years and the National Water Grid Fund's current \$150 million First Nations water infrastructure commitment, and conditioned on independently assessed delivery of agreed outcomes as the National Competition Policy payments once were. The funding should do three things:

- a) Fund a model community service obligation for water services in remote and regional Australia that defines the basic level of service, costs it, and funds that cost, as set out in our companion submission.
- b) Build capability: capacity development and knowledge transfer for the people who operate and manage water systems.
- c) Connect knowledge: water science coordination and implementation of national information and reporting standards.

These are national public goods, not state responsibilities transferred to the Commonwealth, and conditioning means the Commonwealth pays only where delivery is assessed. Consistent with Recommendation 1, assessment should measure outcomes, not conformity with any single institutional model: the test protects the pathway, not the performance.

Independent assessment does not require a new body. The Water Act 2007 already requires periodic assessment of national water reform progress, and the Commission already performs it. What is missing is the connection of findings to funding, and a clear line of accountability to Parliament. The Independent Review of the Water Act now underway provides the vehicle: it can link Commonwealth water reform funding to the Act's existing assessment cycle and require each government's response to be tabled in Parliament. Conditioning funding on the Agreement's stated outcomes would also make those outcomes operative: goals carry weight when they are audited and funded. Recommendation 2 makes components accountable to catchment outcomes; this recommendation attaches consequence to delivery between governments.

National reform succeeds when outcomes matter financially. Until delivery has consequences, implementation will remain optional.

About In-Depth Strategy

In-Depth Strategy is an independent advisory practice on water governance, regulation and reform, led by Amy Dysart, who has spent more than twenty years inside water decision-making. As Executive Director Water Resources for the Northern Territory, she was the government's principal adviser on water allocation, licensing, regulation and policy. In senior executive roles at Power and Water Corporation she led the strategy, governance and compliance behind water and sewerage services to 72 remote Aboriginal communities through Indigenous Essential Services. She is a Non-Executive Director of the Australian Water Association.

We would welcome the opportunity to provide further input at any hearings. In-Depth Strategy lodged a submission to the Commission's interim update on water services reform directions (Interim update 1, July 2026). The two submissions are designed to be read together. Page references throughout are to Productivity Commission (2026), National Water Reform 2026: Preliminary assessment, interim update, July 2026.