



COTTON
AUSTRALIA

NATIONAL WATER REFORM 2026

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Australian Productivity Commission – National Water Reform 2026: Interim Update Response

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Contents

Submission prepared by Michael Murray, General Manager, Cotton Australia	2
1. Executive summary	3
2. Recommendations	3
3. Submission response	4
3.1. The cumulative burden of concurrent reform	4
3.2. Rules-based change and the Risk Assignment Framework	5
3.3. The 2026 Basin Plan and Sustainable Diversion Limit review	6
3.4. Water markets and trading – proportionate regulation	6
3.5. Environmental water – transparency and market participation	7
3.6. Rural water pricing and metering	7
3.7. The transition to a National Water Agreement	7
3.8. Water interests of Aboriginal and Torres Strait Islander people	8
4. Information Request 2: questions and responses	9
5. Conclusion	13

ABOUT COTTON AUSTRALIA

Cotton Australia is the peak body for Australia's cotton growers, representing up to 1,500 cotton farms mainly in New South Wales and Queensland but also in the Northern Territory and Western Australia. Cotton Australia works with growers and stakeholders to ensure the Australian cotton industry remains viable.

Cotton Australia supports the Australian cotton industry to be globally competitive, sustainable and valued by the community. It drives the industry's strategic direction, retains a strong focus on research and development, promotes strength of the industry, manages sustainability reporting and implements policy objectives.

1. Executive summary

Cotton Australia welcomes the opportunity to respond to the Productivity Commission's (PC) National Water Reform 2026: Preliminary assessment – Interim update (the interim update). This submission should be read together with, and does not replace, Cotton Australia's earlier submission to this inquiry (sub. 22), which remains our primary statement of position.

Cotton Australia's core message remains unchanged: Australia now has the core architecture required to manage water sustainably, and the priority for the next reform period should be consolidation, stability and effective implementation rather than further structural reform. The interim update confirms that several of Cotton Australia's specific concerns remain live – most importantly, the failure to fully recognise the market as the appropriate mechanism for any resource adjustment, and, as a secondary measure, the incomplete adoption of the Risk Assignment Framework by all jurisdictions, the continued use of rules-based change, and gaps in transparency around environmental water and rural pricing.

Cotton growers operate across many of the catchments most affected by the specific issues raised in this response – including the Namoi, Gwydir, Macquarie, Barwon-Darling, Border Rivers/Macintyre and Condamine-Balonne systems. This submission draws on and attributes evidence from the responses to this interim update prepared by the NSW Irrigators' Council (NSWIC) and Border Rivers Food & Fibre (BRFF), both of which raise matters of direct relevance to cotton growers, to reinforce and extend the position set out in Cotton Australia's original submission.

2. Recommendations

The following recommendations are made throughout this submission and are consolidated here for ease of reference.

Recommendation: *That the Productivity Commission's final report recommend annual cumulative impact assessment and project-level regulatory impact statements for concurrent water reform initiatives affecting the same water users, and endorse the NSW Auditor-General's June 2026 recommendation for a published review of the cumulative impact of the post-2017 NSW reform agenda. This should be extended to other jurisdictions.*

Recommendation: *That the Australian Productivity Commission recommend that the default method to re-assign any rights to water be through the market rather than rules-based changes, including any changes that impact on either allocations or reliability.*

Recommendation: *That risk assignment framework adoption be made a mandatory, rather than optional, condition of water resource plan accreditation in every Basin state; that jurisdictions maintain a public, cumulative reliability impacts register, updated annually, covering water sharing plan and operating rule changes; and that jurisdictions adopt mandatory pre-amendment notification and assessment against Risk Assignment Framework obligations for any change with a measurable effect on entitlement reliability, before that change takes effect.*

Recommendation: *That the Productivity Commission's final report make it clear any replacement to the NWI must strengthen, rather than dilute, the property right that is applied to water.*

Recommendation: *That the Commission support an independent review of the appropriateness of basing Australia's rural water metering requirements on AS4747 and consider other alternatives.*

3. Submission response

Cotton Australia is the peak body representing up to 1,500 cotton producers across Australia, the majority of whom are irrigators operating both within and outside the Murray–Darling Basin. As in our earlier submission, we note that Cotton Australia is an active member of the National Farmers' Federation (NFF), National Irrigators' Council (NIC), NSW Irrigators' Council (NSWIC) and Queensland Farmers' Federation (QFF), and endorses their submissions to this inquiry. Where there is any discrepancy between those submissions and this one, the position of Cotton Australia is as set out here.

Cotton Australia also notes that Australian cotton growers are recognised by the Australian Government Department of Agriculture, Water and the Environment as the most water-use efficient in the world, using around three times less water than the global average for cotton production. This efficiency has been achieved by growers themselves, often at their own cost, over the same period in which the reforms discussed in this submission have been implemented, and should inform the Commission's assessment of where the balance of further adjustment should now fall.

Cotton Australia notes that the PC's national assessment ratings are unchanged from 2024, and that the interim update records some areas of progress alongside indications that progress in some specific areas has reversed. We also note that Cotton Australia's position on several matters has been directly recorded in the interim update, including the need for water reassignment to occur through the market rather than rules-based change, the need for market and compliance settings to be commensurate with the size and activity of a given water market, and our recommendation that governments prioritise consolidation and implementation over further structural reform.

We are concerned, however, that despite this, the interim update does not treat reform fatigue and the case for a period of stability as a theme in its own right, and that structural reform activity – including the 2026 Basin Plan review and the transition to a new National Water Agreement (NWA) – continues at pace. We use this submission to reinforce those points in light of the specific findings in the interim update.

3.1. THE CUMULATIVE BURDEN OF CONCURRENT REFORM

Cotton Australia's concern about the pace of reform is not simply about the volume of change over three decades – it is also about the number of reform processes now running concurrently. Drawing on NSWIC's response to this interim update, cotton growers in NSW alone are currently managing, at the same time: implementation of the Murray–Darling Basin Plan; new WaterNSW pricing charges; amendments to the non-urban metering framework and measurement standards; amendments to floodplain management planning; amendments to regulated, unregulated and groundwater water sharing plans; and new connectivity, minimum inflows and long-term average annual extraction limit (LTAAEL) programs. At the same time, growers with cross-border interests are also engaging with the Commonwealth's Water Act 2007 (Cth) review (discussion paper released 17 July 2026, submissions due 31 August 2026) and the MDBA's 2026 Basin Plan review, along with ongoing engagement with the Basin Plan Review and the Management of Menindee Lakes Review.

Across the border in Queensland there is a current review by the Queensland Competition Authority considering the merits of a Regulated Asset Base approach to renewals funding

compared to the current annuity approach, along with Regional Water Assessments and ongoing reviews of Qld Water Resource Plans.

Cotton Australia supports NSWIC's recommendation that NSW (and other jurisdictions) perform annual cumulative impact assessments and project-level regulatory impact statements to quantitatively and qualitatively evaluate the effect of concurrent water policy reforms on water users, and considers this recommendation should extend to Commonwealth-led processes running concurrently with state reforms affecting the same growers. We note this is no longer only an industry request: the NSW Auditor-General's June 2026 performance audit of water management and regulation found that the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) has never assessed the cumulative environmental, social and economic impact of the reform agenda since 2017 and recommended a published review of that agenda by June 2027.

Recommendation: *That the Productivity Commission's final report recommend annual cumulative impact assessment and project-level regulatory impact statements for concurrent water reform initiatives affecting the same water users, and endorse the NSW Auditor-General's June 2026 recommendation for a published review of the cumulative impact of the post-2017 NSW reform agenda. This should be extended to other jurisdictions.*

3.2. RULES-BASED CHANGE AND THE RISK ASSIGNMENT FRAMEWORK

The interim update confirms that only the NSW and Queensland governments have adopted the risk-sharing framework specified in the NWI, that South Australia has an alternative framework, and that no other jurisdiction has introduced a formal NWI-compliant risk framework. It also records concerns – including from Cotton Australia – about the integrity and reliability of the consumptive pool, particularly in NSW, and a lack of transparency around rules-based changes to water allocations for irrigation.

Cotton Australia considers this confirms the concern raised in our original submission: that some jurisdictions continue to rely on rules-based changes to amend reliability, access or entitlements, bypassing the market and devaluing the water asset.

This concern is not unique to Cotton Australia's own submission to this inquiry. As Border Rivers Food & Fibre (BRFF) notes in its response to the interim update, the MDBA's own June 2026 What We Heard report on the Basin Plan Review separately records Cotton Australia's opposition, expressed through that process, to rules-based reforms that shift risk onto existing entitlement holders without prior Basin-wide hydrological assessment. Cotton Australia reaffirms that position here.

A concrete illustration of the concern is the 2026 Water Sharing Plans Omnibus Amendment Order, which both NSWIC and BRFF identify as raising the active storage trigger governing floodplain harvesting take at Menindee Lakes from 195GL to 250GL. On both accounts, this change was made without published analysis, without consultation, and without compensation, and – per BRFF's submission – was progressed under a provision of the Water Management Act 2000 (NSW) that does not legally require public consultation, notwithstanding that DCCEEW ran conventional consultation processes on other water instruments over the same period. Cotton Australia considers this exactly the kind of rules-based change our original submission warned against, and notes it directly reduces the reliability of entitlements without any of the safeguards that would apply to an equivalent market-based reallocation.

To avoid any doubt, Cotton Australia strongly believes any change to the balance between water users, be they extractive or environmental, should be through transparent market

processes. The use of a Risk Assignment Framework should not be the default position, but should only be used if a rules-based change is completely unavoidable, or is despite opposition by groups like Cotton Australia deliberately chosen by government.

Recommendation: *That the Australian Productivity Commission recommend that the default method to re-assign any rights to water be through the market rather than rules-based changes, including any changes that impact on either allocations or reliability.*

Recommendation: *That risk assignment framework adoption be made a mandatory, rather than optional, condition of water resource plan accreditation in every Basin state; that jurisdictions maintain a public, cumulative reliability impacts register, updated annually, covering water sharing plan and operating rule changes; and that jurisdictions adopt mandatory pre-amendment notification and assessment against Risk Assignment Framework obligations for any change with a measurable effect on entitlement reliability, before that change takes effect.*

3.3. THE 2026 BASIN PLAN AND SUSTAINABLE DIVERSION LIMIT REVIEW

Cotton Australia's original submission assessed Sustainable Diversion Limits as largely completed work, with no argument for significant change to the process. We note the interim update confirms a full statutory 10-year review of the Basin Plan is now underway, including a review of whether SDLs continue to reflect an environmentally sustainable level of take. It is Cotton Australia's clear position that this outcome is being met, and in fact exceeded, as confirmed by each Sustainable Level of Take report. There is no doubt that extractions across the Basin are consistently less than those allowed for by the Basin Plan.

The scale of what has already been delivered supports this position. NSWIC's response to the interim update records that, on conservative assumptions, the Basin Plan will have delivered at least 2,530GL by April 2026, with likely outcomes exceeding 2,700GL once pre-Basin Plan reforms are included – around one in three litres previously used for irrigation. The original SDL of 2,075GL (excluding SDLAM offsets) is reported as 99 per cent delivered, with groundwater recovery over 92 per cent complete against its 38.45GL target. Cotton Australia considers these figures reinforce that the task of rebalancing the consumptive pool is substantially complete, and that the focus of the next reform period should shift to the efficient use of water already allocated to each purpose, including by environmental water holders, rather than further volumetric recovery.

Cotton Australia also notes, consistent with BRFF's submission and independently confirmed by the Commonwealth's Water Act Review discussion paper (17 July 2026), that four Murray–Darling Basin water resource plans in NSW – including the Namoi and Gwydir surface water and alluvium plans, both cotton-growing valleys – remain unaccredited. The Water Act Review discussion paper confirms SDL compliance cannot be formally assessed, nor contraventions enforced, in areas without an accredited plan. Cotton Australia considers this a structural gap in government-administered planning machinery rather than any failure by entitlement holders, and asks that NSW-DCCEEW publish a transparent, time-bound accreditation plan with regular public reporting. Further, as part of this review, and the Water Act Review, consideration must be given to ways to streamline the accreditation of Water Resource Plans.

3.4. WATER MARKETS AND TRADING – PROPORTIONATE REGULATION

Cotton Australia welcomes the PC's recording of our position that water trading is now well-developed across all jurisdictions, but that the degree of market activity varies significantly, and that compliance and market frameworks should be commensurate with the size and activity of the relevant market. We reiterate that there is no justification for applying the same

compliance burden in the northern Basin, or outside the Basin, as applies in the more mature and dynamic southern Basin market, and we ask that this principle be reflected as a specific recommendation in the PC's final report.

Cotton Australia notes this principle is independently reiterated in BRFF's response to the interim update, which likewise submits that the intensity of regulatory process applied to the southern Basin market should not be applied uniformly to the smaller, less liquid northern Basin market. Cotton Australia considers this alignment across two independent submissions, from a national and a regional irrigator body, further supports adoption of the principle as a standing recommendation in the final report.

3.5. ENVIRONMENTAL WATER – TRANSPARENCY AND MARKET PARTICIPATION

Cotton Australia reiterates our earlier position that environmental water holders, including the Commonwealth Environmental Water Holder, should be able to actively participate in the water market – buying and selling water when appropriate – and should generally be subject to the same rules as other entitlement holders, with variations justified case-by-case and subject to the same public scrutiny as other regulatory changes. We note the interim update rates public reporting on rules-based (as distinct from held) environmental water as only partially achieved, and support calls recorded in the interim update for greater transparency on how rules-based changes are used to deliver environmental outcomes, while noting a strong and consistent opposition to rules-based changes.

3.6. RURAL WATER PRICING AND METERING

Cotton Australia notes the interim update's finding that cross-jurisdictional rural water pricing remains only partially achieved, with continuing insufficient transparency in some jurisdictions about which costs are passed through to irrigators and how.

Cotton Australia strongly supports State rights to implement rural water pricing at the Lower-Bound level, where those States believe it is appropriate, and they should not be pressured into moving towards Upper Bound Pricing.

Cotton Australia also notes that most jurisdictions remain behind on rolling out AS4747-compliant non-urban meters, and many do not report on progress. Both issues add cost and uncertainty for irrigation businesses and should be addressed as a matter of implementation, not further structural reform.

The important issues here is consistency of metering and reporting. Cotton Australia has long held the view that AS 4747 metering is not necessarily the answer. If the prime aim is to have meters that are proven accurate to + or – 5%, have data loggers and are capable of telemetry, any meter that meets those requirements should be eligible. AS4747 meters tend to be very expensive, but more importantly prove to be not up to Australia's environment and operational conditions. Irrigators who have invested in AS 4747 meters often find that they have physically failed and then must be replaced, at considerable costs.

Recommendation: *That the Commission support an independent review of the appropriateness of basing Australia's rural water metering requirements on AS4747 and consider other alternatives.*

3.7. THE TRANSITION TO A NATIONAL WATER AGREEMENT

Cotton Australia notes the Australian Government has signed the draft NWA, that it remains with state and territory governments for consideration, and that the signed text was not publicly available as at June 2026. Consistent with the concerns raised by the NFF and NIC and recorded in the interim update, Cotton Australia is concerned about the lack of public transparency in the NWA's development and its relationship to this inquiry. We also share the

concern, recorded in the interim update, that a new agreement risks weakening the detailed, enforceable commitments of the 2004 NWI without replacing them with equally robust provisions. Any transition to a new agreement should preserve, not dilute, the recognition of water as a property right and the primacy of market-based mechanisms for reassigning water between consumptive and environmental use.

Recommendation: *That the Productivity Commission's final report make it clear any replacement to the NWI must strengthen, rather than dilute, the property right that is applied to water.*

3.8. WATER INTERESTS OF ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE

Cotton Australia recognises and supports the traditional and cultural water interests of Aboriginal and Torres Strait Islander people and supports partnership-based approaches to achieving cultural objectives through the use of environmental water, consistent with positions set out in NSWIC's and BRFF's responses to this interim update.

Consistent with the market-based property rights principle underpinning this submission, Cotton Australia submits that any expansion of First Nations water access should occur through transparent, market-based mechanisms drawing on the existing consumptive pool, rather than through new allocation pools or rules-based mechanisms that reduce reliability for existing entitlement holders without compensation. As NSWIC observes in its own response, there is no "new" water: entitlements for First Nations purposes must be purchased from existing entitlements on issue, on the same basis as any other reallocation.

Cotton Australia also supports clear national guidance that no genuine stakeholder has greater rights in determining water policy than any other genuine stakeholder. We consider decisions in this area should continue to be made openly and collaboratively, with all stakeholders at the same table, and with stakeholder knowledge assessed on its own evidential merits within existing institutions and processes.

4. Information Request 2: questions and responses

The interim update's Information Request 2 sets out twelve specific questions across five NWI elements. For ease of reference, Cotton Australia tables each question below with a short response. These responses should be read together with, and do not replace, the fuller discussion of the same issues elsewhere in this submission.

Question	Cotton Australia response
Water access entitlements and planning frameworks (section 3)	
<i>Which jurisdictions have developed clear triggers for rebalancing environmental and consumptive uses? What triggers have been implemented and are they effective at rebalancing environmental and consumptive uses?</i>	Cotton Australia is not aware of jurisdictions that have implemented specific triggers, however, it appears all jurisdictions it is involved in (NSW, QLD, NT and WA) all have robust Water Sharing/Resource Plan processes that ensure the appropriate balance between extractive use and retention by the environment. Cotton Australia is aware that many stakeholders have called for greater recognition/adaption of and for climate change. Cotton Australia contends that the general manner of water allocations across all jurisdiction already and has for decades accounted for climate change. The environment and critical human needs are prioritised, with lower reliability water products only receiving allocations when higher priority needs are met. The system accounts for high water availability years and low water availability years, natural adjusting to climate variability over all of its time scales.
<i>What improvements to monitoring and evaluation of and reporting on water plans are needed to support adaptive management?</i>	Cotton Australia supports a public, cumulative reliability impacts register, updated annually and covering all water sharing plan and operating rule changes, as set out elsewhere in this submission. Reporting should be timed to give early warning of prospective changes to the consumptive pool, consistent with NWI paragraph 40(iii).

Question	Cotton Australia response
<i>Have jurisdictions taken effective actions to address the overallocation or overuse of water systems and meet environmental and other public benefit outcomes?</i>	Yes. The scale of recovery already delivered under the Basin Plan – at least 2,530GL, with the original SDL 99 per cent delivered and groundwater recovery over 92 per cent complete – demonstrates the task of rebalancing the consumptive pool is now substantially complete. Any residual concerns should be addressed through measurement and compliance infrastructure, not further volumetric recovery from entitlement holders. Outside the Basin all jurisdictions Cotton Australia engages with have robust water sharing processes.
<i>What major interception activities are not licensed or adequately recorded?</i>	Cotton Australia does not hold independent evidence beyond what other participants have raised in the interim update, such as floodplain harvesting measurement issues and unlicensed farm dams. Where interception remains unlicensed or unmeasured, this is properly characterised as a government measurement and compliance resourcing gap, not evidence of entitlement holder non-compliance. Cotton Australia is aware that the Qld Govt is rolling out volumetric Overland Flow licences on a risk-based approach.
Integrated management of water for environmental and other public benefit outcomes (section 6)	
<i>Are the environmental and other public benefit outcomes set out in existing water plans consistent with community expectations of the planning process? If not, how could current water plan review processes be improved to better reflect community expectations?</i>	Water sharing is complex, and key to this question is what is defined by community expectations – they will be many and varied. Water plan reviews should give economic and social outcomes equal weight to environmental outcomes, rather than defaulting toward environmental priorities. Reviews should be conducted through transparent, published and properly consulted processes, unlike the NSW 2026 Water Sharing Plans Omnibus Amendment Order discussed elsewhere in this submission. Genuine engagement, not consultation on paper alone, is essential to align outcomes with community expectations.

Question	Cotton Australia response
<i>Are environmental and other public benefit outcomes effectively specified to facilitate accountability in water management? How could accountability for outcomes be improved?</i>	The environmental outcomes from the use of both planned and held environmental water must be optimised. While not an end in itself, clear articulation of the purpose of an environmental flow, along with expected outcomes and post event reporting would greatly improve transparency and accountability.
Water resource accounting (section 7)	
<i>Is information about how to access water allocations provided in a timely, transparent and easy to understand way that enables entitlement holders to make informed water-use decisions? How could the provision of information be improved?</i>	This varies, but we will give NSW credit for ensuring equal and public access to water allocation announcements. However, in some catchments and jurisdictions it is not transparent on how water allocations are determined. For example, it is almost impossible for even an informed water user to predict a general security allocation in the Murray or Murrumbidgee Valleys, with what appears to be some reliance on the “dark arts”. However, in a valley like the Gwydir publicly available information on the Water Resource Assessment process makes it relatively easy to make a reasonable accurate estimation of a likely allocation announcement. Therefore, greater transparency on the process would be valuable.

Question	Cotton Australia response
<i>What additional information, if any, about planned or rules-based environmental water would increase public and investor confidence in reporting on water available for consumptive use or for environmental and other public benefits?</i>	Cotton Australia supports the public, cumulative reliability impacts register recommended elsewhere in this submission. Any variation to rules-based environmental water arrangements should be subject to mandatory pre-amendment notification and the same public scrutiny as other regulatory changes. This would materially increase confidence for both consumptive users and investors. It would also be valuable, when making water resource assessment announcement, that there is a clear distinction between what water is being held in environmental water accounts and what is in irrigator accounts. This does already occur in some NSW valleys. But it is by far not a universal practice.
Knowledge and capacity building (section 9)	
<i>What progress, if any, have jurisdictions made in enhancing protection for and recognition of Indigenous Cultural and Intellectual Property in water management?</i>	Cotton Australia support the general principle that Traditional Owner knowledge should be recognised and protected within existing institutions and processes, they should be recognised as a equal stakeholder when it comes to water policy decisions, and unless specific indigenous water allocation reserves are already in place, then any additional water allocated to indigenous Australian should be through the water market.

Question	Cotton Australia response
<i>What changes can jurisdictions make to better incorporate Aboriginal and Torres Strait Islander knowledges in water management?</i>	Cotton Australia supports partnership-based approaches, of the kind noted in NSWIC's and BRFF's responses to this interim update, that build genuine collaboration with Traditional Owners without displacing the existing entitlement framework. Decisions should continue to be made openly and collaboratively, with stakeholder knowledge assessed on its own evidential merits.
Water interests of Aboriginal and Torres Strait Islander people (section 11)	
<i>Which changes to governance arrangements, if any, have led to shared decision-making and increased Aboriginal and Torres Strait Islander representation in planning processes?</i>	Cotton Australia is not best placed to assess the effectiveness of specific governance changes for Aboriginal and Torres Strait Islander representation and defers to the submissions of Aboriginal and Torres Strait Islander organisations on this question, except to say that it appears all water resource sharing frameworks recognise the need for genuine indigenous engagement. We support genuine, well-resourced engagement within existing institutions, alongside the existing entitlement framework.
<i>How have governance changes improved the recognition of Aboriginal and Torres Strait Islander water interests and rights in water management and planning?</i>	As above, Cotton Australia defers to the direct submissions of Aboriginal and Torres Strait Islander organisations on this question. Our own position is that any expansion of First Nations water access should occur through transparent, market-based mechanisms drawing on the existing consumptive pool, since there is no "new" water, protecting both First Nations water interests and the reliability of existing entitlements.

5. Conclusion

Cotton Australia's core message to this inquiry remains unchanged: Australia now has the core architecture required to manage water sustainably, and the priority should be consolidation, stability and effective implementation rather than further structural reform. The interim update confirms that several of our specific concerns – the failure to fully recognise the market as the appropriate mechanism for any resource adjustment, and, as a secondary measure, the incomplete adoption of the Risk Assignment Framework by all jurisdictions, the use of rules-based change, and gaps in transparency around environmental water and rural



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pricing – remain live. We ask the PC to reflect these issues, and our recommendation on market-based reassignment of water rights, clearly in its final report to Government.

This submission's additional detail, drawn from and attributed to NSWIC's and BRFF's responses to the same interim update, illustrates that these are not concerns unique to Cotton Australia: they are shared, with consistent evidence, across national, state and regional irrigator bodies. Cotton Australia considers this convergence itself relevant to the weight the Commission should give these issues in its final report.

For further information on this submission please contact Michael Murray, General Manager, Cotton Australia



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