



National Water Reform 2026 Inquiry

Australian Water Association (AWA) Interim Update 2 Submission

24 July 2026

Final Submission lodged online to: <https://www.pc.gov.au/inquiries-and-research/water-reform-2026/make-submission/> and sent to the mailbox of Phil Heaphy

To the Productivity Commission,

AWA is pleased to provide our submission to Interim Update 2 of the National Water Reform 2026 Inquiry to the Productivity Commission. AWA welcomes the opportunity to discuss this submission further.

Yours sincerely,

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Key observations and recommendations

The Australian Water Association (AWA) welcomes the opportunity to provide a submission to the second Interim Update by the Productivity Commission for the National Water Reform Inquiry 2026. AWA recognises the immense effort and consultation that supports the assessment of each National Water Initiative (NWI) commitment as presented in the Interim Update.

In our previous submissions, AWA has provided directions for future policy reform that must be implemented to achieve the delivery of secure, resilient and sustainable water services in Australia. This document presents member feedback on the progress across NWI elements as summarised in Table 1.

Table 1. Summary of AWA member feedback across NWI elements

NWI Element	Member informed feedback
Water access entitlements and planning framework	We need to develop climate-independent water resources to address allocation and overuse. Governance frameworks for managing surface water & groundwater are unclear. Managed Aquifer Recharge (MAR) and Water Banking need clearer policy direction.
Water interests of Aboriginal and Torres Strait Islander people	Shared decision-making of Aboriginal and Torres Strait islander communities remains limited. Recognition of the cultural values of water must be accompanied by implementation.
Best Practice Water Pricing	Short term affordability concerns cannot impede rational water pricing.
Integrated Management of Water for Environmental and Other Public Benefit Outcomes	Water and land use planning must be integrated. Governance fragmentation remains a barrier to environmental and social outcomes.
Water Resource Accounting	In practice, some modelling and metering approaches are outdated. Measuring actual take remains critical.
Urban Water Reform	Integrated water management remains constrained by institutional arrangements. Improved considerations for climate adaptation in water planning are needed.

Knowledge and Capacity Building	Organisational capability should be recognised as critical to the provision of essential infrastructure. Water literacy and community understanding require ongoing investment.
Community partnerships and adjustment	Transparency and implementation accountability remain critical, yet coordination across review processes will be paramount to water policy reform.

Introduction

Who we are

The Australian Water Association (AWA) welcomes the opportunity to make a submission to the Productivity Commission (PC) in respect of the National Water Reform Inquiry 2026 (the Inquiry). AWA is Australia's largest peak body for the water sector – representing professionals and organisations including utilities, government agencies, engineering, urban design and planning, science, research, academia, energy, resources, manufacturing, mining and agriculture.

AWA aims to inspire, connect and transform the water sector for a sustainable water future; where water is recognised by all as essential to economic prosperity, human health, environmental integrity and social wellbeing, and as fundamentally inseparable from Country for Australia's First Peoples.

AWA acknowledges that First Peoples have managed water sustainably for tens of thousands of years through traditional custodianship, and that genuine recognition of the cultural and social values of water is critical to achieving equitable, resilient and enduring water outcomes for all Australians.

Our approach to addressing Interim Update 2

Like our submission for Interim Update 1, AWA ran a Member Insights Meeting (MIM) to collect specific experiences and case studies from our broad member base, with over 50 members joining to inform this submission.

This document provides member feedback on specific NWI commitments. With over 6,000 individual members, AWA reiterates the role it can play in facilitating stakeholder engagement for informed water policy reform, offering a unique opportunity to co-design policy, regulatory and governance solutions with industry to enable secure, resilient and sustainable water management.

Water access entitlements & planning framework

Integrating surface water and groundwater management

Physical connectivity between groundwater and surface water assessed and managed (Largely achieved)

Governance frameworks for managing surface water & groundwater are unclear

AWA submits to the PC that a status of “largely achieved” for this commitment may not evenly apply across Australia. While members acknowledged stronger progress in jurisdictions that rely heavily on groundwater, particularly Western Australia and the Northern Territory, they considered the integration of surface water and groundwater management in many eastern jurisdictions to remain incomplete. Members highlighted that:

- Surface water-groundwater interactions are not consistently incorporated into entitlement frameworks and water planning processes.
- Existing water plans often do not adequately reflect the science of groundwater connectivity or the long timeframes over which impacts become evident.
- Recent wetter climatic conditions may be masking shortcomings in current arrangements, which are likely to become more apparent during prolonged drought and under climate change.
- Groundwater accounts for a substantial proportion of Australia's water use yet planning frameworks do not consistently account for its interaction with surface water systems.

Managed aquifer recharge (MAR) and water banking need clearer policy direction

Members also identified managed aquifer recharge (MAR), aquifer storage and recovery, and water banking as emerging policy areas that are insufficiently recognised within current planning and entitlement frameworks. Key concerns were centred around:

- Inconsistent treatment of MAR across catchments, jurisdictions and planning frameworks.
- Limited guidance on how MAR should interact with existing surface water and groundwater allocation arrangements.
- Uncertainty regarding ownership, entitlements and recovery rights associated with intentionally recharged water.

MAR can sustain groundwater supplies if recovery credits are specified to consider storage retention, which will require a greater understanding of local hydrogeology (Dillon et al., 2026). Members emphasised that policy frameworks must reflect local conditions to ensure MAR is implemented affectively.

Addressing overallocation & overuse / Assigning risks for changes in allocation

All overallocated and overused systems returned to sustainable levels of extraction (Partially achieved)

Clearly established (through statutory instruments) (Partially achieved)

Implementable and effective in providing certainty to entitlement holders (Partially achieved)

We need to develop climate-independent water sources to address allocation and overuse

Members highlighted the increasing challenge of managing allocation risks in a changing climate, particularly where growth in demand and changing hydrological conditions are occurring faster than new supply infrastructure can be delivered. Our members emphasise that allocation frameworks need sufficient flexibility to respond to declining availability and changing climatic conditions, and risk assignment arrangements must clearly explain how climate-related reductions in available water will be managed and communicated.

Overall, greater recognition should be given to climate-independent water sources when considering future water security and allocation risks. Several members identified recycled water and purified recycled water (PRW) as important climate-independent supplies that can reduce pressure on existing water resources and help avoid future overallocation risks. To support the recognition of recycled water resources, the industry calls for:

- National consistency in recycled water regulation.
- Harmonisation of reuse requirements between jurisdictions.
- Updating recycled water guidance (particularly the Australian Guidelines for Water Recycling) to support broader adoption.

While these issues extend beyond entitlement frameworks alone, members viewed them as increasingly relevant to future allocation, risk management and long-term water security outcomes.

Water interests of Aboriginal and Torres Strait Islander people

The Australian Water Association welcomes the PC's recognition that the 2004 NWI does not fully reflect contemporary expectations regarding Aboriginal and Torres Strait Islander water rights, interests and participation in water governance. Consistent with feedback received from AWA members, there remains a significant gap between improved engagement processes and the achievement of meaningful water access, shared decision-making and self-determination outcomes.

Aboriginal and Torres Strait Islander Representation in Water Planning Processes (Partially achieved)

Shared decision-making remains limited

Members acknowledged examples of progress across several jurisdictions but noted that participation in water planning is still predominantly consultative rather than collaborative in nature. Members also identified examples of more mature governance arrangements that

may provide useful case studies for future reform. In particular, the Ngarrindjeri Regional Authority's governance partnership with the South Australian Government in the Coorong and Lower Lakes region was highlighted as an example of a First Nations-led approach to environmental and water management that extends beyond traditional consultation models (Hemming et al., 2017). AWA is aligned with the PC's previous recommendations that acknowledge further reform is required to move beyond advisory mechanisms towards governance arrangements that enable genuine shared decision-making and self-determination outcomes.

Water Plans Incorporating Aboriginal and Torres Strait Islander Objectives

Water plans will incorporate Aboriginal and Torres Strait Islander social, spiritual and customary objectives and strategies for achieving these objectives (Partially achieved)

Recognition must be accompanied by implementation

Members broadly support the increasing inclusion of cultural objectives within water planning frameworks. Members also highlighted existing policy levers that can improve cultural water allocations (see Box 1); however several systemic barriers exist that can impede the implementation of these policy objectives (AWA 2026a).

The Central and Gippsland Sustainable Water Strategy is a policy instrument that enables excess urban water supply to be re-allocated to Traditional Owners for cultural purposes by keeping rivers on Country. However, members highlighted that coordinating supplies across several utilities was challenging and was a potential barrier for delivering project outcomes.

Box 1 – Case Study of the Central & Gippsland Sustainable Water Strategy

Inclusion of cultural values in plans does not necessarily translate into practical access to water or meaningful influence over allocation decisions. Members observed that jurisdictions continue to face challenges balancing long-term urban water security, climate uncertainty and future demand growth while creating opportunities to increase Aboriginal and Torres Strait Islander access to water resources.

The effectiveness of cultural objectives should be assessed not only by their inclusion in plans, but by the extent to which they influence allocation decisions, governance arrangements and practical water access outcomes.

Best practice pricing and institutional arrangements

Urban water, regulated

For regulated water urban supplies, AWA continues to reiterate that short term affordability concerns cannot impede rational water pricing (AWA, 2026b). As presented in our previous submissions, AWA reiterates that any future policy reform to pricing and institutional arrangements must:

1. Recognise affordability as a whole-of-government policy challenge rather than a water-pricing objective.

2. Protect the independence of economic regulators from politically motivated intervention.
3. Require decision-makers to explicitly consider intergenerational equity and long-term resilience when assessing pricing and investment decisions.
4. Mandate increased transparency around the costs of regulatory obligations, as well as the costs of deferred investment.

Regional water, regulated

Meanwhile, current funding and governance arrangements do not support the delivery of secure, resilient and sustainable water services for regional, remote and rural communities. As the PC is aware, regional and remote communities are subject to unique considerations: smaller scales, low customer density, variable source water quality, constrained local workforces and exposure to climate extremes, which combine to create inherently higher and more volatile costs that can impede traditional cost-recovery pricing arrangements. AWA continues to advocate for blended funding models that provide dedicated and ongoing support for community engagement, local training, operational capability and workforce development alongside infrastructure delivery and incentivise regional collaboration through dedicated funding streams (AWA, 2026b).

Integrated management of environmental water and other public benefit outcomes

Identification of specific environmental and public benefit outcomes (Partially achieved)

Management and institutional arrangements (Partially – largely achieved)

Integrating water and land use planning

As highlighted in our previous submissions, planning frameworks must integrate water considerations into growth planning and development decisions. The PC should continue to support integrated planning approaches that align environmental objectives, urban water management, catchment health and land use planning to ensure public benefit outcomes are identified and protected early in the planning process. As advocated for in our previous submissions; water must be **elevated as nationally significant, enabling infrastructure**. High-level policy directives to achieve this were presented in our previous submission to the PC (AWA, 2026b).

A member highlighted the Greater Adelaide Regional Plan as a useful illustration of a broader issue facing strategic planning across Australia. The Plan sets ambitious objectives for housing growth, urban greening, climate resilience and liveability, and recognises the importance of integrated land-use and infrastructure planning. However, water is not explicitly recognised as an enabling system underpinning these outcomes. Without embedding water into long-term strategic planning, there is a risk that it continues to be treated as a downstream servicing issue rather than a foundational consideration in growth planning. Recognising water as critical enabling infrastructure from the earliest stages of

strategic planning will support more coordinated investment and improve the likelihood that broader economic, housing and environmental objectives can be achieved.

This is particularly pertinent to emerging industries such as data centres, and AWA emphasise the necessity of meeting unprecedented water demands from data centres with recycled water supply so that Australia's drinking water security is not compromised (AWA, 2026c). Integrated planning between the relevant government departments in each state must begin coordinating recycled water and planned data centre infrastructure to achieve this, and more information can be found in AWA's submission to [INSW's Consultation Paper on Data Centres](#).

Governance fragmentation remains a barrier to environmental and social outcomes

Members noted that environmental and social outcomes often span multiple organisations, creating challenges for accountability and implementation. In an urban setting, water services & economic outcomes have clear policy formulation, implementation and regulation mechanisms. However, these become increasingly unclear for public health, environmental and urban amenity (social) outcomes.

Several members highlighted persistent fragmentation between water utilities, local government, stormwater managers, catchment management organisations and planning authorities. While environmental objectives are often agreed in principle, implementation can be hindered by unclear responsibilities and funding arrangements.

As such, members continue to consider institutional arrangements as a significant barrier to delivering integrated water management outcomes and questioned whether current governance settings adequately support the achievement of environmental and public benefit objectives. As advocated in our previous submissions; national and state funding must transition to long term funding models that allocate resources for the ongoing accountability of the environmental and social values of water (AWA, 2026b).

Water resource accounting

Water Accounts

Practical, credible and reliable information (Largely achieved)

In practice, some modelling and metering approaches are outdated

Members acknowledged substantial progress in metering, telemetry and water accounting systems, particularly in the Murray-Darling Basin. However, they cautioned against an assumption that current reforms have fully resolved longstanding measurement and reporting challenges. Specifically, members noted that:

- Significant volumes of water take continue to be reported using modelled estimates rather than direct measurement.
- Reporting frameworks still rely on historical assumptions in some systems
- Confidence in accounting frameworks ultimately depends on confidence in the underlying measurement data.

- Additional effort is required to ensure reported water use reflects actual water take. Members considered that robust accounting systems require continued investment in both measurement technologies and data verification processes.

The PC should recognise that while water accounting systems have improved significantly, further work is required to strengthen confidence in the underlying measurement data that supports water account reporting. AWA reiterates that ongoing funding to institutions of best practice in hydrological modelling, such as eWater source, are critical to ensuring Australia's water security.

Water Metering and Measurement

Develop and implement metering actions and implement the Non-Urban Metering Framework (Partially achieved)

Measuring actual take remains critical

Members broadly supported the PC's assessment that this commitment remains only partially achieved. While major investments have been made in metering, telemetry and compliance systems, members identified several categories of water take where measurement remains incomplete or reliant on historical estimates, including floodplain harvesting, farm dams, stock and domestic use, basic landholder right, and smaller unregulated water extraction.

Members emphasised that the integrity of water management frameworks ultimately depends on measuring actual water take rather than relying solely on modelled estimates, as some estimates used in accounting and compliance frameworks were derived from surveys or assumptions developed several decades ago that may no longer accurately reflect actual patterns of water use.

While acknowledging that universal metering of all small users may not be cost effective, members suggested that jurisdictions should continue exploring targeted verification programs, periodic audits or spot-checking of estimated uses to improve accountability while recognising practical and economic constraints.

Basin Plan integrity and investor confidence

Members noted concerns raised by the Inspector-General of Water Compliance regarding the risks posed when significant portions of water take remain unmeasured. Members considered that continued investment in measurement and reporting is necessary to support compliance confidence, public trust, investor confidence; and the integrity of allocation and sustainable diversion limit frameworks.

The PC should continue to prioritise improvements in the measurement and verification of water take, particularly for categories of extraction that remain heavily dependent on estimated data. Continued progress in metering and telemetry should be accompanied by targeted verification and audit processes to strengthen confidence in water accounting outcomes.

Urban water reform

Water reuse, end use efficiency, water sensitive urban design and innovation

Pursuing water reuse, end use efficiency, water sensitive urban design and innovation (Largely achieved)

Integrated water management remains constrained by institutional arrangements

Some members felt that the PC's assessment as "largely achieved" was not indicative of their experience, highlighting ongoing challenges associated with:

- Fragmented responsibilities across water utilities, local government, catchment management organisations and planning agencies.
- Unclear accountability for integrated water management outcomes.
- Duplication of planning and regulatory functions.
- Institutional arrangements that make collaboration difficult despite broad policy support for integration.

Several members noted that progress towards integrated water management is often therefore dependent on informal relationships and collaboration rather than governance frameworks specifically designed to support integrated outcomes. Members suggested that institutional reform may be required if integrated water management is to become standard practice rather than a project-by-project achievement.

Improved considerations for climate adaptation are needed in water planning

Members noted that achieving healthy, safe and reliable water supplies will require significant investment in both climate adaptation and emissions reduction. Members highlighted the need for planning and investment frameworks that support timely deployment of climate-resilient infrastructure and recognise the scale of investment required to respond to future climate impacts.

Knowledge and capacity building

Organisational capability must be recognised alongside essential infrastructure

Members consistently highlighted that successful water reform depends not only on physical infrastructure, but on the organisational capability required to plan, deliver, operate and maintain that infrastructure. As emphasised in our previous submissions, addressing the ongoing workforce pressures across the sector are critical, particularly in regional and remote communities where access to specialist skills remains challenging (AWA, 2026b).

Members noted that many utilities and service providers continue to experience difficulties attracting and retaining personnel with the technical, operational and management expertise required to meet increasingly complex regulatory and service delivery obligations. This challenge is particularly acute in smaller and remote communities where workforce shortages are often compounded by geographic isolation and housing constraints. In our previous submissions, AWA advocated for targeted resource allocation to build regional workforce planning and delivery capacity to facilitate the delivery of secure, resilient and sustainable water services in regional communities.

Identify and implement proposals to better coordinate the national water knowledge effort (partially achieved)

Water literacy and community understanding require ongoing investment

Members identified water literacy as an important but often overlooked component of capacity building. Several participants supported the development of broader education and communication initiatives aimed at improving understanding amongst political decision-makers, water managers, infrastructure planners, customers; and the broader community.

Members noted that future investment requirements, climate adaptation measures and evolving service expectations are likely to require more informed public conversations regarding water security, resilience and pricing. Improved water literacy would strengthen support for long-term planning and investment decisions.

Community partnerships and adjustment

Engage water users and stakeholders by providing opportunities to express views, supporting decision-making through information, and responding to stakeholder concerns (Largely achieved)

Transparency and implementation accountability remain critical, yet coordination across review processes will be paramount to water policy reform

Members strongly supported ongoing review, monitoring and stakeholder engagement processes, noting that transparency and accountability remain essential foundations of successful water reform. However, members also observed that many recommendations from previous NWI reviews have been repeated over multiple assessment cycles, creating concerns about implementation progress and the translation of review findings into practical outcomes. Members highlighted the importance of demonstrating how consultation feedback informs reform decisions and how governments intend to implement agreed reforms, particularly given the breadth of concurrent reviews. The outputs across the National Water Reform 2026 Inquiry, the development of the National Water Agreement, the Water Act Review and the Basin Plan review processes must be integrated.

Conclusions

The implementation of the NWI has borne some of the most consequential policy reforms in the management of Australia's most precious resources. However, the NWI is more than 20 years old, and the federal government, along with the states and territories, have recognised the need to update the agreement through developing a draft National Water Agreement. AWA will continue to advocate for the repositioning of water as nationally enabling infrastructure, requiring long-term planning and thoughtful infrastructure sequencing. Funding must support specific resource allocations that maintain accountability across the many services water does provide, whether they are economic, environmental, social or cultural. AWA welcomes the opportunity to further develop policy mechanisms that achieve the necessary outcomes for the ongoing delivery of secure, resilient and sustainable water services.

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