

19-4-2018

Commissioners Doolan & Madden,
Murray-Darling Basin Plan: Five-year assessment,
Australian Government Productivity Commission,
basin.plan@pc.gov.au

Dear Commissioners Doolan and Madden,

Re: Murray-Darling Basin Plan: Five-year assessment

Introduction

Cotton Australia is the key representative body for Australia's cotton growing industry. Our industry is primarily, but not exclusively, located in the Murray-Darling Basin. It is a significant user of our nation's water resources, and it is justifiably proud of its water management, and it focus on being as efficient with this important resource as possible.

Cotton Australia welcomes the Productivity Commission's Five Year Assessment of the Murray-Darling Plan, but cautions that any assessment must be very much in the context that the plan will not be fully implemented till 2024, and even the Water Resource Plans and Sustainable Diversion Limits will not be formally in place till July 1, 2019.

There also must be very clear understanding that in a massive, modified natural system like the Basin, the full benefits of the Plan will only become apparent in the decades to come.

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.

In light of the comprehensive submissions being lodged by the above organisations Cotton Australia will keep its submission brief. The focus of this submission will be on issues that are particularly important to our industry. We welcome the opportunity to speak on behalf of cotton growers on this issue.

Key Issues

Sustainable Diversion Limits and Adjustments

Sustainable Diversion Limits Adjustment Mechanism

Cotton Australia is a strong supporter of the Sustainable Diversion Limits Adjustment Mechanism ('SDLAM') as an innovative way of achieving environmental outcomes, while maintaining access to water for extractive use. The SDLAM in part addresses Cotton Australia's single biggest criticism of the Basin Plan. Which is that the Basin Plan just focuses on a hydrology as the solution to the health of the Basin.

In today's world there are virtually no problems that are best addressed with single solution, certainly not when you are dealing with the long-term health of something as complex as the Murray-Darling Basin.

Cotton Australia does understand the concern expressed by many that there is little public detail on the business cases for the 36 "Supply" projects. We would agree in an ideal world it would be preferable to have significantly more information.

However, Cotton Australia also acknowledges the time constraints and accepts that it is not possible to have the level of detail desirable and meet the timetable mandated by the Basin Plan.

While many have argued the lack of detail represents a significant risk to the Basin Plan. There is a failure to recognise that if the modelled environmental outcomes are not achieved by 2024, the MDBA will have to reconcile the results achieved, and if necessary amend the Sustainable Diversion Limits (SDL). This effectively removes the risk to the plan, and in fact shifts it to those stakeholders who would like to minimise water recovery – if the environmental equivalent outcomes are not achieved, there will be further water acquisition.

While Cotton Australia readily acknowledges that it does not possess detailed information on any of the 36 projects, it does want to make a few comments regarding the Menindee Lakes project.

All projects that have looked at the Menindee Lakes over the past 20 years or so, have looked at ways to reduce evaporation losses, primarily by using the water stored in the Lakes faster.

The Lakes, by their very nature and location are an extremely inefficient storage. In the five years spanning 2012/13 to 2016/17, average inflows into Menindee Lakes was 795Gl with net evaporation and seepage averaged at 460Gl or 58%.

Given the above losses, it is natural to seek to reduce them. However, any attempt to use the water in the Lakes quicker, also means the average storage volume will be reduced, which increases the likelihood and frequency of critical shortages.

Menindee has a number of key stakeholders:

-) The people of Menindee and surrounding areas for whom the Lake has cultural, recreational and economic value.
-) Downstream irrigators and riparian users between the lakes and the confluence of the Lower Darling and the Murray-River near Wentworth.
-) The people of Broken Hill who have relied on Menindee Lakes as a significant source of their town water supply.
-) River users upstream of Menindee along the Barwon-Darling and its tributaries who forgo access to water to ensure inflows into the Lakes.

Many cotton growers fall into the last category, and until recently, there was one significant cotton growing farm downstream of Menindee.

Irrigators upstream of Menindee have been regularly blamed for the lack of water in the lakes. As a result, have had their legal right to water embargoed a number of times this century in an attempt to ensure inflows to the Lakes.

These embargoes are not driven by Water Resource Plans, but are an extra regulatory response, which reduce the irrigators' long-term legal take.

There is much commentary that irrigators support the Menindee project because it will make more water available to them. This is not the case, and unless there are significant mitigatory actions, then the Menindee Lakes project may lead to even less water for upstream irrigators.

While it is logical to reduce the amount of evaporation in Menindee, it is imperative that third party impacts be avoided, mitigated or compensated for.

The Federal Government's buyout of the water entitlements and compensation for decommissioning of irrigation capacity associated with Tandou (downstream of the Lakes), and the State Government's commitment to building a pipeline as an alternative water supply for Broken Hill, are two positive examples of mitigation.

However, there remains significant risk to other stakeholders, including upstream irrigators being asked (or made) to forgo access to their legal water entitlements.

The impact of the management approach to Menindee Lakes has been highlighted in recent history. In 2016/17, 2030GL of inflow was received by the lakes (four Sydney Harbours). Yet as we come towards the end 2017/18, there is only 254,000 megalitres in the Lakes.

Downstream water uses have been relentless in a political and media campaign blaming this lack of water on upstream extractions. However, the reality is that the overwhelming reason has been the rapid release of water from Menindee.

Nowhere else in Australia would it be deemed acceptable to allow 58% of water in storage to evaporate. Therefore, it is proper to do all that can be done to reduce evaporation. However, it shouldn't be at the expense of other users.

At some point, it might have to be agreed that an inefficient storage is better than no storage at all.

While Cotton Australia has never been an enthusiastic supporter of the 405GL "Efficiency Measures", consistently arguing the Commonwealth should have to demonstrate the responsible and effective management of the 2750GL of environmental water or equivalents first. Cotton Australia, does accept that along with the "Supply Measures" and the "Northern Basin Review" they do form an integral part of delivering the Plan in full.

Cotton Australia, welcomed the Ernest and Young Report, and supports more flexible ways of meeting the key requirement that the “Efficiency Measure” must be achieved in a way that ensures “neutral or improved socioeconomic outcomes”. Cotton Australia, acknowledges that on-farm irrigation efficiency projects may be one way of meeting this requirement, but serious consideration must be given to a wider range of recovery mechanisms. In particular, mechanisms that do not reduce the pool of water available for extractive use.

Cotton Australia, is concerned that the Basin Plan and the Commonwealth Environmental Water Holder (CEWH) appears to have a very strong, almost singular focus, on holding water entitlements as the only way to meet the environmental water requirements.

Cotton Australia, was supportive of the changes to the Commonwealth Water Act Section 106 that has given the CEWH greater flexibility to trade both water entitlements and allocations. Cotton Australia believes that like a modern irrigator the CEWH needs to be a nimble trader of water assets.

Further, there is room to explore other water products such as options, which would assist the CEWH to meet their requirements in the most efficient way possible. While also allowing, where appropriate, the use of environmental water for extractive use; with the proceeds being directed to environmental outcomes.

Northern Basin Review

The Northern Basin Review is and was an integral part of the Basin Plan, since it was ratified in 2012.

In a show of bi-partisan understanding, the Northern Basin Review was inserted due to the realisation that when compared to the collective knowledge around the southern basin, there was a deficiency in the understanding of the environmental, social and economic factors that make up the Northern Basin.

The Murray-Darling Basin Authority undertook both directly, and through the utilisation of consultants an extensive and peer reviewed four-year study of the Northern Basin.

In considering all the factors it concluded that not only could the SDL for the Northern Basin be modestly increased by 70Gls, through better targeting of where water was recovered, improved environmental results could also be obtained. Further, the reduction in 70Gl in water recovery would protect 180 full-time jobs across the Northern Basin.

If this was not enough alone to ensure support, it was agreed by the Basin States and the Federal Government would invest in a range of “toolkit” or “complementary measures”. These would provide even greater environmental outcomes, including enhanced measures to protect environmental flows generated by held environmental water.

It is a political disgrace that the Disallowance Motion opposing the Northern Basin Review Amendments was supported by the Australian Senate. It is worth noting comments made by the MDBA Board Member, Professor Barry Hart. Professor Hart stated that the very reason those who supported the Disallowance, stated as their reasons for opposing the amendments, were the very reasons the amendments would have been delivered.

To be clear, Cotton Australia did not, and does not believe that the Northern Basin review amendments went far enough. Cotton Australia, along with many other groups and individuals argued that the water recovery should have stopped at 278Gl. The money saved from not requiring additional water recovery should have been invested in complementary measures, that would have leveraged greater environmental gains from the release of environmental water.

However, Cotton Australia accepts that the Basin Plan by its very nature is a compromise. Cotton Australia respects that after four years of detailed study, the recommendations of the MDBA should have been up held.

Cotton Australia, is hopeful that the Northern Basin Review amendments, in either their original form or modified form will still be accepted by the Australia Parliament. Cotton Australia, cautions the Commission from making too firmer recommendations at this stage, on how the remaining water recovery required in the Northern Basin should be achieved.

If the 390Gl recovery target remains, there will still need to be significant effort. If the 320Gl target is re-instated, then the task becomes significantly more manageable.

Cotton Australia recommends to the Commission that the focus of the Federal Government should be the successful implementation of the Northern Basin Review recommendations.

If further water recovery proves necessary then in general Cotton Australia leans towards water recovery through well managed on and off-farm irrigation efficiency projects. In the northern basin that effectively means on-farm projects.

However, it respects the rights of individual water holders to offer water entitlement to the Commonwealth and for the Commonwealth to assess offers on their individual merits.

While not commenting on any particular transactions, it should be recognised that in cases where the purchase of water in effect means the cessation of a viable irrigation enterprise, there is a case for payments to exceed the strict value of the water entitlements.

Cotton Australia, submits that generally there has been too much preference by the Commonwealth for General Security or supplemented water, as opposed to unsupplemented water in Queensland or supplementary or unregulated water in NSW.

If an aim is try to replicate natural flows, the unsupplemented/supplementary/unregulated products achieve that. Those products are generated by the natural flows in the system and are not impeded by regulated storages.

Recovery of Water for the Environment

Everyone needs to recognise the tremendous effort that has occurred to date (Dec 2017) to recover 2106.4Gl out of the current 2019 recovery target of 2750Gl.

The successful defeat of the SDLM Disallowance motion and the successful re-introduction of the Northern Basin Review amendments will significantly, if not completely close the gap on the recovery effort required.

As mentioned earlier Cotton Australia while not a supporter of the 450Gl “Upwater” recognises like the SDLM and the Northern Basin Review , the “efficiency Measures” are an integral part of the Basin Plan and must be delivered in a manner consistent with the Basin Plan.

Cotton Australia, recognises that some representatives of extractive users are totally opposed to any of the “Efficiency Measures” water coming from the extractive pool. Cotton Australia, has a slightly broader view, and is generally supportive of good on and off-farm infrastructure projects, where they are recognised by entitlement holders as offering good value for money and participation is entirely voluntary.

However, Cotton Australia is of the view that the pilot Commonwealth On-Farm Further Irrigation Efficiency program (COFFIE) does not offer value for money and is unlikely to gain widespread irrigator acceptance.

Cotton Australia is very supportive of other on-farm projects, including the Queensland Healthy Headwaters project, the New South Wales Sustaining the Basin projects and the early Commonwealth project delivered by a variety of delivery partners.

It does have to be acknowledged that there is some ongoing concern around potential probity issues and these need to be fully addressed along with the veracity of any allegations either proven, or those named should receive full and unconditional apologies.

That aside, there has been some commentary that these programs have been too generous to irrigators and they do not represent good value for money to the taxpayer. There is no doubt that these programmes are more expensive in the short-term than just purchasing water. However, claims that they are too generous to the entitlement holders do not pass two simple tests.

1. In Queensland, just more than a sixth of the 117Gl recovered to date, has been through the Healthy Headwaters project. If the on-farm projects were over-generous to entitlement holders, the take-up would have been far greater.

2. The risk is borne entirely by the entitlement holder. Regardless of whether the expected savings are made or not. The entitlement holder must hand over the agreed amount of entitlement to the Commonwealth.

What is also without doubt is that these programmes offer long-term benefits to the communities that they are offered. This is borne out by the MDBA social and economic assessment work that was carried out as part of the Northern Basin Review.

The Goondiwindi area, where the majority of water recovery has been achieved through efficiency programs, was the only area that saw employment growth through the implementation of the Basin Plan.

Cotton Australia is aware of no efficiency or recovery project where there is any real risk of the Commonwealth not receiving its agreed level of entitlement. In fact, the risk lays entirely with the irrigators, because whether the estimated savings are achieved or not, the irrigators must hand over the agreed level of entitlement.

There has been a range of media stories over the past 9 months that have tried to link on-farm efficiency projects with other activities. These allegations are being dealt with by the appropriate authorities. However, on the facts available in the public domain it would appear to be a major stretch to suggest that even if the actions alleged have taken place, that they directly detract from the Commonwealth's right to secure its water entitlements and ensure the benefits are delivered to the environment.

Structural Adjustment Assistance

Cotton Australia's primary role is to support the rights of cotton growers, with the vast majority being valuable and active members of their communities.

It is not Cotton Australia's primary role to advocate for structural adjustment payments to communities.

However, it is Cotton Australia's view that while individual irrigators have been largely free to engage or not, in the trading of water entitlements to the Commonwealth, it is the communities that have suffered the most from the Basin Plan. All irrigation dependent communities across the Basin, have lost either actual economic activity or potential economic activity from the Commonwealth water acquisition program.

The Commonwealth's support for these communities through the Murray-Darling Basin Regional Economic Diversification program has been completely inadequate by any measure.

According to the Productivity Commission's discussion paper just \$73 million or just .73% of a \$10 Billion Murray-Darling Basin Plan has been committed to these communities. Unfortunately, a significant proportion of this grossly inadequate funding was directed to projects in communities that while they may have been located in the Basin, were not irrigation dependant. While other communities have lost significant jobs and population because of the Basin Plan have received nothing.

Cotton Australia strongly recommends that the Commission seek additional and effective diversification funding for these communities.

Water Resource Plans

Cotton Australia and many other groups, have long held serious concerns regarding the State and Federal Government's ability to meet the required deadline for Water Resource Plans.

Cotton Australia can only recommend a concerted effort by all parties to complete the plans. However, this completion cannot be at the expense of the rights of entitlement holders.

Any changes that impact on rights and reliability of irrigation entitlements must be fully consulted on with any impacts mitigated and/or compensated.

While Cotton Australia is well aware of the Commonwealth's step-in powers, it would respectfully submit that the MDBA is completely under-equipped to effectively exercise its step-in powers.

Environmental Water Planning and Management

Environmental water planning

Cotton Australia has long been concerned about what appears to be a strong presence of duplication between the Murray-Darling Basin Authority (MDBA) and the CEWH, when it comes to setting environmental watering priorities.

Cotton Australia contends while the MDBA has had the role of determining how much water should be available to the environment. The CEWH, should have the responsibility of determining how the Commonwealth owned water is managed.

Although, Cotton Australia also believes that the efficient management of environmental water by the CEWH can only be achieved when management is done in full co-operation with other holders and managers of environmental water.

Cotton Australia commends the CEWH's participation Environmental Water Advisory Groups (EWAGS) that operate in NSW and provide catchment level advice.

Cotton Australia strongly believes that the CEWH and other managers of environmental water have a responsibility to clearly communicate to communities prior to, during and after environmental releases.

The purpose/expected environmental outcome from a release should be specifically communicated. Progress to achieving the specific outcome/s should be communicated and the actual outcomes should be objectively measured and reported on.

Simply setting targets of trying to achieve certain hydrological results is simply not acceptable. Targets must relate to specific environmental outcomes.

This of course requires the environmental manager to be adequately resourced to properly monitor and evaluate the outcomes of a flow.

Coordination of environmental water delivery

Prerequisite Policy Measures (PPM)

Cotton Australia wishes to comment on one particular PPM, the so called “shepherding” of environmental flows.

Since the screening of the Four Corners programme “Pumped” in late July 2017, there has been considerable focus on the management of environmental water, particularly on the Barwon-Darling.

Cotton Australia has been very disappointed in much of the media reporting and general commentary.

To be clear, Cotton Australia has zero tolerance for water theft is aware of ongoing legal action that concerns potential water theft and/or meter tampering. These matters are properly dealt with by the authorities and the courts. However, we should all bear in mind that at this stage the allegations remain allegations and those named should be afforded the presumption of innocence until proven otherwise.

However, the media and commentators, have on many occasions skated on very thin ice, alleging (and/or seriously implying) that there has been illegal take of environmental water on a grand scale.

In simple terms, the imputation is that irrigators have been accessing water, that had been purchased for the environment.

It is absolutely critical for everyone considering this issue to understand a few of the facts.

-) On an unregulated river such as the Barwon-Darling access to water flows is primarily determined by river gauge measurements. That is, a river height flow target is hit upstream (and maintained downstream) then the irrigator is legally able to pump.
-) Currently, the source of the water, or its purpose, does not affect access.
-) Total take is controlled through the long-term water sharing plan rules and account limits.

Further, it is essential that everyone acknowledges that when the Commonwealth purchased water entitlement either on the Barwon-Darling or its tributaries it was fully aware of these rules. Therefore the challenges it imposed on protecting any particular flow.

Therefore, it is incredibly disrespectful to entitlement holders to imply that they are currently getting at worst an illegal benefit out of environmental flows or at best an immoral benefit.

However, Cotton Australia understands that there is a general acceptance that the current arrangements are not considered adequate and there is a community expectation of better protection for environmental flows.

Cotton Australia is aware that a number of irrigation entitlement holders on the Barwon-Darling are prepared to enter into genuine negotiations around how better to protect individual flow events, when access is only being triggered by the presence of environmental water.

Cotton Australia supports these respectful negotiations, providing everyone recognises that entitlement holders are currently operating within the rules, and those rules were clearly understood at the time the Commonwealth purchased the water entitlements.

Complementary Works

As discussed earlier, rarely is any problem solved with a single focus solution and therefore we have always strongly advocated for multiple solutions, that will leverage further gains from the environmental water currently available to the Commonwealth Environmental Water Holder (CEWH) and other managers of environmental water.

It should be noted that when the then Murray-Darling Basin Commission/Authority did its Sustainable River Audits, in almost all catchments the best performing indicator was hydrology, and areas of poorer performance included turbidity, fish, vegetation, macroinvertebrate, and physical form.

These results alone strongly suggest that real environmental improvement will only occur when a multi-faceted approach is taken.

A key factor in the recently rejected Northern Basin Review amendments was the adoption of a range of “toolkit” and/or “complementary” measures. If accepted these would have gone a long way towards improving environmental outcomes.

Cotton Australia would recommend the Commission seeks the advice of MDBA Board Member Professor Barry Hart, who closely oversaw the development of the Northern Basin Review recommendations, and could provide expert advice on the proposed “toolkit” measures.

While not being an expert in this area, Cotton Australia would recommend priority complementary measures should include:

-) Removal of European Carp
-) Mitigation of cold water pollution
-) Improved fish passage
-) Improved fish habitat

Cotton Australia recommends that the Basin Plan, and all involved in its implementation, use all opportunities available, to leverage environmental gains by adopting complementary measures.

Water Trading Rules

Cotton Australia is generally happy with the development of water trading in the Basin, although it struggles to attribute how much progress should be attributed to Government and the Plan, and how much should be attributed to the natural development of the water market.

Cotton Australia is concerned that there does appear to be at times a tendency to try to “over-develop” or “over sophisticate” the market. While the market is hugely important to the modern Australian irrigation industry, it is still in market terms a modest market.

Cotton Australia does suggest that government jurisdictions could still do more to improve the speed of transfers, allowing closer realisation of a “real-time” market. Cotton Australia notes that a number of private providers, provide water market information. However, for this to be truly effective they need access to all trades and this in reality can only be achieved through access to real-time (or near-to-real time water registers).

Compliance

MDBA compliance and enforcement

Cotton Australia supports a very robust and transparent compliance regime, and it is clear from recent revelations and inquiries that the current regime is lacking.

However, Cotton Australia does not believe that the current “compliance environment” is as broken as many portray and is confident that the vast majority of the Basin’s 40,000 licence holders have done and will continue to do the right thing.

This view is borne out by the fact that the MDBA Compliance Register for the 29 months from July 2015 to November 2017 shows only 14 complaints about water compliance made to the MDBA.

Cotton Australia, notes two points regarding the register;

- 1) The 13 complaints are allegations of wrong doing, not proven cases;
- 2) Not all complaints across the Basin would come to the MDBA, the majority would be directed to the State compliance agencies. However, the very low numbers reported suggests that there is not widespread abuse of the system.

Cotton Australia, would not be opposed to the Commonwealth having an oversight role in compliance and in principle working with the State jurisdictions to try and harmonise compliance. However, the degree of Cotton Australia’s support would clearly be dependent on the detail, with a clear commitment and demonstration that there was not unnecessary duplication and expense. In the first instance the Commonwealth should allow the various State jurisdictions to determine what reform they will

implement and then only consider additional layers of compliance if there is a clearly identifiable deficiency.

State compliance and enforcement

Cotton Australia has made it clear that it supports robust and transparent compliance systems that have the confidence of both the water users and general public.

Cotton Australia has recently submitted detailed responses to the NSW Water Reform package and those responses have supported the vast majority of the NSW Governments' reform agenda.

Cotton Australia awaits the Queensland Government's release of its metering audit and without pre-empting its content and associated recommendations. Cotton Australia, is very supportive of the implementation of a world class, effective and cost-effective metering and compliance regime in Queensland.

Conclusion

Cotton Australia looks forward to the following the progress of this review and providing ongoing input where it is appropriate.

Cotton Australia would like to reiterate that while the Basin Plan is not all that it would like as a body representing entitlement holders, it does recognise that such an ambitious plan will always rely on some compromise by all parties if it is to be implemented. It is therefore Cotton Australia's considered view that the Basin Plan should be implemented in full and the attention then needs to turn to optimising the management of the available pool of environmental water, coupled with complementary measures, to optimise environmental outcomes.

For more information on this submission please contact Michael Murray, general manager

Yours sincerely,

General Manager,
Cotton Australia