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SUBMISSION

Productivity Commission National Water Reform 2024 Interim report

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NSW Irrigators' Council

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigation farmers and the irrigation farming industry in NSW. Our members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton and horticultural industries.

Through our members, NSWIC represents over 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems. NSWIC engages in advocacy and policy development on behalf of the irrigation farming sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

Irrigation farmers are stewards of tremendous local, operational and practical knowledge in water management. With more than 12,000 irrigation farmers in NSW, a wealth of knowledge is available. Participatory decision making and extensive consultation ensure this knowledge can be incorporated into best-practice, evidence-based policy.

NSWIC and our members are a valuable way for Governments and agencies to access this knowledge. NSWIC offers the expertise from our network of irrigation farmers and organisations to ensure water management is practical, community-minded, sustainable and follows participatory process.

NSWIC sees this consultation on water for bushfire preparedness and firefighting as a valuable opportunity to provide expertise from our membership. Each member reserves the right to independent policy on issues that directly relate to their areas of operation, expertise or any other issues that they deem relevant.

NSW Irrigation Farming

Irrigation farmers in Australia are recognised as world leaders in water efficiency. For example, according to the Australian Government Department of Agriculture, Water and the Environment:

“Australian cotton growers are now recognised as the most water-use efficient in the world and three times more efficient than the global average”¹

“The Australian rice industry leads the world in water use efficiency. From paddock to plate, Australian grown rice uses 50% less water than the global average.”²

Our water management legislation prioritises all other users before agriculture (critical human needs, stock and domestic, and the environment), meaning our industry only has water access when all other needs are satisfied. Our industry supports and respects this order of prioritisation. Many common crops we produce are annual/seasonal crops that can be grown in wet years, and not grown in dry periods, in tune with Australia's variable climate.

Irrigation farming in Australia is also subject to strict regulations to ensure sustainable and responsible water use. This includes all extractions being capped at a sustainable level, a hierarchy of water access priorities, and strict measurement requirements.

¹ <https://www.agriculture.gov.au/ag-farm-food/crops/cotton>

² <https://www.agriculture.gov.au/ag-farm-food/crops/rice>



Introduction

This NSWIC submission provides feedback to the Productivity Commission's National Water Reform 2024 interim report on progress against the 2004 National Water Initiative (NWI).

The 2004 National Water Initiative (NWI) was established with the vision to continue the *“national imperative to increase the productivity and efficiency of Australia’s water use, the need to service rural and urban communities, and to ensure the health of river and groundwater systems by establishing clear pathways to return all systems to environmentally sustainable levels of extraction.”*

The NWI overarching objective demonstrates that the protection of water property rights must occur concurrently with establishing environmentally sustainable management of water:

“Full implementation of this Agreement will result in a nationally-compatible, market, regulatory and planning based system of managing surface and groundwater resources for rural and urban use that optimises economic, social and environmental outcomes.”

After 20 years, the NWI needs to be updated and refreshed to reflect:

- a changing climate;
- altered usage patterns by users in urban and regional settings;
- a growing population requiring food security;
- the impact of cumulative state and federal policy reform under the NWI; and,
- recognition of First Nations reverence and ongoing cultural responsibility for rivers and groundwater systems and actions to enable their participation

At the same time, the 2004 NWI core principles of water entitlement security, reliability, and an adequate consumptive pool for affordable water should be maintained within governance frameworks so water resources remain productive.

Despite the changes in our nation’s use and management of water resources, the NWI must continue to protect property rights within government frameworks.

A renewed NWI must provide governments with policy guidance in decision-making transparency, property rights, structural adjustments, protection and expansion of water trading, and accounting for impacts on downstream and upstream users due to development.

The Australian Government and jurisdictions must revisit their overarching vision for the reform and ensure that the objectives and outcomes continue to uphold the broad-based NWI 2004 vision.

Currently, the Australian Government’s overarching vision for the reform under its recently released ‘DCCEEW Discussion paper – seeking views on a future national water agreement’ remains unclear beyond elevating First Nations and environmental interests above all others.

The Productivity Commission’s interim report includes NWI renewal advice that jurisdictions should use to inform the development of a more balanced National Water Agreement. Based on the Commission’s renewal advice and NSWIC recommendations in submissions to the Commission, NSWIC has written a model NWA/NWI that can be used as a guide for jurisdictions. This model NWA/NWI can be found in Appendix B.



National Water Initiative: Implementation issues

Implementation of the NWI has improved aspects of Australia's water resource management. This includes the development of water planning processes, incorporation of sophisticated knowledge (e.g., climate projection modelling), user-friendly monitoring and reporting data, compliance and enforcement activities aligned with the *National Compliance Framework*, and improved engagement, particularly with First Nations people.³

However, there is more to be done. In January 2024, the Productivity Commission called for initial submissions to comment on the progress made towards achieving the objectives and outcomes of the 2004 NWI. The NSWIC submission listed these key recommendations:

- Move away from the language of rebalancing and addressing over-allocation, and place equal emphasis on complementary measures to achieve environmental outcomes.
- Recognise the existing systems of water allocation and priority of use that automatically adjust water allocations for consumptive uses according to the water available in real-time climate conditions, after higher priority needs have been met.
- Provide guidance on inland and coastal programs designed to:
 - o Improve public confidence in water management;
 - o Improve awareness of recent and ongoing reforms;
 - o Improve water literacy of the broader community; and,
 - o Provide opportunities for timely and collaborative consultation processes with water users.
- Share the risk of reductions or less reliable water allocations due to climate change.
- Assess cumulative water reforms impacts on reliability of water property rights.
- Contribute to a better understanding of 'reliability'.
- Improve the supporting architecture for delivering on the principles of the risk assignment framework.
- Promote First Nations partnership-based models in management and planning.
- Require the framework and rules governing trading to limit effects on third parties.
- Broaden the definition of third-party impacts to include, for example, socio-economic impacts on (non-entitlement holders), regional and industry development, the environment, and the integrity of water access entitlements.
- Maintain water markets within the Productivity Commission's Murray-Darling Basin Plan five-yearly review to help assess States' progress.
- Direct governments to further investigate the appropriate trading mechanisms and trading zones in coastal areas.
- Include pricing outcomes with guidance on apportioning costs for public interest items, recognising the source of the demand, and the benefits to the community.
- Require consistently high standards for metering and measurement across jurisdictions.

³ [Overview - Interim report - National Water Reform 2024 \(pc.gov.au\)](https://www.pc.gov.au/reports/interim-reports/nwi-2024/overview)



National Water Reform: The pathway forward

There are two main thoughts on how to address the changing context of water management; the Productivity Commission suggests the renewal, updating and expansion of our current National Water Initiative (NWI) to “*navigate growing water security challenges*”⁴.

The NWI includes objectives and specific actions to achieve the objectives. Objectives and actions were developed in consultation with stakeholders. As such it is transparent – the States knew what they were signing up for, and stakeholders knew and broadly agreed to the practical pathway to delivering the reforms.

Alternatively, the federal Department of Climate Change, Energy, the Environment and Water (DCCEEW) has proposed a new, high-level intragovernmental agreement, the National Water Agreement (NWA). It says the NWA will build on the NWI water management principles while addressing emerging priorities and new challenges.

However, it has no detail on how the principles of the NWI will actually be integrated into the NWA, what of the NWI will be retained and what will be discarded, and the proposed actions to achieve the NWA’s new objectives.

NSWIC will provide more detailed feedback in a submission to DCCEEW’s NWA consultation process, but in summary, the draft NWA as it stands represents at best a weakened commitment to, at worst the exclusion of, critical NWI objectives that remain fundamental principles to efficient and effective water reform in Australia.

NSWIC supports the Productivity Commission's recommendation to renew the NWI. The original objectives and outcomes of the intergovernmental agreement form a robust framework that is familiar to stakeholders and governments.

Recognised areas of weakness or poor implementation can be carried over and modernised, with experience from the last 20 years informing modifications to promote the development of practical, fit-for-purpose policy approaches.

Responses to *Productivity Commission Interim report*

As a general comment, NSWIC broadly supports the Commission’s advice on what should be included in the renewed NWI. Specific feedback is provided in Appendix A and B.

Outcomes for water security

PC Information Request 3.1: What nationally agreed priority outcomes for water security should form part of a renewed NWI? How should these outcomes be treated when considering trade-offs between competing priorities and the management of risk when addressing water security concerns?

A priority outcome for water security is food security. Food security is a broad term spanning availability, affordability and accessibility, particularly to domestically produced food which is typically preferred by Australian consumers owing to its high production standards. National

⁴ [Overview - Interim report - National Water Reform 2024 \(pc.gov.au\)](#)



food security should remain a high priority when trade-offs need to be made in water management.

As the Australian population grows, the irrigation sector plays a critical role in responding to the growing demand for food at home and abroad. However, the NWI and resulting policy reforms (i.e., Murray-Darling Basin Plan) have led to the decline in water availability and security, particularly in droughts, for growing food and fibre. This decline has been further exacerbated by climate change.

The cumulative effects of climate change and water policy reform increase challenges faced by irrigators when producing food and fibre. Water scarcity driven by both water reforms and climate change influence prices on the water market. As the price of water to grow food increases, this flows onto the availability and affordability of locally grown produce for consumers.

To improve water security for all users and achieve outcomes such as food security for the nation, NSWIC supports a renewed NWI outlining a transparent and predictable system of water allocation based on water availability and priority of use. These systems can automatically adjust water allocations for consumptive uses according to the water available in real-time climate conditions after higher priority needs have been met. Jurisdictional action plans must not go further than this water plan requirement.

To improve water security for productive water users there must be no further reductions to the consumptive pool to grow food and fibre. The PC Interim report suggests adopting objectives 2(e), *“transparent, statutory based water planning that includes clear pathways to an agreed and improved balance between the environment and consumptive water use in overallocated or overused systems”*, and 2(f), *“includes clear triggers and processes for reviewing the balance between water for the environment and consumptive use, such as in response to the effects of climate change.”*

These modernised objectives acknowledge that some water sources have fully developed systems that are achieving a sustainable balance between consumptive and environmental uses. As such, there is no need to return overallocated systems and/or overused water sources to sustainable levels of extraction, but to engage with stakeholders to identify triggers to be used to monitor, and if required, modify the balance of water uses to manage the risk of future resource reductions.

A further priority outcome for water security is the availability and accessibility of safe drinking water, particularly in rural and remote communities. Rivers and towns receive top priority under NSW water sharing frameworks to ensure they continue receiving water long after irrigators are cut off, based on the current hierarchy of water users.

Further consideration must be given to urban water service provision, especially as urban populations continue to grow. Solutions must be found, such as locating secondary sources and upgrading outdated town water infrastructure.

Recommendations:

- Water plans should provide a transparent and predictable system of water allocation based on water availability and priority of use.
- Balancing over-allocation should be replaced with an emphasis on how recovered water is used (i.e., through complementary measures).



Outcomes for climate change

PC Information Request 4.1: How can a renewed NWI assist jurisdictions in establishing a consistent approach to developing climate change triggers and rebalancing processes? How can common principles help manage uncertainty, and jurisdictional and regional differences?

It is well understood that extreme weather, both wet and dry, are becoming more common. Australia now experiences more extreme heating events associated with the warming of the continent, increased extreme fire weather and length of fire seasons, altered rainfall patterns, and increased frequency of heavy rainfall occurring on timescales less than a day.⁵

However, reliable access to water for all water users is not based solely on rainfall patterns, but also on the quality of government water policies which shape water management in dry and wet periods. Care must be taken that policy reforms do not overreach and attempt to 'drought-proof' the environment, particularly at the expense of productive water users.

Water is already allocated according to strict hierarchy under the NSW Water Act 2000. The first priority is towns, then the environment so rivers run, then stock and domestic, and lastly, if any water is left over, to irrigation licences. Therefore, reduced river inflows due to climate change impacts already leads to the long-term trend of less water allocated to water licences and erodes water licence reliability.

Flexible and responsive water management tools are required to achieve resilient and adaptive water systems. We believe that processes for opportunistic water take with requirements for recording and reporting for accountability should be further explored. These events present a chance to embrace new opportunities if governments would be willing to rethink their risk appetite.

Current policy settings mean that irrigators are hit first and hardest by climate variability. The Cth Water Act 2007 states, "*water access entitlement holders are to bear the risks of any reduction or less reliable water allocation... as a result of seasonal or long-term changes in climate; and periodic natural events such as bushfires and drought*".

Consequently, irrigators have a high level of concern about the impacts of climate change and reduced inflows on entitlement reliability. NSWIC believes that the risk of reductions or less reliable water allocations due to climate change needs to be shared, not just burdened on entitlement owners.

The decline of water reliability presents uncertainty and a lack of confidence for all water users (i.e., productive and the environment). Less water in the consumptive pool drives up water prices on the market and reduces the capacity of farmers to make returns, leading to declining confidence to use water for business purposes.

NSWIC is of the view that any potential negative third-party impacts on the reliability or availability of water established by the NWI and subsequent policy changes must be compensated or mitigated through negotiation with affected parties, including communities.

Governments should work with productive water users to develop pathways forward that share risks and support water users in adapting to new climatic scenarios. This could include

⁵ [State of the Climate 2022: Bureau of Meteorology \(bom.gov.au\)](https://www.bom.gov.au/state-of-the-climate/)



improving supporting architecture to deliver on the principles of the risk assignment framework, such as proposed water policy changes to be accompanied by a Reliability Impact Assessment during consultation, describing explicit impacts to water reliability to water users, and intended impact mitigation/compensation.

Furthermore, principles around climate change mitigation and adaptation must involve industry. This could include:

- Support the industry to transition to a carbon-neutral footprint (which we recognise as both a responsibility, but also essential so our industry remains globally competitive to meet shifting consumer demands and expectations into the future).
- Maximise food and fibre production at times when water is available to ensure irrigators can use up to Sustainable Diversion Limits;
- Review water allocation 'blackbox' to address additional policy drivers that are eroding water reliability beyond climatic drivers.

Future water management decisions must be informed and evidence based. Policy impacts must be analysed to ensure that one policy change is not in conflict with another. This is critical not only for water security for agriculture but to ensure any measures can even be effective.

For example, a change in access rules has meant that NSW farmers can access less supplementary water, for example, in wet years, yet other policy decisions have eroded the amount of water that can be held in storage. Policy change should not improve drought preparedness while decreasing the size of harvestable rights dams.

Recommendations:

- NWI outcomes must not attempt to 'drought-proof' the environment at the expense of productive water users.
- Opportunities afforded by climate change should be considered.
- The risk of less reliable water allocation due to climate change should be shared, not just burdened on entitlement holders.
- Negative third-party impacts on reliability resulting from water management frameworks and subsequent policy changes should be compensated or mitigated through negotiation with communities.
- Ensure one policy change is not in conflict with another.

Outcomes for water for the environment

PC Information Request 5.1: Where water resources have been identified as overallocated outside of the Murray-Darling Basin and options identified to recover water to meet environmental outcomes, the Commission invites further information on:

- the estimated cost of the options considered
- reasoning behind the selection of the options implemented if not the most cost-effective
- any programs or measures implemented to mitigate any identified socio-economic impacts with the selected options?



The sustainable water extraction in coastal catchments project was launched in September 2023, and will take a risk-based, precautionary approach to *“Improving our understanding of water requirements on the coast”*.⁶

This project was launched following the (incomplete) development of a catchment-based assessment tool to determine whether the 30% harvestable right limit was sustainable for individual coastal catchments in NSW. Figure 5-5 of the HARC Modelling⁷ used in the Coastal Catchment Review of Harvestable Rights revealed that an increase to 30% would have negligible impact on LTAAELs in the five coastal water sharing plans (WSPs) that currently include harvestable rights in their LTAAELs. However, the incoming State Government after the 2023 NSW election decided to disregard this data, and instead reverse the coastal harvestable right to its previous 10% limit.

Many aspects of this project remain unclear to coastal water users and landholders as no information sessions have been organised for affected stakeholders or peak groups. The NSW Government has not provided information on whether there are any overallocated water resources, or where they are. No options to recover water are identified, however, it is stated that *“work is needed to further improve our understanding of the sustainable level of extraction, including assessing climate change risks, so the needs of the environment and the community can be met into the future”*⁸.

Coastal water users are concerned that the consumptive pool, water available for basic landholder rights, and water available for natural disaster preparation such as bushfire preparedness, may decline as a result of these studies. There is particular ambiguity as to what will happen to surrendered water licences, and unallocated water under the sustainable diversion limits. It is also unclear how socio-economic impacts will be identified or mitigated.

As more water is allocated for environmental use, the renewed NWI should contain an outcome that addresses the monitoring and evaluation of environmental water programs.

This should distinguish between the environmental outcomes achieved as a result of the use of water entitlements held by Commonwealth and State governments, and outcomes achieved as a result of planned environmental water that was already available due to state-based water sharing plans.

This is to ensure that environmental water is used to maintain, restore and sustain the health and integrity of the natural environment and water-dependent ecosystems as suggested in NWA Discussion paper Objective 1.

Recommendations:

- The renewed NWI should contain an outcome about the monitoring and evaluation of environmental water programs.

⁶ [Sustainable water extraction in coastal catchments \(nsw.gov.au\)](https://www.nsw.gov.au)

⁷ [Review of Harvestable Rights for Coastal Catchments, Modelling Component \(nsw.gov.au\)](https://www.nsw.gov.au)

⁸ [Sustainable water extraction in coastal catchments \(nsw.gov.au\)](https://www.nsw.gov.au)



Outcomes for water resource accounting

PC Information Request 8.1: What are the main causes of the low uptake of AS4747 meters by non-urban water users for new and replacement meters, and what targeted interventions would be most cost-effective in addressing this low uptake? What are the public benefits of metering? The Commission has heard that there is a shortage of Certified Meter Installers and Duly Qualified Persons. What is causing the shortage, and how can it be overcome?

In November 2023, NSWIC released the report *Addressing Metering Compliance Barriers*⁹, a review of the implementation of the NSW Non-Urban Water Metering Policy. The report identified many issues and barriers beyond the control of water users that require urgent attention, and suggested options for the NSW Government to consider to resolve them.

Reasons for the low uptake of AS4747 meters by non-urban water users include:

- The overlapping metering requirements on licence conditions, Water Sharing Plans (WSPs) and the Metering Policy have led to confusion over what and when water users need to comply with.
- Smaller water users are required to purchase the same metering equipment as larger, higher-risk water users and struggle to afford the cost (especially if they have multiple pump sites).
- Due to the use of tamper-proof seals, ‘easy to fix’ metering issues such as cleaning debris from within the pump are not possible, as only a DQP can break and re-verify these seals.
- A shortage of Duly Qualified Persons and Certified Meter Installers. Common reasons provided by water user are the DQP states they are too busy, or after initial contact, the DQP is unresponsive to any follow up communication.
- Some water users in the later tranches are unaware of the reform and their obligations – which we anticipate being most significant on the coast. This is because many water users in these regions are very small, irrigate infrequently, or may not even identify as an irrigator (i.e., hobby farmers, caravan park owners, etc.)
- Slow progress in addressing barriers by DCCEEW

The shortage of Certified Meter Installers and Duly Qualified Persons has been caused by:

- The high cost and time commitment required by individuals and/or businesses to do the training with IAL (estimated to be \$3000), and the loss of investment and expertise when trained individuals and/or staff change employment;
- DQPs employed by a particular farm/business who are not available to service the wider community;
- Businesses prioritise other paid services (e.g., welding, fabricating, or engineering);
- A lack of financial incentive that makes it not worthwhile;
- DQP difficulty in achieving IAL requirements for annual accreditation (e.g., minimum number of validations performed per year);
- Heavy workload, physically and administratively, to be completed for each installation and certification;
- Lack of DQP training for certain practical skills (e.g., portable meters, in-situ testing methods);
- DQP portal is not fit for purpose making administrative work harder;
- The infancy of the Metering and Measurement Marketplace; and,

⁹ [Addressing-Metering-Compliance-Barriers-NSWIC-Report.pdf](#)



- There is only one institution providing training to become a DQP which may bottleneck the market.

The NSW Government is developing a report to address these barriers – this information is expected to be released at any time. Key solutions NSWIC has suggested include:

- Provide an automatic temporary exemption for known barriers;
- Provide a simple pathway for water users to correctly identify inactive works that are not used to take licensed water from a water source, or which only take water under a basic landholder right.
- Remove inconsistent metering conditions on licences.
- Government to coordination of DQP services to match supply with demand.
- Develop support services for DQPs, specifically that streamline administrative tasks.
- Decouple of data loggers and telemetry from meter installation requirements
- Government to assuming responsibility for telemetry systems
- Revisit the Floodplain Harvesting measurement policy to ensure it is effective practically.
- Develop a clear education strategy (encompassing in-person, print and online resources) for water usage reporting expectations, particularly for smaller and coastal water users.

Outcomes for community partnerships and adjustment

PC Information Request 11.1: In the past three years, what, if any, improvements have been made by governments to improve community engagement processes? Where engagement has occurred or feedback provided by community groups, do those groups feel they have a greater understanding of how decisions were taken and what consideration was given to community views?

NSW Non-Urban Water Metering Reform

The NSW Government’s approach to engagement for the Metering Reform has been a largely positive experience. When engagement began in July 2023, the NSW Department of Climate Change, Energy, the Environment and Water was transparent about the drivers, purpose, and expected stages and timeframes of the metering reform process.

In subsequent months, the department organised targeted consultation sessions with NSWIC to understand the barriers to implementation that were being experienced by our members – on-the-ground water users. The information discussed during these sessions clearly shaped the content in the Discussion Paper published by the department in October.

When seeking feedback on the consultation paper, department staff held public consultation sessions online, tailored to the three ‘tranches’ of the reform. Staff also accepted invitations to present at industry group meetings to present on the Discussion Paper and take initial feedback. Informative peak stakeholder meetings also continued during this time.

The department followed this consultation by releasing a ‘What We Heard’ report in February. This report was balanced and clearly stated the data collected throughout the consultation. The next report detailing what options will be pursued has been delayed (due in March/April 2024), however, the Water Minister and department have not explained why.



NSWIC believes that this process has achieved the outcomes put forward in NWI outcome 93; “Parties agree that the outcome is to engage water users and other stakeholders in achieving the objectives of this Agreement by: i) improving certainty and building confidence in reform processes; ii) transparency in decision making; and iii) ensuring sound information is available to all sectors at key decision points.”

Sustainable Extraction in Coastal Catchment Project

In comparison, the sustainable extraction in coastal catchments project (discussed in section “outcomes for water for the environment”) has significantly lacked stakeholder engagement. The NSW Government’s decision to reverse coastal harvestable rights from 30% back to 10% was made suddenly, was communicated by email, and did not reflect the views of affected stakeholders.

Due to industry shock at the announcement, the NSW DCCEEW organised a meeting with the coastal harvestable rights catchment-based assessment working group to explain the Water Ministers' decision, and briefly outline the new sustainable extraction in coastal catchment project would involve. Questions were asked, but the department has not responded.

Since September, no new information has been provided, and decision-making continues to be hidden behind closed doors. The scope, framework, modelling and timeframes that will be used for the coastal sustainable extraction research remains unclear. There is an evident lack of effective community partnership and engagement, preventing water users from understanding any risk or potential change to the consumptive pool.

Similarly, community and industry consultation on the Murray-Darling Basin Plan’s development and implementation has been poor since the reform’s inception. The community and industry’s experience of this far-reaching reform being done to them, not with them, by public servants, politicians and academics living in distant cities, is well-documented in multiple reviews and reports, including the 2020 Review of Socio-economic Conditions in the Murray-Darling Basin, also known as the Sefton report.

Recommendations:

- NSWIC supports the continuation of NWI outcome 93, “Parties agree that the outcome is to engage water users and other stakeholders in achieving the objectives of this Agreement by: i) improving certainty and building confidence in reform processes; ii) transparency in decision making; and iii) ensuring sound information is available to all sectors at key decision points.”

Outcomes for First Nations’ Water Interests

NSWIC supports the inclusion of a new objective and element for First Nations access to water and involvement and participation in water management.

We acknowledge the role of the Committee on Aboriginal and Torres Strait Islander Water Interests (CAWI) and the importance of its input into this new element of a National Water Agreement in line with commitments under the National Agreement on Closing the Gap,



engagement with First Nations groups, and with direct reporting to water ministers (PC interim report renewal advice 9.1).

With regards to improving access for economic development, PC interim report renewal advice 9.3 suggests *“where agreement is reached between State and Territory Governments and Traditional Owners that consumptive access to water is an effective way to support the economic development of Aboriginal and Torres Strait Islander communities, access is provided by sourcing water within existing water entitlement frameworks, such as by purchasing water on the market or as part of transparent processes for assigning unallocated water.”*

NSWIC supports that *“access is provided by sourcing water within existing water entitlement frameworks, such as by purchasing water on the market”*. When considering First Nations water interests under the objectives of the NWI, current planning and entitlement frameworks must be upheld in the allocation of water. Assurance must be provided that additional entitlement pools are not created, and it must be understood that there is no ‘new’ water, so water entitlements owned by First Nations must be purchased from the existing entitlements on issue.

However, water users feel there is much uncertainty around the concept of transparently assigning unallocated water to First Nations, particularly its relevance in Murray-Darling Basin catchments that are over-recovered, and in coastal valleys where water licences have been surrendered. We do not support water buybacks that distort water markets, compulsory acquisition or rules-based changes that reduce water access under the current entitlement framework in order to redirect water to First Nations for economic development.

NSWIC supports a water management framework that recognises and protects First Nations’ Cultural, spiritual, social, environmental and economic water interests and values. We support the recognition of this, however, do not support the prioritisation of one water user groups rights over others.

On the topic of ‘indigenous access to water, including through native title rights to water’, the PC interim report notes; *“There is still generally limited use of native title rights to water and jurisdictions need to take steps to adapt their policies to better utilise native title legislation and give First Nations greater access to water”*.

Additionally, *“access to water is not the only barrier that First Nations peoples may face in taking advantage of economic development opportunities. Other factors, such as access to specialist skills and knowledge, experience with water related businesses, and the infrastructure and financial capital needed to make best use of water are just as important”*.

This assessment finds that current mechanisms under the current NWI to improve First Nation access to water are not fully implemented, and therefore are not yet achieving desired outcomes due to slow progress.

Recommendations:

- NSWIC supports the inclusion of an objective for Aboriginal and Torres Strait Islander water interests.
- PC recommendations should be considered and adopted regarding the outcomes of this objective.



- Care must be taken to not prioritise one groups' water rights over others.
- Water entitlements owner by Aboriginal and Torres Strait Islander people must be purchased from the existing entitlements on issue.
- Further clarification on the objective and outcomes to build trust and confidence in the structure, scope and detail of this objective.

Outcomes for best practice pricing

The PC Interim report recommends that the modernised objectives include 'cost-reflective pricing of water services'. NSWIC believes the renewed NWI should have a specific objective and related outcomes to guide the apportioning costs for public interest items, recognising the source of the demand, and the benefits of these items to the community. Please Appendix B for more information, specifically that:

Jurisdictions will implement an equitable and fair pricing approach that seeks to recover costs for service delivery from urban, rural, environmental and First Nations water entitlement holders, but funds public interest water management, policies and projects separately in recognition that changing values across society at large are driving changed priorities.

Outcomes for effective governance arrangements

Water user trust in government decision-making for water management has been eroded due to several factors including poor engagement and non-genuine consultation with stakeholders, unclear decision-making processes and a lack of evidence supporting reforms.

NSWIC supports governance arrangements that are built on the sound foundations of the NWI 2004, and that hold government accountable to upholding these foundations. We also agree that principles need to be flexible so that individual jurisdictions can identify action plans that recognise the water management needs of the state or territory. This approach will ensure that jurisdictional laws and policy reforms remain relevant and effective.

Regarding accountability, we support the PC Interim report suite of suggestions to establish "clear and transparent arrangements" that include:

- Ongoing leadership by ministers through the water ministerial council.
- Rolling three-year action plans to ensure a commitment to continuous improvement and progress.
- Independent and transparent assessment of progress.
- Clear roles and responsibilities for oversight, management, and renewal of the agreement.
- Reinvigorated National Water Reform Committee (NWRC) process, and specific responsibilities for the Commonwealth.
- The incorporation of First Nations' interests directly into the governance of the agreement.
- Greater coordination of joint work in areas of collective interest.



Outcomes for Water Markets and Trading

The current NWI only narrowly defines third parties as holders of entitlements. Subsequently, the Cth Water Act 2007 and Murray-Darling Basin Plan 2012 both adopt the NWI objective of protecting third parties, and omit a more nuanced understanding of third parties affected by national water reforms.

Third parties extend beyond entitlement holders to the broader social and economic impacts arising from national water reforms. This includes the changing trends of water use brought on by market dynamics, and the impacts this has on communities, industries/sectors, businesses, and jobs. This also extends to the uneven impacts between geographic regions, as well as various irrigated agriculture sectors/commodities. This should be recognised within the renewed NWI.

Monitoring cumulative impacts of water reforms

Governments should be required to assess the cumulative impacts of water reforms (i.e., policy decisions and river operation changes) on the reliability and security of water property rights.

If the NWI is to be fully implemented there must be the ability to track progress (or lack thereof) towards achievement and ensure accountability of governments to their clearly defined roles and responsibilities.

The renewed agreement should link outcomes to objectives, and have actions that set out principles for best practice, and fit-for-purpose policy approaches to achieving outcomes.

Conclusion

NSWIC and our members are available at your convenience if you have any questions or would like any further information.

Kind regards,

NSW Irrigators' Council.



Appendix A: Feedback on the Productivity Commission Renewal Advice

NWI renewal advice	NSWIC Comment
3.1: A modernised goal	Supported.
3.2: Modernised overarching objectives	Supported.
3.3: Modernised objectives	Supported. NSWIC wishes to highlight our support of: Objective A2(e) - the PC suggests a collaborative approach to achieve environmentally sustainable consumptive water use. Objective A3 – PC notes the demonstrates the importance of complementary measures. Objective A4 – PC balances the need to Close the Gap without prioritising one group's water rights over others or exacerbating existing polarisation. Objective B2 – This is essential. Water service must reflect customer preference, rather than diluting customer feedback amongst other stakeholders who are not directly impacted and do not have to pay. Objective B4 – Cost-shares must demonstrate consideration of affordability and water user capacity to pay.
3.4: Overarching principles	Supported. NSWIC suggests the inclusion of 'maintain water entitlement property rights' as an additional principle.
3.5: Elements of a renewed agreement	Supported.
3.6: An updated statement of interactions	Supported.
4.1: Governance arrangements for a renewed NWI	Supported.
5.1: Fit-for-purpose water resources management	Supported.
6.1: Managing water use under the entitlement's framework	Supported. The PC rightly highlights that <i>"jurisdictions should recommit to the key outcomes and actions related to water access entitlements, which have been fundamental to the integrity of water management and a necessary prerequisite for water trading and markets. This includes ensuring that entitlements are statutory based, that they provide a perpetual or an open-ended share of the consumptive pool, and that they are separate from land."</i>
6.2: Water planning	Processes to better account for climate change must manage both extremes of climate change; wet and dry.



	The PC suggests that there are clear provisions for allocating risk, with water access entitlement holders continuing to bear the risks to the consumptive pool arising from climate change and periodic natural events. We do not support this and believe that the risk of reductions or less reliable water allocations due to climate change needs to be shared, not just burden entitlement owners.
7.1: The role and application of water trading and markets	Supported.
7.2 Leading practice governance, regulatory, and operational arrangements	Supported. In addition, NSWIC suggests that the framework and rules governing trading to limit effects on third parties be broadened to include socio-economic impacts on (non-entitlement holders), regional and industry development, and the integrity of water access entitlements.
7.3 Information to support efficient water markets	Supported.
8.1: Best Practice environmental objectives and outcomes	Supported. NSWIC is concerned that recent environmental management has focused simply on volumes of water rather than ecological outcomes. The PC suggests objectives that achieve environmental improvements.
8.2: Integrated management	Supported. The irrigation industry supports complementary or non-flow measures to improve the health of river systems. We support resourcing of the five indicators of ecosystem conditioning.
8.3: Waterway oversight	Supported.
8.4: Review processes for outcomes	Supported.
8.5: Objectives and priority setting or held water	Supported. Now that Sustainable Diversion Limits are in place, and the CEWH has significant volumes of water to improve environmental health, the focus must shift to maximising environmental outcomes using this water.
8.6: Transparent trade strategies	Supported.
8.7: Innovative market approaches	Supported.
8.8: Capacity to vary entitlement portfolio	Only through trade. We do not support compulsory acquisition or rules-based changes, or options that have negative impacts on third-party participants.
8.9: Actively pursue public benefit outcomes	Supported.



8.10: Independent managers and auditing	NSWIC desires further clarify on how decisions on the use of the water would be made by an independent body at arm's length from the agencies directly managing environmental water.
8.11: The system manager's role in environmental management	Supported.
8.12: Commitment to adaptive management	Supported.
9.1: A new co-designed element	Supported.
9.2: Improving cultural outcome using existing frameworks	Supported.
9.3: Improving access for economic development	NSWIC supports that "consumptive access to water... is provided by sourcing water within existing water entitlement frameworks, such as by purchasing water on the market".
10.1: Building system integrity through a renewed element	Supported. Water resource accounting lacks transparency, heightened by the complexity of the systems. There is a need for reliable information and processes based on that information (e.g., under usage trigger points and stimulus policy mechanisms).
10.2: Ensuring the integrity of water use	Supported. It must be noted that the metering and monitoring reforms be fit-for-purpose and that compliance be practically achievable.
10.3: Ensuring the integrity of water system management	Supported.
10.4: Ensuring information on the broader water context aligns with water users' needs	Supported.
11.1: Maintain key principles of service delivery	Supported. NSWIC specifically supports 'cost recovery from users'. In NSW, the Independent Pricing and Regulatory Tribunal (IPART) have adopted an 'impactor-pays' principle for rural bulk water pricing. Irrigators are the 'impactor' and bear the cost for public interest items like water quality monitoring, dams, and environmental management.
11.2: Principles for best-practice independent economic regulation	Supported.
11.3: Improving pricing and service outcomes	Supported.



11.4: Performance monitoring and reporting	Supported.
12.1: Best-practice urban water system planning 12.2: Improving pricing and service outcomes 12.3: Improving pricing and service outcomes 12.4: Ensuring access to a basic level of service 12.5: Governance of regional and remote services 12.6: Monitoring and reporting on regional and remote service quality	NSWIC acknowledges the importance of urban water reform but will focus on the rural water reform components of this inquiry.
13.1: Helping communities deal with adjustment pressures	Supported. NSWIC is of the firm position that this component of the NWI has been undeniably poor in implementation, to the extent that it has not been realised. We call for a recommitment by governments to genuinely achieve triple bottom-line objectives, including specific measures to boost social and economic outcomes.
14.1: A New Water Infrastructure element	Supported.
14.2: Assessment criteria for water infrastructure	Supported.
14.3: Institutional arrangements	Supported.
15.1: Community engagement framework	Supported.
16.1: Effective knowledge generation	Supported. 'Adaptive management' is fundamentally important to water management, but jurisdictions have failed to apply the principle in practice. Often implementing change, including formal inquiry recommendations, encounters rigidity of policy, hindering progress.



Based on the Commission's renewal advice and NSWIC recommendations in submissions to the Commission, NSWIC has written this model NWA/NWI that can be used as a guide for jurisdictions.

Appendix B: Model National Water Agreement/NWI 2024

Model National Water Agreement/NWI 2024

NWA preamble

Objectives

Outcomes

Overarching principles

Statement of interactions

Implementation

Water resource management

- Water access entitlements and planning frameworks.
- Water trading and markets
- Environmental management
- First Nations interests in water
- Ensuring the integrity of water resource management

Water services provision

- Pricing and institutional arrangements
- Urban water services
- Water reform in rural Australia
- Government investment in major water infrastructure
- Community engagement
- Knowledge and Capacity Building

NWA preamble

The Parties commit to this renewed National Water Agreement in recognition of the continuing national imperative to:

- increase the productivity and efficiency of Australia's water use;
- service the needs of rural, urban and First Nations communities;
- support food and fibre production;
- ensure the health of river and groundwater systems and their surrounding landscapes; and,
- adapt to a changing climate with more extreme drying and wetting cycles.

In committing to this agreement, the parties recognise Aboriginal and Torres Strait Islander people's reverence and ongoing cultural responsibility for rivers and groundwater systems and their desire to participate in all significant processes and decisions informed by this Agreement.

This National Water Agreement incorporates key elements from the 2004 National Water Initiative that remain essential to managing water in Australia, and adds new elements to close gaps identified in the 2004 NWI.



Objectives

- Optimise economic, environmental, social and cultural outcomes through best practice water management that provides certainty for investment, water users, food and fibre production, the environment, and Aboriginal and Torres Strait Islander people.
- Secure water for all consumptive uses through a clear and nationally compatible system of water access entitlements.
- Secure water for the economic benefit of Aboriginal and Torres Strait Islander people through the existing entitlement framework, with enduring ownership of entitlements and First Nations self-determination in the use of those entitlements.
- Enable genuine Aboriginal and Torres Strait Islander participation in all significant processes and decisions informed by this Agreement.
- The management of all surface water and groundwater in conjunction with complementary measures to improve all five indicators of ecosystem condition identified in the 2007 Sustainable Rivers Audit (Hydrology, Fish, Macroinvertebrates, Vegetation and Physical Form).
- Enable water users, urban and rural communities, the environment and First Nations to adapt to a changing climate in real time through water allocation frameworks that support social, economic, environmental and food and fibre production through more intensive wetting and drying cycles.
- All Australians, including regional and remote communities, have reliable access to clean, safe, accessible and affordable water for drinking and sanitation.

Outcomes

Full implementation of this agreement will result in:

- A. A nationally consistent planning, market and regulatory based system of managing surface and groundwater resources for rural, urban and remote use that:
- optimises economic, environmental, social, food security and First Nations cultural outcomes.
 - enables entitlement holders, communities, the environment and First Nations to contend with climate variability and adapt to a changing climate with more extreme wetting and drying cycles.

by achieving the following:

1. Clear, nationally consistent statutory systems for secure water access entitlements.
2. Transparent, statutory based water planning that:
 - a) is risk based, matching the level of management with the level of water extraction and complexity in a system;
 - b) includes all sources of water, recognises connectivity between surface and groundwater, takes into account water quality and gives equal priority to improving



- all five indicators of surface and groundwater ecosystem condition (Hydrology, Fish, Macroinvertebrates, Vegetation and Physical Form);
- c) clearly identifies the agreed environmental, cultural and other public benefit outcomes to be met through the water planning process;
 - d) is co-designed with directly affected communities and industries;
 - e) equitably shares the costs of public benefit outcomes across the Australian community;
 - f) includes agreed, adaptive processes for water sharing and management during periods of water scarcity;
 - g) includes clear pathways to an agreed balance between the environment and consumptive water use in overallocated or overused systems; and,
 - h) includes clear triggers and processes for sharing the impacts of climate change wetting and drying extremes between the environment and water users.
3. Statutory water provisions for the environment which are integrated with complementary natural resource management to achieve agreed environmental outcomes and, where this does not compromise environmental outcomes, managed to also achieve cultural and social benefits.
 4. Effective and enduring pathways to enable Aboriginal and Torres Strait Islander people to participate in water planning and natural resource management that affect Country and access to water consistent with the 2020 National Agreement on Closing the Gap
 5. The capacity to trade water between uses to promote efficiency within the physical, ecological and social constraints of water systems in an open, transparent water market with a level of regulation that is proportional to the maturity of market development
 6. A fit-for-purpose system of water metering, measurement and accounting, coupled with effective compliance, that promotes water user and community confidence in the integrity of water management and water markets.
 7. Clarity on the assignment of risk arising from future changes in the availability of water for urban and rural communities, and how future adjustment should be managed.
- B. Effective, efficient and equitable provision of water services that meets the needs of customers and communities in a changing climate characterised by more intensive wetting and drying cycles, by achieving the following:
1. Access to safe and reliable drinking water, including in remote communities.
 2. Clear objectives for the level and quality of water services which reflect customer preferences.
 3. In cities and towns:
 - (a) integrated planning and management of water supply, wastewater and stormwater services; and,
 - (b) efficient water services that deliver outcomes, including urban amenity and liveability, in line with customer preferences and capacity to pay.



4. Cost-reflective pricing of water services (including water supply, wastewater disposal and stormwater management) wherever possible, with transparent funding support through community service obligation payments targeted at bridging the cost of providing safe and reliable drinking water and service affordability in regional and remote communities.
5. Institutional arrangements that:
 - (a) ensure the separation of policy setting, service delivery and regulation with clear roles for each; and,
 - (b) incentivise water service providers to be efficient and innovative, and to deliver services in ways that are cost-effective and in the interests of their customers.
6. Processes that ensure that water infrastructure developments and major refurbishments are ecologically sustainable, economically viable and culturally responsive.

Overarching principles

Governments agree to the following principles and seek to apply them across all key areas of water policy, planning and operations.

1. Strong capacity to contend with droughts, floods and shocks, and adapt to a changing climate.
2. Maintain water entitlement property rights.
3. Regulation, governance and management are fit for purpose.
4. All decisions are based on the best available evidence and information.
5. Innovation and continuous improvement are encouraged and adaptive management is required.
6. Communities are engaged effectively before decisions that impact them are made.
7. Communities are provided with sufficient information to enable effective engagement.

Statement of interactions

Other initiatives with a significant water focus, subject to separate agreements by the Parties, include the Water Amendment (Restoring our Rivers) Act 2023, Water Act 2007 (Cth), the 2012 Murray-Darling Basin Plan, the Murray-Darling Basin Agreement and the 2020 National Agreement on Closing the Gap.

These play an important and complementary role in improving the management of water in Australia. Continued linkages to the National Water Quality Management Strategy will also complement achievement of the objectives of this agreement.

The National Water Agreement should be the major policy vehicle for pursuing the water-related goals endorsed as part of the United Nations 2030 Agenda for Sustainable Development. These water-related goals include clean water, environmental sustainability and food security.



Implementation

The goal, objectives and principles of this National Water Agreement should be delivered through the following elements:

Water resource management

Water access entitlements and planning frameworks.

The parties agree to:

- Maintain existing water entitlement property rights.
- Remove the special provision for minerals and petroleum industries in water access and planning arrangements to support better incorporation of these industries into water access entitlements frameworks that apply to other consumptive users.
- Establish a process to determine the extent to which current management arrangements for alternative water sources such as stormwater and recycled water create barriers to investment.
- Adopt a risk-based approach to managing significant interception activities under water access entitlements frameworks.
- Specify measurable and well-informed cultural and environmental outcomes.
- Improve engagement with First Nations people, including for governments to meet their commitments to priority reforms under the National Agreement on Closing the Gap and to develop partnerships for shared decision-making.
- Prepare statutory water plans that will provide for:
 - i) secure ecological outcomes by describing the environmental and other public benefit outcomes for water systems and defining the appropriate water management arrangements to achieve those outcomes; and
 - ii) resource security outcomes by determining the shares in the consumptive pool and the rules to allocate water during the life of the plan.

The relevant State or Territory will determine whether a plan is prepared, what area it should cover, the level of detail required, its duration or frequency of review, and the amount of resources devoted to its preparation based on an assessment of the level of development of water systems, projected future consumptive demand and the risks of not having a detailed plan.

- Include priorities, actions and rules in water plans that cover drought and flood conditions, as well as mechanisms to deal with more extreme scenarios, including clear triggers, roles and responsibilities for actions and a hierarchy of uses.
- Better incorporate water quality issues into water planning, particularly in drought and flood scenarios.



- Equally share climate change impacts between environmental and consumptive uses. The process requires effective community partnerships and engagement, must be informed by the best available environmental, social and economic data and should be transparent.

Water trading and markets

The parties agree their water market and trading arrangements will:

- Facilitate the operation of efficient water markets and the opportunities for trading, within and between States and Territories, where water systems are physically shared or hydrologic connections and water supply considerations will permit water trading.
- Minimise transaction costs on water trades, including through good information flows in the market and compatible entitlement, registry, regulatory and other arrangements across jurisdictions.
- Enable the appropriate mix of water products to develop based on access entitlements which can be traded either in whole or in part, and either temporarily or permanently, or through lease arrangements or other trading options that may evolve over time.
- Recognise and protect the needs of the environment; and,
- Provide a market framework and rules that prevent negative impacts on third-parties, non-entitlement holders, regional and industry development, and the integrity of water access entitlements.

In efficient water markets:

- Registers of all water access entitlements and trades are publicly accessible, timely and reliable.
- Basic trade data – including on prices (clearly specifying reasons for zero-price trades), volumes, dates, locations and product types – are publicly available
- Publicly provided non-trade information covers market rules and the quality and accessibility of water resources.

Environmental management

Environmental objectives and outcomes agreed in water plans will be guided by criteria on the identification of key environmental assets (including dependent downstream estuaries and near-shore marine environments), the values communities place on those assets, and the actions required to improve all five indicators of ecosystem condition (Hydrology, Fish, Macroinvertebrates, Vegetation and Physical Form) described in the 2007 Sustainable Rivers Audit.

- A. Jurisdictions will develop consistent national approach to monitoring environmental outcomes delivered from both planned and held environmental water.
- B. Waterways or water-dependent ecosystems will be considered high environmental priority if they have one, or more, of the following characteristics:
 - formally recognised significance (under Australian or State Government legislation).
 - the presence of highly threatened or rare species and ecological communities (under Australian or State Government legislation).



- high naturalness values (for example, aquatic invertebrate communities or riparian vegetation).
 - vital habitat (for example, drought refuges or important bird habitats and key sites for connectivity).
- C. Environmental objectives and agreed environmental outcomes will:
- be set through a collaborative, stakeholder and community process that considers the relative community value of outcomes.
 - be based on good scientific, objective and on-the-ground knowledge.
 - clearly identify any risks and potential environmental trade-offs under different climate scenarios (including wet, average and dry years).
 - be transparent, logical and easily understood by stakeholders.
 - be specific and defined well, enabling clear long-term performance indicators to be set and monitored.
- D. The management of environmental water will be integrated with complementary waterway management at the local level with equal resourcing to improve all five indicators of ecosystem condition (Hydrology, Fish, Macroinvertebrates, Vegetation and Physical Form).
- E. Where not in place, State and Territory Governments will establish a formal institutional oversight responsibility for wetland and waterway management that provides an interface between the management of waterways, environmental water and complementary measures. The roles and functions of a waterway manager will include:
- undertaking collaborative planning processes that result in clearly articulated environmental objectives, targets and priorities;
 - ongoing collaboration with First Nations;
 - ongoing environmental risk assessment;
 - providing input to water planning processes on environmental priorities and impacts;
 - oversight of natural resource management actions to achieve agreed objectives;
 - working with the system manager to achieve agreed environmental outcomes;
 - facilitating on-ground delivery of environmental water management and complementary measures;
 - monitoring and reporting on environmental outcomes and risk management;
 - evaluation where environmental outcomes were not achieved;
 - providing opportunities for community participation, to facilitate change and awareness of waterway issues; and,
 - communicating policy changes to stakeholders.
- F. Environmental water managers managing held environmental water will make decisions on where, how and when held environmental water is used according to the following criteria:
- extent and significance of environmental benefit;
 - likelihood of success;
 - longer-term benefits;
 - urgency of watering needs;
 - feasibility of the action;
 - environmental or third-party risks;
 - cost effectiveness of the watering action;



- efficiency of water use; and,
 - additional cultural, economic, social and First Nations benefits.
- G. Environmental water holders will have transparent and publicly reported trading and carryover strategies and reporting statements for entitlements and allocations that show the best use of water to contribute to environmental outcomes as opportunities arise.
- H. Revenue from trading will be held in a dedicated, ring-fenced account with the ability to be carried over and devoted to activities that deliver improved environmental outcomes, including use environmental water and implementation of complementary measures.
- I. Environmental water holders will work with system managers and consumptive entitlement holders to pursue innovative market approaches beyond government ownership of held environmental water.
- J. Environmental water holders will improve collaboration and communication with First Nations on cultural water decision making and outcomes in environmental water planning.
- K. Jurisdictions will undertake independent auditing on at least a five-yearly basis of the achievement of environmental outcomes resulting from planned and held environmental water, including the adequacy and use of environmental water to achieve outcomes.
- L. State and Territory Governments will use the results of monitoring, evaluation and research to publicly report on environmental water use, the outcomes of watering events, the achievement of ecological outcomes, and monitoring of objectives.

First Nations interests in water

- A. The parties agree to ensure alignment between commitments under the National Agreement on Closing the Gap and the National Water Agreement.
- B. The Committee on Aboriginal and Torres Strait Islander Water Interests (CAWI) will:
- Advise jurisdictions on the design, implementation and monitoring arrangements for National Agreement on Closing the Gap inland waters target.
 - Continue to engage with First Nations groups.
 - Report directly to water ministers.
- C. cultural objectives are explicitly identified and provided for in water plans and progress in achieving those objectives is regularly monitored and reported publicly.
- D. environmental water holders seek to deliver cultural outcomes whenever consistent with their ecological obligations.
- E. Natural resource managers incorporate cultural objectives into river and wetland plans and work with Traditional Owners in on-ground management programs to achieve them.
- F. Water is sourced from within existing water entitlement frameworks, such as by purchasing water on the market, to support the economic development of First Nations communities.



- G. First Nations communities are supported with training and business development, and information provision about the costs of accessing, holding and trading water), to enable self-determination in realising the value of the resource for their needs and uses.

Ensuring the integrity of water resource management

To ensure the integrity of water use, this agreement requires:

- Metering and measurement of surface water and groundwater take and reporting on use.
- Registers to support compliance and enforcement systems as well as critical functions in supporting trade.
- Compliance and enforcement systems, including a focus on proactive regulation to increase entitlement holders' awareness of their obligations.
- A risk-based approach to developing and maintaining information and data collections necessary for effective water system management, including publicly available information about how much water is in a system, where it is, how much is extracted (including by interception activities), how much is carryover, and who gets what and when.
- Transparency in the communication of water managers' decisions, operations and performance and expeditious responses to public concerns and information requests.

Water services provision

Pricing and institutional arrangements

Jurisdictions will implement an equitable and fair pricing approach that seeks to recover costs for service delivery from urban, rural, environmental and First Nations water entitlement holders, but funds public interest water management, policies and projects separately in recognition that changing values across society at large are driving changed priorities.

Economic regulation of water service providers will reflect the following principles:

- Regulatory decisions are guided by the objective of promoting the long-term interests of customers.
- Utilities have incentives to innovate and improve their efficiency.
- Regulatory decision-making processes include effective customer and community engagement.
- Prices reflect the full efficient cost of service provision.
- Public interest capital expenditure and operational costs are publicly funded, recognising that change is being driven by evolving values across society at large.
- Regulatory decisions consider the long-term financial viability of utilities.
- Regulatory decisions consider the ability and capacity of water users to pay.
- Regulatory processes are transparent to allow scrutiny.
- Regulatory frameworks are adaptable and flexible.



Urban water services

State and Territory Governments will each develop a definition of, and ensure access to, safe and reliable drinking water.

- A. Best-practice urban water system planning will incorporate the following principles:
- Integrated management of water supply, wastewater and stormwater is embedded in urban water planning and management systems.
 - Planning decisions align with system objectives for levels of water security, service quality, the environment and urban amenity.
 - System objectives are discovered through a transparent and consultative approach and approved by governments in line with customer and community preferences.
 - Urban water planning connects water planning across different scales and with land-use planning.
 - All supply options are considered and their relative merits subject to a rigorous, consistent and transparent assessment of costs and benefits.
 - Roles and responsibilities in the planning and management process are clearly assigned between relevant governments, utilities and other planning entities.
 - Governments enable effective coordination between utilities, regulators, developers and land-use planners.
 - Governments develop national guidelines for both long-term system planning and contingency planning for regional and remote water systems.
 - Governments develop improved, practical guidance on funding stormwater management and incorporating stormwater into pricing frameworks
 - Governments apply the principle that developer charges are cost reflective.
- B. All urban water service providers, including those with fewer than 10,000 connections, will be subject to jurisdictional monitoring and public reporting.
- C. Operational subsidies to maintain a basic level of service to all customers in high-cost regional and remote services will be provided as transparent community service obligation payments. Payments to local government-owned providers will be:
- designed to ensure access to a basic level of service in those communities where such service provision would otherwise be unviable;
 - adequate to ensure a basic level of service is considered affordable;
 - based on credible data on efficient service costs, subject to a degree of independent oversight, following State or Territory government involvement in system planning;
 - calculated in a predictable fashion to provide a reliable source of funding; and,
 - conditional on ongoing operational improvements, such as improvements to utility governance, better service outcomes (based on performance monitoring), compliance with guidelines for system and contingency planning, or for pursuing collaboration.
- D. Monitoring and reporting of water quality and service outcomes in remote Aboriginal and Torres Strait Islander communities should be coordinated with the development of data collection required to measure progress against the community infrastructure target under the National Agreement on Closing the Gap.



Water reform in rural Australia

Governments will provide industry and community assistance to adjust to the short and long-term impacts of policy-induced reductions in water availability.

Jurisdictions will:

- Assess the socioeconomic impacts of any major potential policy change to identify possible community needs. Effective community partnerships and engagement are critical to understanding the wider context.
- Target the welfare and skills of individuals, and regional development planning and initiatives to leverage community capabilities and competitive advantages.
- Co-design assistance programs with the affected communities and integrate the programs with regional development strategies and frameworks.
- Give priority to measures that are likely to build adaptive capacity and secure employment or business opportunities, and are targeted to the most vulnerable individuals (those at risk of permanent disadvantage).
- Publicly monitor and evaluate the effectiveness of any assistance.

Government investment in major water infrastructure

Governments will develop an agreed framework to guide investment in major water infrastructure, incorporating project selection and assessment processes, clear roles and responsibilities for governments and service providers, principles for cost sharing (including government subsidies), and allocating water from new developments.

- A. Economic viability will be demonstrated by a positive benefit–cost ratio determined through a transparent and rigorous cost–benefit assessment, with:
 - an assessment of a range of options, including non-infrastructure options where these can meet the investment objective, and selection based on the highest (positive) expected net benefit;
 - engagement with directly affected communities and industries to ensure the indicators and assumptions informing the cost-benefit assessment are locally relevant;
 - transparency supported by publication of business cases as a matter of course (except where commercially sensitive data limits publication, in which case the business case should be reviewed by a qualified independent body);
 - use of entitlement pre-sale to limit optimism bias; and,
 - robust estimates of social and distributional impacts.

- B. Ecological sustainability should be demonstrated through environmental and social impact approvals, and compliance with a high-quality and NWI-consistent water plan that:
 - establishes the environmental water provisions necessary to meet agreed environmental outcomes under a changing climate;
 - sets out the social, economic and cultural outcomes sought from the water plan;
 - clearly defines the expected impacts of climate change shared equitably between water users and the environment; and,
 - is developed with robust community engagement to reflect community values.



- C. Criteria for culturally responsive infrastructure development should be determined through the co-design process led by the national Committee on Aboriginal and Torres Strait Islander Water Interests. At a minimum, culturally responsive infrastructure processes would:
- incorporate deep engagement with the Traditional Owners of affected areas (both at the infrastructure site and downstream) as part of business case development; and
 - comprehensively identify and manage impacts on cultural heritage in affected areas.
- D. Costs should be recovered from users as the norm, with any government funding provided through a transparent subsidy. This should be limited to situations where:
- substantial public benefits associated with water infrastructure impose additional costs that are best borne by governments; and,
 - an equity argument exists (for example, to support access to an essential service in high-cost regional town water systems where the cost of supplying a basic level of services is considered unaffordable).

Community engagement

Australian governments will undertake best practice, cost-effective, inclusive, timely and transparent engagement with communities on all water matters, through an engagement framework focused on:

- codesigning projects, programs, infrastructure and services with directly affected communities and industries;
- continuously improving and sustaining government engagement effort across all aspects of water resource management and water service provision;
- coordinating engagement actions between all levels of government, particularly in multi-jurisdictional activities;
- ensuring that engagement effort and its resourcing are fit-for-purpose taking into account the scale of proposed change or reform, its sensitivities and its impacts;
- ensuring that governments are clear about the purpose of their engagement, and the role of communities in decision making, and transparently report on how communities' views have informed decisions; and,
- improving the effectiveness of community engagement through enhancing water information accessibility and comprehensibility, and community water literacy.

Knowledge and Capacity Building

This Agreement identifies a number of areas where there are significant knowledge and capacity building needs for its ongoing implementation. These include:

- regional water accounts and assessment of availability through time and across catchments;
- changes to water availability from climate and land use change;
- interaction between surface and groundwater components of the water cycle;
- demonstrating ecological outcomes from environmental flow management;
- understanding the short and long-term socioeconomic impacts of water reform on irrigation-dependent communities and industries; and,
- understanding the linkage between policy decisions to permanently reduce the availability and affordability of water to grow food and fibre, and the flow-on socioeconomic impacts on



regional processing, jobs, incomes and population supporting small towns and their health, education and other services, as well as domestic and international food security;

- catchment processes that impact on water quality;
- improvements in urban water use efficiency; and,
- independent reviews of the knowledge base.

The parties agree to:

- identify the key knowledge and capacity building priorities needed to support ongoing implementation of this Agreement; and,
- identify and implement proposals to more effectively coordinate the national water knowledge effort.