NPF Industry Pty Ltd (NPFI) Submission

on the

National Water Reform 2020 Productivity Commission Draft Report

(February 2021)

Overview

This submission is made on behalf of the NPF Industry Pty Ltd (NPFI), the industry body which represents the interests of Northern Prawn Fishery (NPF) statutory fishing rights holders. Our industry operates in the Commonwealth's Northern Prawn Fishery and is comprised of a combination of individuals, small businesses and corporate fishing companies, many of whom are from intergenerational fishing families who have been involved in the NPF since the 1970's.

NPF Industry is committed to working with government and key stakeholders (e.g. Indigenous, agriculture, fishing, mining, tourism, environment) to support sustainable water management in Australia which maintains and strengthens economic, environmental, social, and cultural values. NPFI believe that future water management must be underpinned by a shared vision and supported by long term planning, strong science and collaborative decision making involving all water users.

NPFI welcomes the opportunity to comment on the National Water Reform 2020 Productivity Commission Draft Report (February 2021). The health and productivity of fisheries, and the marine environment relies heavily on rivers, water flow, catchments and estuary eco-systems. The productivity of NPF banana prawns in particular is highly correlated to rainfall and river flow. High flows between January and March trigger migration of adult prawns to offshore habitat to spawn. Large flood flows also transfer tonnes of nutrients to the nearshore flood plume zone, important for enriching the food web that supports a range of fisheries species, including prawns. Ref: **Proposed northern Australia water developments pertinent to the Northern Prawn Fishery: collation and review:**
https://frdc.com.au/project/2016-015

Ref: **Addressing knowledge gaps for studies of the effect of water resource development on the future of the Northern Prawn Fishery**
https://frdc.com.au/project/2016-047

River catchments and estuaries in particular are critically important to our high-value fishery species including prawns and barramundi, and a number of TEP species (eg sawfish) particularly in during the dry months of minimal or now flow. The Report **fails** to recognise the importance of estuaries in supporting life history functions of these important commercially valuable and TEP species.

It is broadly agreed that climate change projections point to hotter, drier and more extreme weather will likely mean material reductions in water availability for most of the country and an increase in the frequency and severity of droughts and floods across the nation. However there are significant differences between inland basin catchments (which are the primary focus of the Report) and the catchment/estuarine/marine ecosystem in Australia's northern wet/dry tropics.

These differences, as well as the highly variable seasonal and annual wet season rainfall, and regional climate change projections for the North need to be ***specifically*** recognised in both the Report and rewned National Water Initiative (NWI) NWI Agreement.

There is significant development of water resources planned by both Commonwealth and State Governments in Australia's large-catchment northern rivers in the wet/dry tropics. The scale of proposed development - including proposals which include in-stream dams - has the potential to significantly alter flow regimes to the detriment of the high-value commercial and TEP species and the marine eco-systems which are heavily reliant on such river flow.

Furthermore the Report **fails** to address the risks and challenges of managing tropical rivers in the face of the proposed development of irrigated agriculture in northern tropical river catchments over the next 20 years. The Productivity Commission Report needs to **explicitly** include reference to matching water resource management with the environmental flow requirements of northern rivers.

NPF industry has a strong interest in ensuring future water management is aimed at achieving best-practise environmental outcomes that both protect the productivity of our fisheries and the marine environment and mitigate risks of future water development.

We cannot stress strongly enough the importance of water and water flow and the *risks* of mismanagement and/or reduced flow on the sustainability of key economic and ecological species and the marine environment across Australia (including the Northern Prawn Fishery).

National Water Initiative (NWI) Agreement

NPFI notes that since the mid-1990s, governments have implemented a program of national water reform, with the most recent agreement — the National Water Initiative (NWI) — signed in 2004.

We note that in May 2019, in response to the Productivity Commission's 2017 inquiry on national water reform, the Australian Government agreed to renew the NWI and, in partnership with State and Territory Governments, has commenced the process of policy renewal. NPFI notes that the National Water Initiative has a strong focus on water resource management.

NPFI **supports** the proposed overarching objectives of the Parties in implementing this NWI Agreement as follows:

- *optimise economic, environmental, social and cultural outcomes through best-practice management of Australia's water resources to provide certainty for investment, water users and the environment*
- *enable entitlement holders, communities and the environment to contend with climate variability and adapt to a changing climate*
- *ensure effective, efficient and equitable provision of water services that meet the needs of customers and communities in a changing climate.*

NPFI **supports** the overarching goal of the NWI and the agreement of all parties to implement reforms:

> *… in recognition of the continuing 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.*

NPFI also **supports** the Commissions' conclusion that *significant enhancements need to be made to both the water accounting element, to build trust and confidence in water management (or system integrity); and the environmental management element, to reflect the need for more adaptive management that is integrated with waterway and catchment management, and to be responsive to a drying and more variable climate.*

NPFI **supports** the statements that the Plan must '*provide flow strategies that support stated ecological outcomes' and 'identify specific monitoring, reporting and research requirements to improve data and knowledge*' as these are critical to the on-going productivity of the Northern Prawn Fishery and the marine eco-systems which support the fishery.

Effective governance arrangements for a renewed NWI

NPFI notes that the governance arrangements established for the NWI have been significantly eroded over recent years, with the relevant Ministerial Council being disbanded, the National Water Commission being closed and the states no longer preparing rolling implementation plans.

NPFI **supports** the Commission proposal for a strengthened NWI architecture that:

emphasises the importance of government leadership on, and commitment to, national water policy; builds confidence in reform effort; and supports interjurisdictional cooperation to be included in a renewed NWI through (but not limited to):

- water ministers convening periodically to oversee development of a renewed NWI and to consider and act upon advice that comes out of periodic reviews
- the preparation of three-year rolling implementation programs by jurisdictions describing how they aim to achieve the outcomes set out in the renewed agreement
- independent triennial assessments and reporting on the adequacy of and progress against these work programs, as well as the effectiveness of the broader agreement
- a comprehensive independent policy review of the agreement every 10 years

- on-going supervision of the agreement by the multi-jurisdictional National Water Reform Committee including joint work on issues of collective interest.

Ensuring the integrity of water resource management

The failure of water management in the Murray Darling Basin points to the need for much more robust, transparent and accountable water management systems Australia-wide to ensure that entitlement holders are operating in line with their rights and water use is consistent with established rights and water plans. These systems must be regulatory in nature and must include metering and measuring of water take, reporting through fit-for-purpose water registers, effective compliance and enforcement, the provision of credible and accessible information, and transparency of operations.

Water entitlements and planning

NPFI s**upports** the Commission view that water entitlement frameworks need to consider all key water uses, including mineral and petroleum industries and interception activities (eg dams and bores, floodplain harvesting and plantation forestry), and all water sources.

NPFI s**upports** the need for a strong focus on dealing with climate change including provisions in water plans to deal with water scarcity arising from drought, incorporating priorities for water sharing and actions relating to meeting critical human and environmental needs.

Managing interception

NPFI notes that 'interception' refers to the capture of surface water or groundwater that would otherwise flow, directly or indirectly, into a waterway, lake, wetland, aquifer, dam or reservoir. Interception may occur because of farm dams and/or bores, overland flows (or floodplain harvesting), or plantation forestry. Interception (along with large-scale land use change that affects interception) can have a material effect on the amount of water available to entitlement holders and the environment.

Interception, particulary through in-stream damming of rivers, has potential significant which downstream impacts eg on water flow, catchments, fisheries and the marine environment – is of critical concern NPFI.

NPFI states our **strong opposition** to future water development that jeopardises sustainable water management through interception, including in-stream damming of rivers.

Environmental Management

NPFI notes that over the past few years, the NWI has continued a reform agenda focused on establishing the environment as a legitimate water user, providing statutory environmental water provisions and improving the balance in overallocated systems.

NPFI **supports** the premise that environmental water provision can deliver a range of other public benefits including cultural outcomes for Aboriginal and Torres Strait Islander people,

and economic and social outcomes for recreational and commercial fishers, the tourism industry and the community.

NPFI notes the Commission's view that water planning has established transparent processes for deciding how the water in a system is shared between consumptive users (people and businesses) and the environment, and that benefits are starting to be seen from water provisions for the environment.

NPFI **supports** the Commission's view that ongoing reform should provide the policy principles and institutional arrangements to make the best use of environmental water to achieve agreed (and where possible, better) environmental outcomes. This includes '*clearly specifying environmental objectives and outcomes; ensuring adequate low-flow provisions; integrating environmental water management with waterway and catchment management; identifying institutional responsibility for waterway management; creating adaptive monitoring programs; and developing clear processes to adapt environmental management objectives as changes in climate necessitate'.*

Environmental water provisions in water plans provide for the needs of both surface water and groundwater dependent ecosystems. It is noted that jurisdictions generally set allocation limits and access rules to 'leave behind' water to meet environmental outcomes ('planned' environmental water). These provisions do not require any active decision making on their use, but water managers must ensure consumptive users comply with the rules to ensure environmental outcomes are not jeopardised. Rules-based provision is the primary means of implementing environmental water objectives across Australia.

NPFI notes that in the Murray-Darling Basin (MDB) and Victoria, planned water is supplemented with environmental entitlements ('held' environmental water), established through provision of water access entitlements for environmental use. These generally have the same rights and conditions as entitlements owned by irrigators and other consumptive users, and are owned by the Australian, New South Wales, Victorian and South Australian Governments. In these cases, environmental water managers must make decisions on where and when to use water, and on whether to trade it or make use of 'carryover' provisions to keep it for use in subsequent years.

NPFI **recommends** that all States <u>including Queensland</u> be required to establish 'environmental entitlements' to be held by governments.

The Report states that the ultimate objective of providing water for the environment is to improve the health of rivers, wetlands, catchments and other water-dependent ecosystems. However, NPFI notes that there is scant reference in the Report to the importance of water and water flow to the health and productivity of fisheries, the marine environment and marine eco-systems. Furthermore NPFI notes that targets for environmental management referred to in Chapter 8 are conservation targets of species, habitats and threatened-endangered-protected species (TEPS).

The Report is <u>deficient</u> in not including specific management targets for environmental flows to support the sustainable harvest of valuable commercial fishery species.

NPFI **supports** the Commission view that whether environmental water is planned or held, the focus for the next phase of reform should be to ensure that environmental water is managed efficiently and effectively to deliver agreed (and where possible, better) environmental outcomes.

NPFI **recommends** that determining and allocating levels of environmental water required to effectively deliver environmental outcomes should take primacy and should be undertaken before any other allocations of water are made.

NPFI **recommends** that the importance of, and reliance on, water and water flow for the health and productivity of commercial, recreational and traditional fisheries and the overall marine environment is explicitly recognised in the NWI.

NPFI **recommends** that future Federal and State government policies, planning and institutional arrangements pertaining to water management should be specifically targeted at achieving best-practise environmental outcomes for all water users, including the environment and the production systems (including fisheries and the marine environment) it supports.

To this end, NPFI **recommends** that specific management targets for environmental flows to support the sustainable harvest of valuable commercial fishery species are developed as part of the next phase of reform.

Adequate low flow provisions

The Report states that environmental impacts of the recent drought in New South Wales have revealed an inadequate understanding of the importance of low-flow provisions to achieving environmental outcomes during periods of water scarcity.

NPFI strongly **agrees** that flow targets to protect critical ecosystems and river health need to be managed not just for long-term averages, but for a range of climatic conditions including the very dry extremes. This includes managing water extraction during critically low flows to protect ecologically important refuges, protecting the resumption of flows, enabling small flushes at appropriate frequencies and managing connectivity across the landscape *and the marine environment.*

NPFI **supports** the statements that the Plan must '*provide flow strategies that support stated ecological outcomes' and 'identify specific monitoring, reporting and research requirements to improve data and knowledge*'. These are critical to the on-going productivity of fisheries and the marine eco-systems which support fisheries.

NPFI **recommends** that future water plans and water reviews ensure that water sharing arrangements during low flow and prolonged dry periods are explicitly considered, include specific science-based environmental flow objectives, and are clearly described.

NPFI **strongly supports** the DRAFT NWI Renewal advice 8.1: Best-practice environmental objectives and outcomes as proposed by the Commission (see below):

DRAFT NWI RENEWAL ADVICE 8.1: BEST-PRACTICE ENVIRONMENTAL OBJECTIVES AND OUTCOMES

Environmental objectives and outcomes agreed in water plans should be guided by criteria on the identification of key environmental assets and the values communities place on those assets.

- Waterways or water-dependent ecosystems should 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).
- Environmental objectives and agreed environmental outcomes should then:
  - 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 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.

NPF **strongly supports** the draft NWI RENEWAL advice 8.4: REVIEW processes for outcomes as proposed by the Commission (see below):

DRAFT NWI RENEWAL ADVICE 8.4: REVIEW PROCESSES FOR OUTCOMES

Clear processes should be established for reviewing progress on environmental outcomes, understanding their feasibility given climate induced changes in water availability and other factors (such as sea level rise and increased temperatures), and determining if and when management objectives should be revisited within planning review processes.

Integrated environmental water, waterway and catchment management

NPFI notes that the environmental condition of waterways - eg rivers, wetlands, floodplains and estuaries - is dependent on a range of factors in addition to water extraction including, land use and management within the catchment and riparian zone. Waterways face threats like nutrient pollution, salinity, increased sedimentation, habitat degradation and invasive species. Non-flow waterway management activities (such as water quality improvement, restoration of habitat and connectivity and the management of pest species) will have a critical impact on the achievement of environmental outcomes on both terrestrial and marine systems.

Environmental water management therefore needs to be part of an integrated river or wetland management program that includes complementary habitat and water quality management (figure 8.3). NPFI notes the Commission view that this is not adequately covered in the NWI.

Productivity Commission Report Recommendations

Whilst our submission does not address all the Report recommendations, NPFI *generally* **supports** the **recommendations** in the **Report,** with *specific* **support** for the following recommendations:

Environmental management

- Adopt best-practice development of environmental objectives and agreed environmental outcomes

Integrate management of environmental water and complementary natural resource management

- Where not in place, establish a formal institutional oversight responsibility for wetland and waterway management
- Establish clear processes for reviewing progress on environmental outcomes
- Embed criteria for prioritising environmental watering, and objectives for environmental watering under different climate scenarios
- Ensure environmental water holders' trade strategies are in place and transparent
- Independently audit the adequacy and use of environmental water entitlements every three years
- Obligate system managers to use their best endeavours to achieve agreed outcomes
- Commit to adaptive management

System Integrity

- Build system integrity through a renewed element
- Ensure system integrity through metering and measurement, registers and effective compliance and enforcement systems
- Ensure the integrity of water system management via effective information provision
- Ensure information on the broader water context aligns with users' needs

Community engagement, and adjustment

- Include guiding principles clarifying how governments can respond to any significant community adjustment pressures resulting from policy-induced reductions in water availability
- Recommit to best-practice, cost-effective engagement with communities on all water matters
- Commit to a culture of evidence-based decision making, innovation and continuous improvement to underpin successful implementation.

Knowledge, capacity and capability building

- Recommit to best-practice, cost-effective engagement with communities on all water matters

In closing, NPFI **reiterates** the need for an e*nhanced* focus in the NWI on environmental water management. Future frameworks and decisions around water management and in particular, environmental water management, must ensure that:

- there is sufficient water to maintain adequate environmental flow for all environmental systems, including catchments, estuaries and the marine eco-systems which support fisheries production systems.
- that future water plans and water reviews ensure that water sharing arrangements during low flow and prolonged dry periods are explicitly considered, include specific science-based environmental flow objectives, and are clearly described
- that targets for environmental management include specific management targets for environmental flows to support the sustainable harvest of valuable commercial fishery species
- there is **specific** reference to matching water resource management with the environmental flow requirements of northern rivers

NPFI restates our **strong opposition** to future water development that jeopardises sustainable water management through interception, including in-stream damming of rivers.

End

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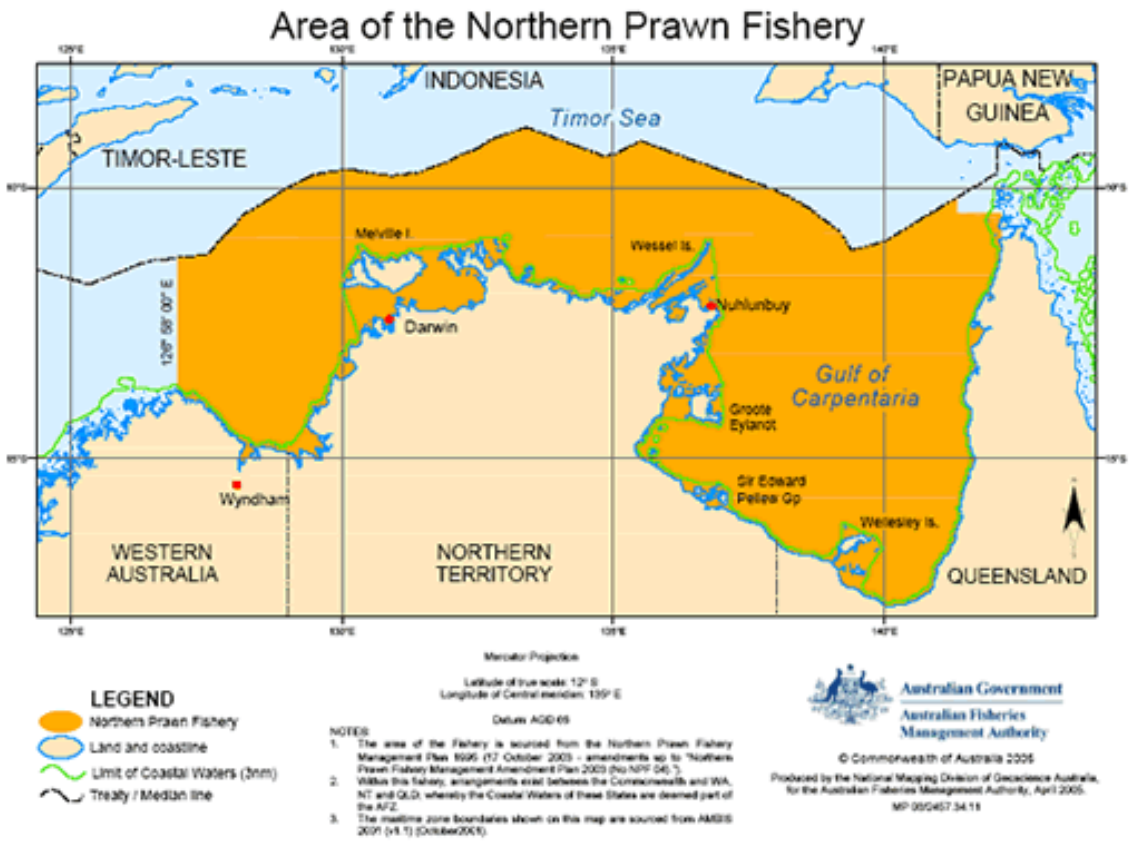
Appendix 1: About the Northern Prawn Fishery

The Northern Prawn Fishery is the Commonwealth's most valuable fishery, and Australia's largest and most valuable prawn fishery, occupying an area of 771,000 square kilometres off Australia's northern coast.

The Fishery extends from the low water mark to the outer edge of the Australian fishing zone along approximately 6,000 kilometres of coastline between Cape York in Queensland and Cape Londonderry in Western Australia.



The gross value production (GVP) of the NPF is currently estimated at approximately $120 million. The GVP of the NPF represents a significant component of the total economic contribution of Australian fisheries to Australia's domestic and export economies, and to Northern regional economies.

The Northern Prawn Fishery has a unique, highly valuable, and important role as the provider of fresh, high quality wild catch prawns and other marine products to Australians and international consumers. An ecosystem-based management approach including the voluntary protection of key habitats and ecosystems on which our fishery depends has been adopted in the NPF for many years.

The NPF is managed through a stringent series of input controls, including limited entry to the fishery, gear restrictions, bycatch restrictions and a system of seasonal, spatial and temporal closures. These management restrictions are implemented under the Northern Prawn Fishery Management Plan 1995.

Only 52 boats operate in the fishery for 6 months of the year. The fishery is highly regarded as a global example of best practice management underpinned by a significant investment in research and a strong co-management philosophy.

The NPF is the first tropical prawn fishery in Australia to have achieved certification as a sustainably managed fishery by the prestigious Marine Stewardship Council (MSC) in 2012.