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National Water Reform inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

18 April 2017

By Email: www.pc.gov .au/inquiries/current/water-reform

Dear Sir / Madam,

NATIONAL WATER REFORM – SBA SUBMISSION

Sustainable Business Australia (**SBA**) thanks the Productivity Commission for the opportunity of making a submission on National Water Reform. SBA is the World Business Council for Sustainable Development (**WBCSD**) Australia Partner.

Access to fresh water is a basic human right and a critical sustainable development challenge. As competing demands for Australia's water resources continue to rise (across agriculture, households, energy, industrial use, ecosystems, etc.), the effects of climate change are exacerbating the challenges associated with water quality and availability. This situation creates new risks for business, government, community and the environment.

One of the WBCSD's major water focuses concerns water-smart agriculture. Agriculture is by far the largest consumer of freshwater. More than 70% of the world's blue water is used for irrigation. There are a number of smart solutions that can be co-optimized and scaled-up in order to improve yields and meet growing food production demands while delivering energy and water efficiency.

Businesses that are part of the agriculture value chains benefit directly from improved water efficiency and more robust and resilient crop value chains. As co-users of water in a watershed, industries benefit from a reduced strain on water resources from agriculture and improve availability for all.

Recommendations

In undertaking this Inquiry, and in its consideration of recommendations for **developing future reform priorities**, SBA recommends the Commission take into account the following:

1. The National Water Reform Initiative principles should recognise that it now directly contributes to Australia's alignment and implementation of Sustainable Development Goals 6 (ensuring availability and sustainable management of water and sanitation for all) and 14 (conserve and sustainably use the oceans, seas and marine resources for sustainable development), while being connected to many of the other goals on the 2030 Agenda for Sustainable Development.

2. On further unbundling of water rights — separating water rights from land and delivery share components (where beneficial) where this has not already occurred

   Building on the water, energy, food and climate change nexus approach, more work needs to be done to develop an mechanism to support Australian businesses and the farming community by helping them make informed decisions as they implement agricultural solutions and ensuring that they effectively address this country's water sustainability challenge. Such a solution would focus on context-suited technologies to address the food system challenges that are specific to Australia.

   WBCSD's large-scale Climate Smart Agriculture projects are being road-tested in five priority regions around the world. With water efficiency in agriculture and farmer livelihoods as the focus, the WBCSD Water-smart Climate Agriculture initiative aims to identify smart, innovative and scalable business solutions and facilitate their co-implementation and scaling-up. The projects focus on local needs and consider climate change vulnerability, adaptation capacity, donors, local partners and project member company operations.

   The most prominent action area for this project is the building smallholder/family farmer resilience. It targets the challenge in providing millions of smallholders with the support needed to strengthen their resilience to climate change.

   In terms of increasing carbon capture the project also responds to the need to address factors that influence deforestation and land use in the landscapes from which businesses source their products and crops.

3. On greater specificity around the ecological objectives and outcomes of water reform, underpinned by an appropriate monitoring effort

   Australia needs to move towards a redefining value vision by measuring, valuing and reporting their true value, true costs and true profits or our natural resources, including our water resources, by 2050.

   It is now commonly recognized that inefficiencies in water use arise because water users (e.g. agriculture, industry and households) rarely pay the full cost, if any at all, of using water. Enhanced cost recovery from water users also generates much needed financing

for the significant investments required to provide clean and safe water for a multitude of uses.

Water-related valuation can be used to help improve product development, for example by designing specifically to reduce the water needed to make or use a product or determining the potential value of different costs and benefits associated with using a water-related product or process.

The WBCSD's Business Guide to Water Valuation[1] provides business-specific guidance on the main concepts and techniques associated with water valuation. The Guide also serves a wider audience interested in water valuation, including policy-makers and valuation experts, in order to facilitate consistency in use of approaches and terminology for future water valuation studies.

The Guide builds on the **WBCSD's Water Valuation: Building the business case**[2] publication, which sets out the international trend towards valuing water and the business case for water valuation. For off-stream agriculture and industry use, the value of water is based on how much it is worth to the organization (i.e., what it is willing to pay for it). This is correlated with how much additional revenue water helps generate or the cost it saves.

The Guide also complements the **WBCSD's Guide to Corporate Ecosystem Valuation**[3] (CEV) that provides a generic approach for businesses to incorporate the value of ecosystem services and environmental externalities within their decision-making. It does this by providing water-specific recommendations, advice and examples for each stage of a CEV.

Finally, the success of our modern economies has been built on and measured through traditional financial indicators. Yet business worldwide also relies on natural capital to succeed - but without a way of translating the value of those resources, the environment is becoming increasingly degraded. According to the World Wide Fund for Nature's (WWF) 2014 Living Planet report, humanity is depleting natural capital faster than the Earth can replenish it, and at an accelerating rate.

Every business relies on nature in one way or another. Until now, these impacts and dependencies have largely been hidden; we have had no way of translating them into the boardroom. For business to make better decisions for its social and environmental bottom line – it needs better information about its environmental and social risks and opportunities.

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[1] http://www.wbcsd.org/Clusters/Water/Resources/Business-Guide-to-Water-Valuation-an-introduction-to-concepts-and-techniques
[2] http://www.wbcsd.org/Clusters/Water/Resources/Water-valuation-Building-the-business-case
[3] file:///Users/charlottefladgate/Downloads/GuideToCorporateEcosystemValuation.pdf

The broader approach to addressing the issue could include looking at globally relevant natural infrastructure initiatives such as the Natural Capital Protocol[4]. The Protocol helps to measure and value this relationship, and therefore gives business the information needed to make better, more sustainable decisions that reduce risk and increase opportunity.

The Natural Capital Protocol is a standardized framework that helps companies identify measure and value their impacts and dependencies on natural capital. It is designed to help generate trusted, credible, and actionable information for business managers.

The Protocol aims to support better decisions by including how we interact with nature, or more specifically, natural capital. It was launched in July 2016 and its development was led on behalf on the Natural Capital Coalition, in partnership with a consortium of experts from business, service providers, non-governmental organizations, science and academia. WBCSD was one of those experts.

The Protocol aims to generate trusted, credible and actionable information that business managers need to inform their decisions. The Protocol's nine step standardized framework is a generally accepted reference for all businesses to use. It is a milestone on the journey towards the Redefining Value vision of companies measuring, valuing and reporting their true value, true costs and true profits by 2050.

Yours faithfully,

Andrew Petersen
CEO
Sustainable Business Australia I World Business Council for Sustainable Development Australian Partner

[4] http://naturalcapitalcoalition.org/protocol/