

**National
Farmers
Federation**

**Productivity Commission
Inquiry into National Water
Reform 2024: Interim
Report**

April 2024



The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade, and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

NFF Member Organisations



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24 April 2024

National Water Reform 2024
Productivity Commission
GPO Box 1428
Canberra ACT 2601

RE: Productivity Commission Inquiry into National Water Reform 2024: Interim Report

Dear Commissioner,

The NFF welcomes the opportunity to provide a submission to the Productivity Commission National Water Reform 2024 Interim Report. The National Water Initiative (NWI) was established 20 years ago in 2004 and is the blueprint for national water reform; it outlines a clear framework and set of operating principles that underpin the sustainable management of Australia's national water resources. Under the NWI, Australian Governments committed to achieve the following:

- Prepare water plans with provisions for the environment;
- Achieve sustainable water use in over-allocated or stressed water systems;
- Introduce registers of water rights and standards for water accounting;
- Expand trade in water rights;
- Improve pricing for water storage and delivery; and
- Better manage urban water demands.

The PC is required under legislative instrument to undertake regular assessment into progress by Australian Governments in achieving the objectives and outcomes of the NWI. Previous inquiries conducted by the Commission have identified significant progress by State and Territory Governments; however, in 2021 it was recommended that the NWI be or renewed to ensure that it is best positioned to address contemporary emerging challenges and is reflective of current scientific knowledge, understanding, and technological advancement.

Renewing the National Water Initiative

In Australia, water is a valuable, scarce natural resource as annual inputs are very low (averaging 473.70mm¹) and large areas of the continent are classified as 'arid'. The NFF recognises that national circumstances underpinning the initial conception and development of the NWI have changed considerably in the past 20 years. This is apparent as new challenges have arisen, including but not limited to increasing urban water-use and demand, increasing population growth, changing climatic conditions (declining long-term reported rainfall trends, particularly during the critical Summer growing period), and increasing pressure for First Nations involvement in water management and decision-making. It is important to distinguish, however, that a renewed NWI must not infringe upon the existing sound water management principles that uphold the Agreement.

¹ <http://www.bom.gov.au/climate/current/annual/aus/>

‘A renewed NWI should improve and expand on the existing agreement while retaining its foundations.’ ‘A renewed NWI requires modernised and additional objectives that reflect community expectations for effective, efficient and equitable delivery of water services.’

The NFF supports the recommendation that a renewed NWI should improve and expand upon the existing foundation of the NWI as opposed a comprehensive bottom-up overhaul approach. Modernisation of the NWI must recognise and codify the fundamental importance of agriculture and food and fibre security in addition to the following elements:

- Addressing the effects of Climate Change;
- First Nations involvement in water management; and
- Preparing for growing and changing water demand.

Ensuring that a renewed NWI recognises and is aligned with the interests of irrigated agriculture and supports food and fibre production is a fundamental expectation and priority for water reliant communities and consumptive users. Such considerations must be retained and strengthened in the underpinning objects of a renewed NWI.

Governance

Effective Governance Arrangements

The Interim Report identifies a gradual erosion of governance institutions (such as the abolished National Water Commission for example) attributed to poor national policy and planning by Australian Governments. The NFF strongly supports the Productivity Commission’s recommendation that governance arrangements are strengthened, and that Water Ministers from all Australian Government jurisdictions proactively undertake an effort to convene at regular, periodic intervals. Water Ministers should convene at least twice yearly to ensure the effective development of a renewed NWI amongst action of other water management issues.

Although a potential re-establishment of the National Water Commission (NWC) is not outlined in the formal Terms of Reference for this Inquiry, the Interim Report does provide comment on the NWC in a limited capacity. Despite making no recommendation or determination, supporting views for re-establishment expressed by several stakeholder groups have been outlined in the Interim Report.

While the NFF have previously held the position that the NWC is an appropriate body to conduct oversight of the NWI and other matters, we do not support a re-establishment of the NWC for the following reasons:

- We remain confident that the PC is a capable and well-resourced institutional body with the necessary governing arrangements to fulfil roles previously held by the NWC in undertaking regular assessments of progress on NWI implementation and reforms, and periodic reviews of the implementation of the Murray-Darling Basin Plan.
- It is not clear what the additional benefits of creating a new and separate bureaucratic entity and the complexities attributed to its creation would provide.
- National water resources are already over-governed, creating a new and separate entity will add unnecessary bureaucratic complexity to the process.

- **If there is a need for greater coordination, as a first step a regularly scheduled meeting of national Water Ministers could undertake much of any strategic requirement. This was a key recommendation in the previous Inquiry and has been re-stated and expanded upon in this Interim Report.**

The NFF is not convinced, therefore, of the merits of such a revitalisation. Efforts are better served to push for changes to existing institutional bodies. Should a revival be contemplated, we need to clearly understand what the objects of the NWC will be, how it will be resourced, and how it will interact with other institutional bodies responsible for undertaking former responsibilities of the NWC. We note that a parallel process currently being undertaken by the Commonwealth has not entertained this.

Proposed Governance Architecture

The NFF membership holds a strong view that the Committee on Aboriginal and Torres Strait Islander Water Interests (CAWI) maintain its advisory responsibilities to Water Ministers, National Water Reform Committee, Commonwealth, and Ministerial Council regarding:

- National First Nations’ water policy principles to support a national First Nations water policy framework; and
- Priority national water reform directions.

CAWI responsibilities and involvement in the proposed governance architecture (Figure 1 below) must remain an advisory capacity only, this is sufficient to ensure First Nations interests and perspectives are appropriately considered in balance with other stakeholder perspectives.

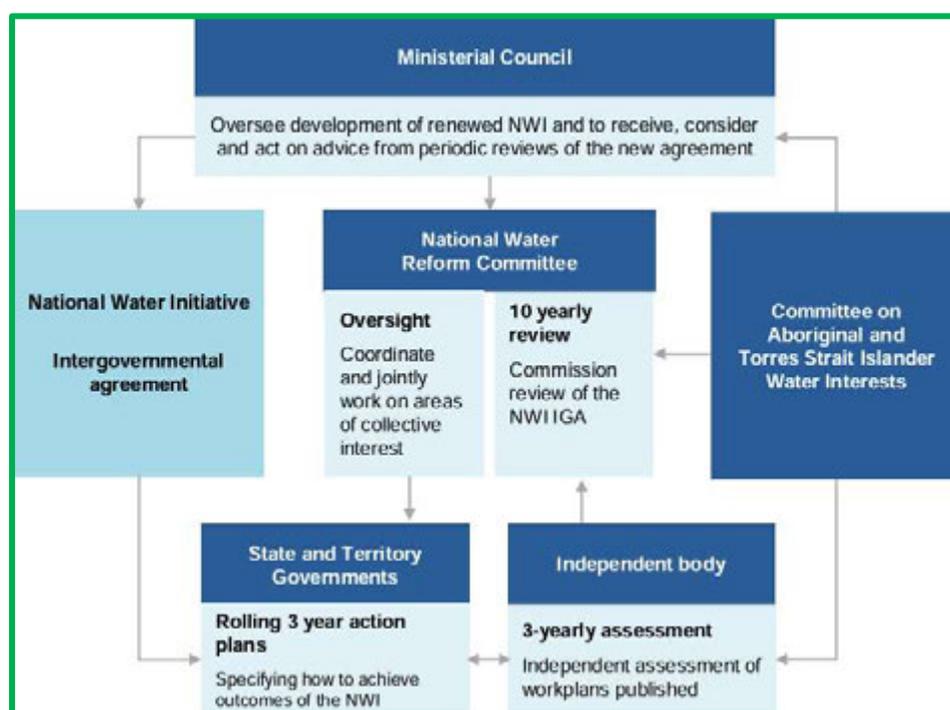


Figure 1: Proposed governance structure for a renewed NWI (Page 55, Interim Report).

Water Security

Climate Change Adaptation

It is important to recognise that the influences of Climate Change will be variable across the Australian continent and Murray-Darling Basin system; irrigation dependent regional communities and townships will be impacted at varying degrees from long-term changes in precipitation amongst other influential factors to production.

The agriculture sector (to a certain degree) is already largely climate-adapted, having adjusted to changing climatic factors through improved understanding, investment, and adoption of improved water management infrastructure and on-farm efficiency measures across several decades. Significant progress has been undertaken by irrigated agriculture to increase the efficiency of water-use; this work has often been under-represented and there exists greater room for the critical human needs sectors to adapt in this space – agriculture must not be disproportionately burdened. Furthermore, Sustainable Diversion Limits (SDLs) and State Water Resource Plans are also constructed to take into account climate change impacts, and where SDLs have not been achieved, there exist appropriate mechanisms in-place through State-based planning.

Water Planning in the Context of the Net-Zero Ambition

It is important to recognise that regulatory restrictions and policy reform enacted across all levels of Government have the potential to inflict consequential negative impacts on agriculture's capability to adapt to climate change and continue producing the nutritious food and fibre to feed and clothe the world. It is therefore prudent that a renewed NWI focussed on safeguarding water security and the underlying environmental health of water systems is not limited toward favouring a limited subset of solutions, but rather all options are placed on the table and transparently assessed.

For example, the Murray-Darling Basin is a complex natural ecosystem. Undue focus on voluntary water purchasing and recovery programs through the establishment of 'hard' volumetric targets are not necessarily the most efficient or cost-effective solution for safeguarding water security and river health. Such mechanisms do not guarantee a commensurate increase in environmental outcomes can be achieved and it unnecessarily infringes upon the existing rights of water entitlement holders notwithstanding other attached risks such as flooding and diminished climate adaption capability. Alternative solutions that support public-good environmental outcomes (i.e., improved water security and quality) for productive users across the entire Basin system include, for example, the protection of environmental assets such as invasive carp management, improved water efficiency measures, integrated water management and recycled water practices, and infrastructure projects. Such options will support overarching objectives of a renewed NWI while delivering co-benefit outcomes and economic multipliers in regional communities and townships in line with the policy intent.

First Nations Involvement in Water Management and Decision-Making

‘A renewed NWI should include both an objective and a new element, recognising First Nations people’s reverence and cultural responsibility for water and the continued involvement and participation of First Nations people in water management.’

NFF recognises the role of First Nations in the management of Australia’s natural resources. Indigenous water issues are complex and need to be carefully considered.

The existing NWI is the first national policy to formally recognise First Nations rights to water. This is an important distinction, the current NWI is not devoid of First Nations considerations. For example, under the NWI, Australian Governments agreed to include indigenous representation, and incorporate indigenous socio-cultural, customary, spiritual values, and objectives in future water planning ‘wherever possible’ and ‘wherever they can be developed’.

NFF’s Indigenous Water Policy is available as Attachment 1 and should be read in conjunction with this section and submission.

Conclusion

The NFF thanks the Productivity Commission for the opportunity to provide a submission to the National Water Reform 2024 Interim Report. Please do not hesitate to contact Warwick Ragg, General Manager, Natural Resource Management, via e-mail: WRagg@nff.org.au at the first instance to progress this subject.

Yours sincerely,

TONY MAHAR

Chief Executive Officer

Attachments List

- **Attachment 1:** NFF Indigenous Water Policy



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Indigenous Water Policy

Preamble

The National Farmers' Federation (NFF) notes that the issue of indigenous water property rights are gaining some momentum, with several positions espoused by different groups representing Indigenous water interests. While the NFF does not support any particular one of these, this policy is aimed at ensuring that the interests of irrigated agriculture, including indigenous farming interests, are protected under existing water legislation. This is important as the National Water Commission, Murray-Darling Basin Authority and Governments consider this matter further.

Water for indigenous use can be broadly categorised as water for cultural uses (including traditional economic activities such as reed baskets for trade) and water for contemporary economic purposes such as water trade and the production of agricultural crops and livestock.

Water for cultural uses could be aligned to both stock and domestic water take and held or planned environmental water entitlements. The issue of any new entitlement (i.e. not acquired from existing water entitlement holders) will have third party impacts on all remaining uses of water, including the environment. There is support for held and planned environmental water entitlements to be used for multiple benefits, including indigenous cultural water use, as this will ensure no third party impacts to existing entitlement holders.

The issue of new water entitlements for contemporary economic uses is not supported, as it is inconsistent with property rights and is not supported by the National Water Initiative. The NFF, however, supports the use of market mechanisms to acquire this water from existing water entitlement holders.

Policy

- The NFF supports the provision of water for indigenous use only where this does not result in third party impacts to existing entitlement holders, including the environment.
- The NFF supports the use of existing held and planned environmental water entitlements for the co-benefit of indigenous cultural water use.

- The NFF supports the use of existing market mechanisms to acquire indigenous water entitlements from willing sellers for contemporary economic use.
- The NFF acknowledges that the ownership framework for indigenous water entitlements for contemporary economic use is a matter for governments and indigenous peoples.
- The NFF seeks that the delivery of indigenous water to off river sites includes the associated river losses for the off river delivery.
- If the above framework were adopted the current hierarchy of water entitlements, as enshrined in state legislation, would be respected and therefore unaffected.