Australian Floodplain Association

Submission to Productivity Commission study on Market Mechanisms for recovering water in the Murray-Darling Basin

The Australian Floodplain Association (AFA) supports the ongoing purchase of water for the environment and recognises there are clear advantages to expanding the range of Market Based Instruments, and combining these instruments with other appropriate policy tools.

The AFA wishes to address the following points from the Issues Paper:

Do we need a portfolio of mechanisms and water products?

What mix of market mechanisms and water products should the Australian Government be using to achieve its environmental objectives?

The particular circumstances that prevail in the Murray Darling Basin at a district and catchment level, both in terms of ecological need and water extraction arrangements, are diverse. It is therefore imperative that a "toolbox" of water recovery mechanisms, tailored to the particular district or catchment should be developed to meet the ecological needs of the area and those that rely on floodplain flows for their livelihood.

All of the mechanisms listed in the issues paper could play a role in recovery of water. Some will be restricted by existing Federal or State legislation/policy and this may need addressing if it is a major impediment.

As a general principle the market mechanism "toolbox" must have a sufficiently diverse range of "tools" to accommodate:

1. Regulated systems with their high, general, low security supplementary water
2. Unregulated systems and water harvesting of non allocated and non accountable water from floodplains. Of particular importance, should be the implementation of the Murray-Darling Basin Cap for this water. So only water extracted from floodplains at 93/94 levels of development should be licensed and water extracted by structures, post this point should be returned to the river and floodplains. A market mechanism product should be developed which discourages and eventually eliminates this destructive practice, particularly where structures are close to rivers and intercept flows. One such mechanism would be compensation packages which refund the cost incurred by the landowner when deconstructing banks and levees where these intercept current flows and after rigorous assessment.
3. Different State legislation/policy for catchments bisected by State boundaries needs to be compatible so that there is clear identification and terminology used for different types of water.
4. There are both short term and long term needs for environmental water. In many instances it may be necessary to purchase or lease water to assist achieve an ecological outcome such as the purchase of water to complete a bird breeding event on the Narran River system in 2008. Trading should be allowed in this environment to maximise environmental outcomes.
5. The situation where water purchased and released to meet the needs of environmental assets will have a beneficial flow-on effect by improving production of floodplain based enterprises dependent upon the same environmental assets (e.g. Macquarie Marshes and the Gwydir Wetlands). It is imperative, though, to protect environmental water throughout the system. Current water sharing plans in the northern basin tend to allow environmental water to be used for irrigation in lower reaches.

6. Recognise externality costs of river regulation and water diversion on rivers and their ecosystems and livelihoods of floodplain graziers. The shift of water upstream has affected financial viability of many who derive their income from grazing floodplains. In addition, there are significant costs incurred in rehabilitation of aquatic ecosystems. These should be part of the cost of providing water to users.
7. Rapid priority purchases when water becomes available for sale on the open or private market market.
8. Recognise there may be capacity constraints on delivery of water down some channels and this needs to be recognised.
9. Sleeper licences need to be cancelled on all river systems

For such market based mechanisms to operate effectively, efficiently and appropriately it is imperative that all caps, embargoes and other volumetric restraints to the purchase of water for the environment be abolished.

What are the objectives of the Restoring the Balance program?

Is the focus on acquiring entitlements the best way of achieving the environment's needs?

It has been proven in the case of Narran Lakes and other such environmental watering, that acquiring water entitlements can provide a way of achieving environmental needs. There needs to be increased knowledge of when such water is required to be purchased and delivered, to maximize environmental outcomes. Water entitlements relating to overland flow and floodplain harvesting however, should be targeted as well. Unregulated water is currently extracted from Australia's floodplains via overland flow, channels/levees and floodplain harvesting. For there to be an effective environmental outcome for the Murray Darling Basin catchments which are largely floodplain riverine systems, current structures on floodplains that take water need to be accurately mapped, and the water that is taken monitored and measured (see principle above about restricting developments to 93/94 levels of development). There should be no trading of floodplain water as it relates specifically to a particular part of the river.

Trading in unregulated water in largely unregulated systems will affect flows and therefore environmental assets such as wetlands and unique riparian areas. These areas in ephemeral river systems need low and high flows to stay healthy. An example of how important these flows are to the environment can be seen in the recent purchase of Toorale Station. After the government purchased Toorale Station a flow of 11000 megalitres reached the Darling River. This was directly attributed to the opening of pipes on Toorale Station, allowing water to flow naturally instead of being stored in on farm dams and artificially spread onto the floodplain. Whilst a portion of this flow was due to local rain, 6000 megalitres originated in Queensland from a minor flow in the Warrego River. Previously these flows have not made it past Toorale Station. AFA members who live downstream on the Darling River are seeing water from the Warrego River reach the Darling River for the first time in many years. To this end acquiring overland flow and unregulated water entitlements need to be included to achieve the 'needs of the environment'.

What are the arguments for continuing the buyback after the new Basin Plan is implemented in 2011, and associated state water sharing plans start to be implemented in 2014?

There is accumulating knowledge of the severe ecological impacts on rivers and their floodplains in the Murray-Darling Basin of over extraction that is not sustainable. Buybacks need to continue to claw back the unsustainable extraction on all Murray Darling Basin rivers, including the largely unregulated rivers systems of the upper basin. In these catchments sleeper and inactive licences are still being activated, and there is no real recognition of devastating affect overland flow take is capable of having on the river and its environment downstream.

What implications do environmental demands across the Basin have on the targeting of purchases and the mechanisms and instruments that should ideally be used?
The AFA recognises the government's water buy back policy as one way of meeting the needs of the environment within the Murray Darling Basin. An ongoing concern however is that the current environmental monitoring of the success of such purchases is largely a desktop study as funds for on-ground monitoring are not available. There is a lack of information and no available research on the effectiveness of the environmental outcomes and achievements of each of the Government's current water plans even though quite a few of the water sharing arrangements involve Australia's Ramsar Wetlands. Water needed for the environment needs to be based upon the current ecological state of our rivers whether or not current environmental flow targets are actually sufficient to protect and restore our Murray Darling Basin river's and wetlands, and not just be a temporary solution.

Due to the diverse nature of the MDB and is associated landforms, water purchase mechanisms that take a whole of catchment approach, for each valley of the MDB, need to be addressed.