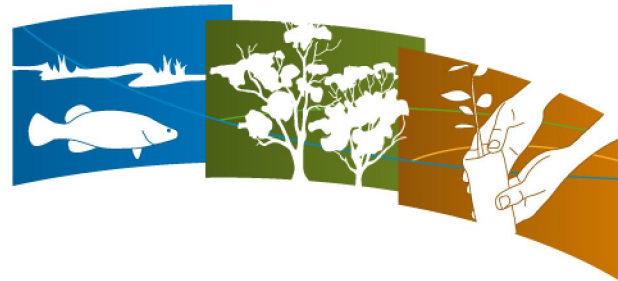




NORTH CENTRAL

Catchment Management Authority

Connecting Rivers, Landscapes, People



22 September 2009

Recovering water in the Murray-Darling Basin
Productivity Commission
Locked Bag 2, Collins St East
Melbourne, Victoria 8003

Dear Madam/Sir,

**'Market Mechanism for recovering water in the Murray-Darling Basin'
Submission**

The North Central Catchment Management Authority (CMA) welcomes the opportunity to make comment on the 'Market Mechanism for recovering water in the Murray-Darling Basin' issue paper. The North Central CMA is the strategic body for natural resource management in north central Victoria. Under the Victorian *Water Act 1989* and *Catchment and Land Protection (CaLP) Act 1994*, the North Central CMA is charged with responsibilities for integrated regional planning and coordination (including the Regional Catchment Strategy and the Loddon Campaspe Irrigation Region Land and Water Management Plan), river health, Environmental Water Reserves (EWR), water allocation processes, floodplain management, salinity, management of regional drainage and promotion of community participation in natural resource management.

The North Central CMA supports the overall aspirations of the Australian Government and the Murray-Darling Basin Authority to improve the health of the Murray-Darling Basin and rectify over allocation issues negatively impacting on the environmental values and natural resources within the Basin. Comments on the various components of the document are provided below.

No Regrets Presumption

The North Central CMA considers that the 'no regrets' presumption employed by the Australian Government may be problematic. From a desktop or theoretical point of view, the purchase of water for environmental purposes to restore the overall health of the Murray-Darling Basin is a positive action. However, there are potential issues when the system is applied on-ground. In summary, the presumption fails to fully recognise the local or regional environmental values supported by locally held water entitlements, the significant contribution of irrigation based industries to local economies and communities, and the fact not all water entitlements yield water.

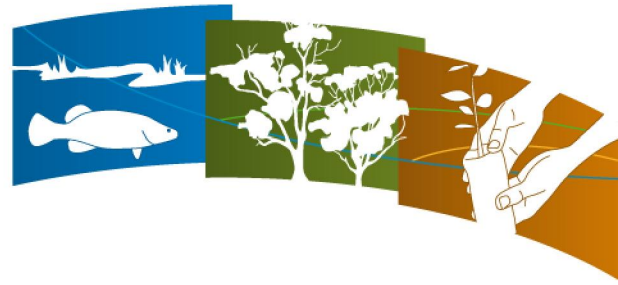
The pattern of water purchases across the lower catchments of the Basin appears to have been undertaken without an endorsed overarching natural resource management plan/strategy to guide the type or location of purchases (i.e. Murray-Darling Basin Plan). Consequently, the unique landscape characteristics and regional natural resource management planning, knowledge and aspirations are not

628-632 Midland Highway
PO Box 18
Huntly Victoria 3551

P: (03) 5448 7124
F: (03) 5448 7148

E: info@nccma.vic.gov.au
www.nccma.vic.gov.au

Connecting Rivers, Landscapes, People



fully accounted for. The missed opportunity to understand the landscapes, from which water is being removed, may impact upon national, regional and state investment in irrigation modernisation (e.g. Northern Victoria Irrigation Renewal Project (NVIRP)), ability to generate multiple outcomes (i.e. reduced salinity and nutrient impacts on the downstream users) or add to existing environmental issues (e.g. ability to deliver environmental flows to regionally significant wetlands or waterways).

The North Central CMA would like to encourage the Australian Government to reconsider the no regret presumption, when purchasing water, and work in collaboration with regional stakeholders to achieve multiple environmental and community benefits through the water buyback.

Impact on Water Markets

The Australian Government's entrance into the water market has affected the market price and raised the minimum price per megalitre entitlement holders expect to receive. The publication of the average price paid in a catchment, or the range of prices paid across the Basin, reinforces the Australian Government's perceived ability to pay more for water and seller's expectation of higher prices per megalitre.

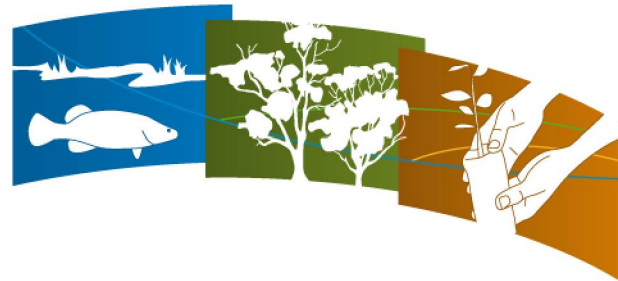
The Australian Government's new role in water markets may impact on the ability of private entities to use the water market to develop, sustain or expand local enterprises. Currently, the water market is used by entitlement holders to sell water to the Australian Government at an inflated price with the intention of purchasing water back once the market relaxes and prices fall.

The impacts on the market are causing issues for the sustainability of regional irrigated enterprise opportunities, and is accelerating the rate of land dewatering and the creation of 'new dryland'. Over the next 5 years, it is expected 20,000 Ha within the Torrumbarry and Pyramid-Boort Irrigation Areas will become new dryland, which will raise a new series of natural resource management issues including dryland salinisation, invasive plants and animals, soil degradation and multiple structural adjustment issues.

Limited Opportunity for Multiple Benefits

The targeted approach used by the Australian Government to recover the required environmental water entitlements has been unable to accommodate regionally or locally identified buy back opportunities in northern Victoria. This has restricted the ability of the project and the Australian Government to achieve integrated multiple benefits in this region.

In a report prepared by the CSIRO's Water for a Healthy Country project (Connor et al., 2008), the concept of identifying land zones for targeted water buy back based on land suitability for irrigation, proximity to environmental or amenity value, salinity impacts and financial cost to the system for on-going provision of irrigation supply was put forward. This approach is more commonly known as the CSIRO 'traffic light' approach. The report clearly demonstrates the ability through a



coordinated targeted water government buy back to generate multiple environmental benefits, while reducing negative impacts upon a region's economic or social values. More specifically, the report identified the opportunity for a reduction of 10.4EC at Morgan and a doubling in economic activity with 40% less water is possible.

The North Central CMA has also undertaken additional work with regional and state partners to identify potential zones for targeted environmental water buy back in the Loddon Campaspe Irrigation Region. The process used took into consideration the proximity of land to the backbone (modernised irrigation system), location of environmental and amenity features, soil type, sub soil characteristics and land suitability for irrigation. This method is based upon the CSIRO developed method of identifying targeted zones and allows for the protection of locally and regionally identified natural resource management assets and ecological values protected under Regional Catchment Strategies, Land and Water Management Plans, the Ramsar Convention, Japan-Australia Migratory Bird Agreement and China-Australia Migratory Bird Agreement. The integrity of the region's environment, primary industry base economy and communities are left more resilient and profitable as a result of targeted water purchase.

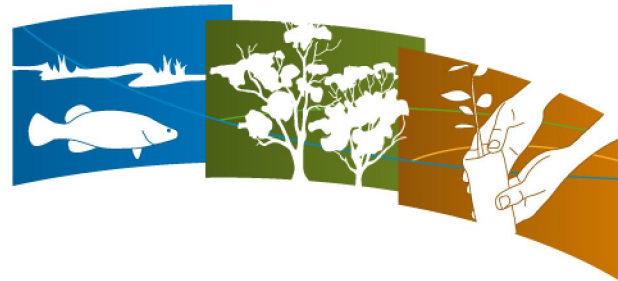
The North Central CMA would like to encourage the Australian Government to work closely with State and regional authorities in addition to giving due consideration to using the traffic light or similar targeted method for generating multiple benefits in the wider process of securing water entitlements.

Risks to irrigation water dependent or supported ecosystems

The North Central CMA is concerned by the potential impacts of water entitlement trade on species and habitats dependent upon or supported by irrigation water; especially in situations where there are threatened flora, fauna and vegetation communities. The Australian Government must ensure all reasonable measures to sustainably manage the impacts of removing water to safeguard the enduring environmental value of such sites, and to comply with state, national and international regulations and treaties.

NVIRP are required to undertake environmental watering plans for any wetlands or waterways of significant value that may be impacted by a reduction in outfall irrigation water as a result of modernisation. Where the need for mitigation water (water to support environmental values) is identified, NVIRP are responsible for allocating that water to mitigate any potential impacts.

The North Central CMA would like to encourage the Australian Government to investigate and mitigate the environmental impacts of water purchases and entitlement relocation under the 'Restoring the Balance in the Murray-Darling Basin' project and other water buy back programs. Also, we encourage the Australian Government to work with regional natural resource management organisations and groups to manage the short and long-term biodiversity impacts of removing irrigation water.



Reallocation of water

There is a recognised need to have a variety of water entitlement products (including permanent and temporary water) available to optimise the environmental flow events and their positive benefits to the ecosystem health of the Basin. However, the actual process for reallocating entitlements will need to involve all stakeholders to develop a prioritisation process for assets by incorporating:

- best available scientific knowledge
- explicit terms of reference
- equal opportunity for environmental assets/sites to gain access to environmental water entitlements
- opportunities to complement or enhance the delivery of environmental water held by the states or other bodies
- clear acceptance of existing regional seasonal water entitlement allocation methods (e.g. Lower Murray Water or Goulburn-Murray Water) and associated restrictions
- water delivery planning methods to minimise impacts on other users (e.g. irrigators or towns), minimises water losses or inefficiencies, and reduces the risk of delivery system monopolisation during peak demand periods
- environmental mitigation water to compensate environmental assets for the loss of historical flows.

Pressure to remove or modify the 4% Water Trading Cap in Victoria

The 4% cap on water trade was introduced in Victoria to reduce the impacts of sudden mass entitlement transfers of water between trading zones to allow:

- local economic and social adjustment to occur over a staggered or gradual period,
- water delivery system managers the time to implement system upgrades or reconfiguration due to water trade in or out of a water trade zone
- natural resource managers time to observe and mitigate the negative impacts of water trade on the environment.

The 4% cap has allowed Victoria to reduce any potential adverse environmental impacts and support community transition while improving regional productivity.

The North Central CMA would like to encourage the Commonwealth to work with the Victorian Government and local communities to find and recover water entitlements for environmental purposes within the 4% cap; as well as incorporate social wellbeing considerations in project planning and implementation.

The comments above are made with consideration of our roles and responsibilities under the relevant Acts of the Victorian Parliament. The North Central CMA looks forward to future opportunities to work with the Australian Government and Murray-Darling Basin Authority to protect and enhance the environmental health of the Basin and the resilience of local communities to manage natural resources.

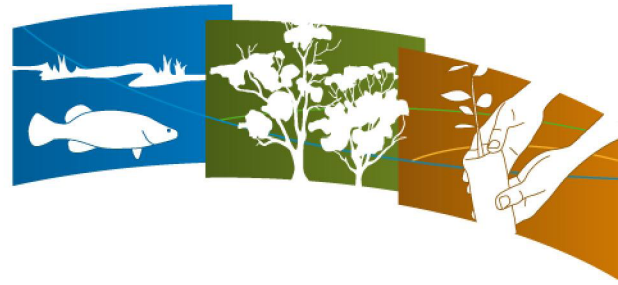
If you would like to discuss these comments further, please contact Tim Shanahan, Acting Manager- NRM Strategy on 54487124.



NORTH CENTRAL

Catchment Management Authority

Connecting Rivers, Landscapes, People



Yours sincerely,

Emer Campbell
Acting Chief Executive Officer

Connecting Rivers, Landscapes, People

628-632 Midland Highway
PO Box 18
Huntly Victoria 3551

P: (03) 5448 7124
F: (03) 5448 7148

E: info@nccma.vic.gov.au
www.nccma.vic.gov.au