Environment Victoria submission to Productivity Commission draft report– Market mechanisms for recovering water in the Murray-Darling Basin

Environment Victoria commends the Productivity Commission on its Draft Report and supports many of the findings and recommendations. We would like to make comment on the following areas.

Recovering water through non-market mechanisms

Environment Victoria strongly supports daft findings 6.3 and 6.4. . However we would like to suggest that the discussion in section 6.2 of the report be extended so that the buyback and infrastructure funding streams are fully integrated into a single fund for water recovery. This would allow for much greater flexibility and would minimise the problems with the SRWUI identified by the Commission.

A single fund could also look at opportunities to increase water recovery options through structural adjustment. As noted in our previous submission, current funding arrangements with their focus on irrigation efficiency encourage farmers to remain dependent on irrigation rather than seeking less water dependent alternatives. In some cases, for example in the Loddon and Campaspe Irrigation districts, farmers have had low or no allocation for several years[1]. Modelling show that no matter how the reserve policy is modified, allocations against high reliability water shares cannot be guaranteed in these systems[2]. Farmers are in the position of having to assess the risk of this unreliability in their business planning, and some are opting to retire from irrigation or become opportunistic irrigators. Many are seeking to sell their water to the Commonwealth. The number of offers would be greatly increased if farmers were able to access assistance in making the transition to alternative business models. Incorporating a structural adjustment stream in the water recovery fund would greatly enhance the ability of the Commonwealth to negotiate with groups of irrigators and achieve cost effective water recovery in areas where reliability of supply for irrigation is most marginal. These areas often coincide with rivers like the Loddon and Campaspe that are in urgent need of water recovery.

Governance and institutional issues

As noted on page 83 of the draft report, land management practices can be as important as increasing water flows for improving environmental outcomes. However the Sustainable Rivers

[1] Goulburn-Murray Water, Historical seasonal allocations. Viewed at http://www.g-mwater.com.au/downloads/Drought_response_newsletters/HISTORICAL_SEASONAL_ALLOCATIONS.pdf

[2] DSE, 2009 N*orthern Region Sustainable Water Strategy* p 94 and 95

Audit and many other documents identify over-extraction of water as the key threatening process across the MDB and the principal driver of decline. The recent National Water Commission biennial assessment reiterates the failure of Basin governments to deal adequately with over-allocation [3]. Thus the *Water for the Future* program should continue to focus on water recovery as its first priority, but the huge gaps in funding and inter-agency cooperation in complementary land management will become increasingly important as the volume of environmental water increases. The Environmental Watering Plan will need to integrate with land based activities, which are the jurisdiction of CMAs and other state based agencies, to achieve its objectives.

Draft Finding 9.3 comments on opportunities for increasing the environmental benefits of recovered water through capital works. While they do not replicate all the benefits of natural overbank flooding, the use of pumps and regulators can greatly increase the ecological benefits that can be achieved with a small amount of water. Recent watering at Hattah Lakes and other sites throughout northern Victoria is ample testament to the benefit of this approach in times of water shortage.

DSE has identified a number of projects that build on this approach. For example, a works package of $43 million at Lindsay Island would reduce the need for environmental water from around 1,200 GL/month to only 90 GL/month and still inundate around 5,000ha, ie using the infrastructure for water delivery would require 1ess than 1/10 of the water to flood 2/3 of the desired floodplain area[4]. This approach also has value when wetlands have become disconnected form their natural flow paths by land use or irrigation development, and water can only be delivered through infrastructure. We suggest that infrastructure projects are reviewed on a case by case basis for possible funding through the Commonwealth infrastructure fund.

Overcoming impediments

Draft recommendation 10 suggests that the MDBA should commission an independent study into ways of expanding the ability of water users to carry over water. The Victorian government is currently exploring the implementation of a 'spillable water account' which would allow unlimited carryover with the proviso that the carryover water is the first to spill[5]. The key feature of the account from the environmental manager's viewpoint is the ability to accumulate larger volumes of water to achieve bank full and possibly over-bank events. Detailed work around the setting of 'risk of spill' thresholds which determine when the carryover water becomes available to the entitlement holder is required to maximise the environmental benefits that can be achieved with the stored water. It would be of great advantage for the CEWH, who will be a large holder of entitlements, to be involved in discussions with the states over arrangements such as these. It has been estimated that the ability to carry-over water up to a limit of 4.5-times the volume of entitlement held, would reduce by 70% the amount of water needed to meet environmental demands 80% of the time.[6]

State governments tend to favour standard carryover rules for all entitlement holders. While the general premise that all entitlement holders should be treated equally is sound, it may be

[3] National Water Commission *Australian water reform 2009.* Finding 5.7 and Recommendation 5.4
[4] Office of Water DSE submission to MDBA *Development of SDL Issues Paper*, January 2010.
[5] NRSWS p100
[6] Land & Water Australia. 2009. *Natural resource 'buy-backs' and their use to secure environmental flows*.

necessary to make exceptions to maximise the benefits of government investment in water recovery. Preferential carry-over provisions for environmental water in a spillable water account may not have third party impacts, and indeed may benefit allocations to all entitlement holders by increasing the volume in storage when carried over and therefore reducing the proportional loss by evaporation.

About Environment Victoria

Environment Victoria is the state's peak non-government, not-for-profit environment organization. Our Healthy Rivers Campaign is dedicated to working with government, business and communities for the restoration and protection our state's great river systems. Our vision is for a future where healthy rivers sustain abundant life and prosperous communities, providing us with good food, clean water and places to love and enjoy.

For further information regarding this submission, please contact

Juliet Le Feuvre
Healthy Rivers Campaign Manager
Environment Victoria,
PO Box 12575
A'Beckett St, Melbourne 8006
Phone: 03 9341 8106 or 0428 770 019, email juliet.lefeuvre@environmentvictoria.org.au