

Murray-Darling Basin: Water Policy Position

Objective: To ensure the Murray Darling Basin river system and its environs are healthy and can sustainably support a prosperous, diverse irrigated agricultural sector and its communities.

Actions

1. A moratorium on all new water use licences for greenfield irrigation developments pending a review of the system's capacity to deliver water to support more development, without adverse third-party or environmental impact.
2. The ACCC conduct an inquiry into water market trading rules, including but not limited to the existence of, or potential for, non-competitive conduct by non-water using investors.
3. A unified water register and clearance platform combining all the State-based registers to provide transparent and 'real-time' market information and the application of consistent rules across the southern connected Murray-Darling Basin, combined with an appropriate and enforceable compliance regime.
4. Registration and regulation of water brokers, consistent with standards in other sectors such as real estate and stockbroking.
5. Resolve outstanding implementation issues identified by the Productivity Commission and current Murray Darling Basin Plan such as constraints, before any further water recovery from the consumptive pool.

Background

The almond industry is part of a diverse and prosperous irrigated agriculture sector across the southern Murray-Darling Basin. The sector is a mix of annual grain, vegetable and fibre crops; dairy and meat; and fixed horticultural plantings including grapes, citrus, fruit and nuts.

All irrigated industries are mutually interdependent. They support each other's sustainability through the use and trade of water. Fixed horticultural plantings rely on annual croppers and dairy with the flexibility to trade their water in dry seasons.

In terms of vibrant communities, the workforce needed for irrigated annual crops also supports the almond industry, meeting its seasonal labour needs for harvesting when that time comes.

The water market and management systems are not broken, but do require urgent review to maintain confidence that both are working to support a sustainable diversity of irrigated agribusiness, southern Murray-Darling Basin communities, and the environment.

Actions

1. A moratorium on all new water use licences pending a review of the system's capacity to deliver water to support more development, without adverse third-party or environmental impact.

State river managers are experiencing increasing difficulty delivering water to meet increased demand from new horticultural development. For example, on the Victorian side, diversions between Nyah and the SA border have increased from 360 GL in 2011-12 (30 per cent of total Victorian diversions) to 540 GL in 2017-18 (40 per cent of total Victorian diversions).

The change in the location and demand for water is increasing conveyance losses during dry seasons, potentially reducing the water available for allocation¹. An increase in the volume and duration of transfers through the Barmah Forest and the Goulburn River is causing environmental damage^{2, 3}.

Victoria, New South Wales and South Australia should impose a moratorium on new water use or extraction licences pending review whether the system can support additional development. In the meantime, trade in licensed extraction rights (Cap and Trade System) to support new development should be considered.

2. The ACCC conduct an inquiry into water market trading rules, including but not limited to the existence of, or potential for, not-competitive conduct by non-water using investors.

Analysis of water trading indicates speculators are active in the allocation market. An ACCC inquiry would establish if their activity may be distorting prices and availability in dry years⁴. The last ACCC inquiry into water market rules was in 2010. It recommended no restrictions on participation, in large part because speculators or water barons had not materialised.

Five years later, the market is dominated by non-water using accounts with no links to land and not set up for irrigation. For example, in 2017-18, 238 GL (21.9% of total purchases) of Victorian allocation was bought into accounts unlinked to land or irrigation, compared to 43 GL in 2014-15 (5%).

Ownership restrictions need to be reconsidered for entitlements and the trading rules for annual allocations.

3. A unified water register and clearance platform combining all the State-based registers to provide transparent and 'real-time' market information and the application of consistent rules across the southern connected Murray-Darling Basin, combined with an appropriate and enforceable compliance regime.

Water trading data currently must be sourced from three different State registers with varying formats and degrees of detail and timeliness. This makes it impossible to accurately track trades and monitor potentially anti-competitive conduct distorting the market.

4. Registration and regulation of water brokers, consistent with standards in other sectors such as real estate and stockbroking.

Water brokers are only regulated through a voluntary Code of Conduct. They need to be registered and regulated consistent with standards in other industries.

5. Resolve outstanding implementation issues identified by the Productivity Commission and current Murray-Darling Basin Plan such as constraints, before any further water recovery from the consumptive pool.

The Basin Plan is on track without needing to recover more water from irrigators at this stage. The 2024 review is the appropriate time to consider whether more is required.

The environment now owns ~2000GL or 28% of entitlements in the southern Basin; 28% less water to support irrigated agriculture is driving up scarcity and water prices. Another 450 GL cannot achieve the hoped-for additional environmental gains unless constraints can be addressed^{5,6}.

Negotiating agreements with thousands of landowners will take many years. In the meantime, the 450 GL would accumulate in storages, or require damaging high-flow transfers to South Australia.

¹ 'Losses in the River Murray system – 2018-19'. Murray Darling Basin Authority, report released 27 March 2019. <https://www.mdba.gov.au/publications/mdba-reports/conveyance-losses-river-murray-system>

² GBCMA cited in 'Drone surveys river', Country News, 2 March 2019, most recent of multiple reports since December 2018.

³ Arthur Rylah Institute cited in 'Carp numbers in Murray-Darling Basin boosted by environmental flows'. The Weekly Times 3 April 2019. <https://www.weeklytimesnow.com.au/news/national/carp-numbers-in-murray-darling-basin-boosted-by-environmental-flows/news-story/72ab73e59e009b7ff52aef5795ad557b> Website accessed 9 April 2019.

⁴ 'Water Market Trends: Updated Trends in Northern Victorian Water Trade 2001-2018'. <https://waterregister.vic.gov.au/about/news/258-updated-water-market-trends-available>

⁵ 'Hydrologic modelling of the relaxation of operational constraints in the southern connected system: Methods and results'. October 2012, MDBA.

⁶ 'Murray Darling Basin Plan: Five-year assessment'. Productivity Commission Inquiry Report, No. 90, 19 December 2018.