



28 February 2013

Water Recovery Team
Department of Sustainability, Environment,
Water, Population and Communities
GPO Box 787
Canberra ACT 2600

Via email: waterrecovery@environment.gov.au

Dear Sir/Madam

Environmental Water Recovery Strategy for the Murray-Darling Basin

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission on the above Strategy. While instigated more recently, the NFF has long called for the Government to design and make public an exit strategy for the Australian Government exiting from the purchase of water. This is critically required to ensure that the broader water market is informed in a transparent way in relation to the activities of the largest permanent entitlement market player in recent times. To do otherwise invites significant detrimental impacts to the water market and lending arrangements using water entitlements as collateral.

While this Strategy provides this essential market information, it is incumbent on the Australian Government to ensure that the water market understands that this is not just a water recovery strategy but also an exit strategy.

Bridging the Groundwater Gap

The NFF welcomes in particular, undertakings by the Australian Government to extend the bridging the gap concept to groundwater for the Upper Condamine Balonne Groundwater Alluviums – a gap of some 40.4 GL¹.

The Strategy, however, does not make it clear what the ramifications for the purchase of groundwater entitlement may have on the recovery of water to bridge the gap on surface water, i.e. is there sufficient funds available to do both. Clarification of this would be most welcome for the Condamine Balonne.

Subsequent Updates

The Strategy notes that comments from stakeholders are welcome and that these comments will be “used to inform subsequent updates” (p.13). NFF questions why comments should not inform this Strategy – or alternatively, does the Government

¹ GS64A and GS64B

mean that comments will amend the Strategy once the Government has considered these, i.e. short-term not medium or longer term.

The NFF notes that the Basin Plan provides the apportionment of the downstream SDLs in the Southern Basin and that States will determine the apportionment to catchments. The NFF seeks clarification on *when* the States will provide advice on the apportionment.

Infrastructure Recovery

The NFF welcomes the inclusion of environmental works and measures (environmental offsets) as part of bridging the gap between current diversions and the sustainable diversion limit. The NFF further contends that the investment by the Australian Government under the Sustainable Rural Water Use and Infrastructure Program (SRWUIP) must be efficient and effective to ensure that the maximum water is returned under these measures.

Importantly, the NFF urges the Government to seek to achieve water recoveries above the notional volumes under both irrigation infrastructure and environmental offsets initiatives. By doing this, the target volume for further entitlement acquisition will reduce further from the remaining 214 GL volume².

Composition of Future Recovery

The Strategy could provide additional information on the recovery of water from infrastructure and environmental offsets split at least on a Northern and Southern Basin level and preferable to catchment level. This would provide additional information to market participants and assist informing them of the likely purchase intentions of the Government.

Moreover, the Government must take care not to over recover water entitlements in individual valleys or Basins. To this end, the Government must consider the roll out of the infrastructure and efficiency measures, which are primarily southern basin focussed, on the water recovery strategy.

NFF notes that what has been omitted from the Strategy is how the Strategy will be amended should governments not deliver the remaining nominal infrastructure savings or environmental offsets (including environmental works and measures and river operations etc). The Strategy would benefit from clear explanation of the likely volumes to be recovered over the post 2016 period and the funding profile for this recovery. This may be worthwhile being included in an attachment.

Environmental Works and Measures (Environmental Offsets)

As previously stated, the NFF welcomes the inclusion of environmental offsets as part of bridging the gap. The Strategy notes that there are 17 projects undergoing feasibility assessment. NFF seeks clarification as soon as possible on the likely offset volume that these projects, if implemented, will return to the environment against the 650 GL nominal volume.

² Based on calculations to 31 December 2012 provided on the DSEWPC website

Review of River Operations

NFF notes that these reviews have been underway for some time. At present, there is little public information available on the review. NFF urges the provision of information on these reviews and the likely offsets that this may provide to bridging the SDL gap.

Additional Water for the Environment

The NFF were disappointed in the Government's decision to allocate \$1.77 b in additional recovery of water and that the amendments to the Water Amendment (Water for the Environment Special Account) Bill 2012 (the Bill) will require the Government target the acquisition of 450 GL, as opposed to the original wording of "up to 450 GL".

Moreover, the NFF are strongly of the view that this program is not used to acquire water access entitlements, unless very clearly tied to an on farm or delivery system infrastructure project. While the "notes" to subsection 86AD (2) clarify this in the proposed amendments to the Bill are useful, NFF notes that "notes" in legislation have no legal standing. Therefore, NFF would prefer that the Government ensure that that the notes are converted to provisions in the Bill.

The NFF welcomes the Government's decision not to commence this program until 2016-17, as commencement prior to this time may be confusing to potential program participants if there are two on farm programs running concurrently.

Importantly, the proposed allocation of funding in the Bill does not make it clear the allocation funding proposed for the constraints (total of \$220 million) as opposed to the on farm program (total of \$1.575 billion). Funding commences in 2014-15 for 10 years if the following appropriations profile:

Financial Year	\$'M
2014-15	\$15
2015-16	\$40
2016-17	\$110
2017-18	\$430
2018-19	\$320
2019-2020	\$350
2020-2021	\$315
2021-2022	\$105
2022-2023	\$60
2023-2024	\$30

Clarification of the two sub-program appropriation profiles would add value to the Strategy.

The NFF urges the Government to ensure that there is good communication about this new program – and in particular, the change from the original program for the Government to acquire the remaining water savings from the project participant.

However, the major issue with the new program is the impact this is likely to have on the ongoing delivery capacity of irrigation delivery systems. The potential for a further return of this water is likely to place huge financial pressures on the remaining irrigators and potentially render some systems unviable as delivery charges drastically increase.

To ensure this does not happen, the NFF suggests that the program is linked closely to the social and economic viability of whole delivery systems and that a key principle is the ongoing viability of the scheme as a whole. NFF suggests that a work program is instigated to understand fully the tipping points of each of the irrigation systems ahead of this program being implemented.

The NFF would also like clarification of the new program from the aspect of whether the target is the funding or the 450 GL of water. If the latter, does the Government have the ability to enter into the market to acquire the difference. If this were to occur, the NFF would be critical of the Government given that the intent of the program is on farm and delivery system infrastructure.

Alternatively, if the recovery of 450 GL costs more than the allocated \$1.575 billion, is the Government in a position to provide “top up” funding. In the current economic circumstances, clarification of this is required.

In conclusion, the NFF welcomes the release of the Strategy and should any further clarification of the issues raised be required, please do not hesitate to contact Deborah Kerr, Manager – Natural Resource Management at the NFF office on 02 6269 5666 or dkerr@nff.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matt Linnegar', written in a cursive style.

MATT LINNEGAR
Chief Executive Officer