



CALL FOR ACTION

MURRAY DARLING BASIN PLAN & WATER MANAGEMENT - POSITION PAPER



Campaspe
Shire Council

1. Context

The Shire of Campaspe is a larger rural council located on the Murray River in north central Victoria. The shire is one of the richest most diverse agricultural and food processing areas in Victoria.

Encompassing a total land area of 4,500 square kilometres the shire has generally flat terrain used for a variety of agricultural and rural pursuits, as well as containing a diverse natural environment including RAMSAR listed wetlands.

The economy is underwritten by agricultural production. Key agricultural industries include dairy, cereal and grain production and sheep. Continued growth is also occurring in traditionally smaller-scale industries such as viticulture and tomato production. Water is at the centre of the shire's success as a producer of diverse foods and fibres, with the micro-economies of the municipality's towns and communities highly dependent upon a reliable supply of irrigation water. Water to Aboriginal people in our community and across the Murray Darling Basin is an intricate part of the landscape and holds vast social, cultural and economic importance; its value is intangible. The Murray, Goulburn and Campaspe rivers run through, or border the shire. Water plays a key role in the local tourism market as well as being fundamental to the formation of local identity.

2. Water Management

Council has made previous submissions throughout the development of the Murray Darling Basin Plan (the Plan) and its implementation. Throughout this, council has remained consistent in its support for a holistic approach to water management and a desire to see balanced outcomes and a sustainable Basin. As a principle, this means aspiring to achieve across-the-board benefits for all stakeholders in the Basin, translating to social, economic and environmental gains.

Council acknowledges the management of water resources in the Basin are extraordinarily complex, involving different regimes in the four states through which the Murray and Darling rivers and their tributaries flow.

In times of plenty, all water entitlements can be taken up to sustain human life and for agricultural production, and enough water remains to keep our rivers and streams flowing and delivering a healthy environment for the Murray Darling Basin.

However, it is generally accepted that water resources of the Murray Darling Basin have, to varying degrees across the Basin, been over used and under regulated, particularly in the northern Basin. This has become most obvious during times of low rainfall and drought.

Different allocation practices across different states means different economic and social outcomes for communities. This was highly evident through the millennial drought where over use combined with drought resulted in environmental stress in almost all of the Murray Darling Basin.

Prior to the implementation of the Murray Darling Basin Plan, in times of scarcity, it was the entitlement holders who took first rights to water, and the environment only received any water left over. This meant that ecosystems that depend on our rivers and streams suffered greatly.

It is widely recognised among communities and water resource managers that water resources had been over used well before the millennial drought.

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The Commonwealth's Water Act passed in 2007 sought to optimise social, economic and environmental outcomes from water allocation. The Plan was developed to advance those objectives.

The Plan identified that water needed to be returned to the environment as a priority. To meet this priority 2750GL was to be taken from productive consumption. Many mechanisms have been used to obtain these savings, including on-farm efficiency programs and irrigation system modernisation to reduce system losses, and an extensive campaign of entitlement buybacks by the Commonwealth and State governments.

Victoria's water allocation policies have been more conservative than many others across the Murray Darling Basin. As a consequence, this has led to a system that delivers a high reliability of the supply to both irrigators and urban communities. This has resulted in the growth of irrigated agricultural industries across northern Victoria that are highly dependent on this water supply.

This conservative approach has, however, historically rendered Victoria a more attractive target to the Commonwealth Environmental Water Holder (CEWH) when entering the market looking to buy water for the environment from the consumptive pool.

The CEWH targeted the Goulburn Murray Irrigation District (GMID) and extracted enormous quantities of water from the consumptive pool until buybacks ceased in December 2012 as a condition of the Plan being approved. Water transfer since December 2012 has been predominantly from agriculture to agriculture.

Water savings made since December 2012 have come through on-farm efficiency programs and irrigation system modernisation, resulting in a significant investment in irrigation infrastructure over the last decade. This investment has employed and supported many local people and enabled local businesses to remain operational during what otherwise would have been financially devastating times. However as this spending finishes, this masking effect will also come to an end.

In order to offset this impact a range of investments should be pursued that would continue to support areas such as regional and rural entrepreneurialism, innovation in agriculture, digital connectivity, population growth, renewable energy and network augmentations, as well as improving connectivity and access to markets.

Council calls for:

- Increased Commonwealth investment to:
 - preserve and enhance our regions capacity to sustain food and fibre production, and
 - enable new and enduring economic activity and economic diversification to mitigate the long-term negative impacts of the Plan.

3. Cost and Availability of Water for Agriculture

Goulburn-Murray Water (G-MW) now delivers approximately 1000GL of water per annum, being significantly down on the 1700GL that it delivered a decade earlier. In response G-MW has undertaken significant work to reduce its footprint and attempt to reduce its operating costs. However the spatially random nature of CEWH's purchases has contributed to the difficulty of rationalising infrastructure. Consequently, G-MW has not been able to reduce operating costs commensurate with decreased delivery. This means that the cost of irrigation water and the cost of running the GMID continues to increase on a per megalitre basis. Ultimately, this reduces the viability of irrigation farms that still operate in the GMID.

The loss of water from the GMID is not solely attributable to purchases by the CEWH. Irrigators outside the GMID have also targeted high reliability water in large quantities, typically to support higher value horticulture, which can afford the premium for high reliability water out of the GMID.

Temporary water plays a critical role in the ability of agriculture in our region to respond to unforeseen circumstances and to maximise productivity in response to markets. In September 2019 the price of water on the temporary market has hit levels that are well beyond the reach of dairy, rice and mixed farming enterprises. Prices are in the order of \$580/ML in the Goulburn system (Zone 1), \$690/ML in the Murray system (above the Choke – Zone 6) and \$800/ML in the Murray system (below the Choke – Zone 7).

The situation is compounded by the impact of the CEWH holding significant water stores that may not be required for environmental water purposes but can't effectively make the water available in the system due to the restrictions under which CEWH operates. If these restrictions were lifted the capacity of existing infrastructure and the natural environment would continue restrict delivery.

Council affirms its previous call for the legislative restrictions on the CEWH to be amended to enable trade on the temporary water market and that the proceeds of trade be invested in infrastructure and other measures to improve water efficiency and provide additional water savings across the system.

Many individual farming operations continue to carry higher debt, following the prolonged drought. As a consequence operators chose (or were forced) to sell their water entitlements to the Commonwealth. Many of those enterprises now rely on temporary water on an annual basis. Without changes in the legislative restrictions on the CEWH making this water available on the temporary market communities and the financial viability of the GMID will continue to suffer.

The transparency in the water market has been an issue of concern for our community for some time. Council supports the release of the options paper by Victorian Water Minister Lisa Neville into "Improving Transparency in the Water Market". We understand that while a transparent market will not bring down water prices, it will provide confidence that the water markets are working for irrigators and not being distorted.

We seek a market that provides real-time information on price and amount of water available, increases transparency whilst respecting commercial privacy.

Council calls for:

- The legislative restrictions on the CEWH to be amended to enable trade on the temporary water market and that the proceeds of trade be re-invested in infrastructure and improved water efficiency measures.

- A water trading market that provides real-time information on price and amount of water available, increases transparency whilst respecting commercial privacy.

4. Operation of the CEWH

Changes to the legislative restrictions on the CEWH to enable trade on the temporary water market must also be supported by changes in the operational model of the CEWH.

The operating model of the CEWH must be reviewed and revised such that it operates in a manner complementary to Australian agriculture (and hence the national economy). Council supports the introduction of counter-cyclical trade by the CEWH to enable the selling of environmental water when it is not needed for the environment and purchasing when it is.

The introduction of counter-cyclical trade by the CEWH would facilitate an environmental watering regime mimicking that of natural rainfall patterns, that is, less water delivered to environment during dry periods. Coinciding with increased demand by irrigation users and higher water prices. Counter-cyclical trade would support the sale of environmental allocations in a drought when prices are high and the purchase in wetter years when prices are lower.

The sale of water on the temporary market during a drought would be strongly welcomed by our community. Council is however wary of the perception of profiteering by the CEWH at the expense of struggling farmers. Consequently the CEWH's operation within the temporary water would need to be appropriately managed and minimised.

Council acknowledges that the single biggest issue with the introduction of counter-cyclical trade is the difficulty in determining whether environmental water is truly surplus. This may be particularly difficult if carryover provisions exist enabling the CEWH to bank its allocations for larger environmental flows in proceeding years or as insurance to protect important assets during long-term drought. Council supports the further investigation of these issues prior to any introduction.

Council calls for:

- Review of the operating model of the CEWH such that it operates in a manner complementary to Australian agriculture (and hence the national economy).

5. Environmental Water Recovery and Use

The CEWH's practice of purchasing water from the consumptive pool is the most price efficient method for the Commonwealth Government, however it has caused significant economic and social damage to many communities in Northern Victoria. The overall 'benefit' of this practice is therefore seriously at question. The uncertainty around the future availability of water impacts on investment decisions, meaning that opportunities to expand production in response to increased agricultural demand have been lost. Council does not support a return of buybacks in any form.

Council raises significant issue at the proposal to recover an additional 450GL of efficiency measures from the consumptive pool where 'neutral or positive social and economic impacts' are demonstrated. Council believes that the recovery of any additional water for the environment cannot be achieved without negative impacts on our regional economy and the social fabric of our communities.

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Council remains supportive of a holistic approach to water management that includes improved environmental management practices of land and biodiversity across the Basin. A holistic approach would achieve benefits beyond those obtainable through water regulation and recovery alone. The current arrangements and application of environmental water use is questionable.

There has been little public reporting about environmental benefits achieved, if any, from the use of the environmental water. In contrast there has been significant publicity and community concern across the Basin in response to a number of high profile, disastrous environmental incidents. Increasing incidences of blackwater events and fish kills, as well as extended periods of high river levels causing significant bank erosion, loss of vegetation and destruction to fish habitat.

Council has previously expressed its concern at the lack of integrated Environmental Watering Plan (EWP). We acknowledge that a basin-wide environmental watering strategy has now been developed and is currently being reviewed and was open for public review from August till September 2019. Council believes that basin communities deserved longer to be able to review and contribute the revised strategy.

Council observes that the preparation of long-term watering plans at a State level must necessitate strong coordination between the Basin states if successful outcomes for the use of the environmental water are to be achieved.

Currently there is insufficient transparency in the decision making process relating to the timing, duration and volume of environmental flows. There is also very little reporting on the effectiveness of these environmental watering programs.

While much of the debate during the Plan's development focussed on the Lower Lakes including Lake Alexandria, the Coorong and the Murray mouth, it is important that the whole of the Basin benefits from environmental watering.

What's important is that all communities, all ecosystems and all regions of the Murray Darling Basin receive a fair slice of the environmental benefits that come from the implementation of the Plan, and that the community is informed at all times.

Council believes that much could be gained by greater localised engagement into the decision-making on the use of environmental flows, particularly when identifying annual watering priorities. Council accepts that decision-making in relation to environmental flows is particularly complicated and community consultation would be a difficult exercise, but that doesn't mean it is not necessary.

Our community is demanding detail on the environmental benefits derived from the upheaval of the irrigation sector. We seek greater reporting on the effectiveness of environmental watering programs and that this be supported by public information campaigns to inform all basin communities of the outcomes of utilising environmental waters.

Council is concerned that the CEWH now holds so much water in the Murray system (292,025ML as at 31 July 2019) that it is not possible to deliver that water without causing significant flooding.

The Barmah choke restricts the amount of water that can be delivered downstream of Barmah forest to a flow of 8600ML per day. However demands by the higher-value horticultural industry in the Riverland and Sunraysia regions, plus the demand for environmental flows to South Australia, are resulting in the river system operating beyond its natural limits.

Significant community concerns already exist in relation to the environmental damage occurring as a result of these continued high flows. This situation will only be further exacerbated as demand

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increases and consequently it will not be possible to deliver adequate water beyond the Barmah choke, without resulting in irrefutable damage.

The Victorian Water Minister recently called in all new water extraction licenses on the Murray system downstream of the Barmah Choke. Council supports this and calls on the NSW Water Minister to take similar action.

We seek a mechanism to ensure that all three states that abut the Murray downstream of the Barmah Choke act responsibly and in a way that promotes further development but not at the cost of existing agriculture.

Council seeks a guarantee that the supply projects identified through the Sustainable Diversion Limit Adjustment Mechanism (SDLAM) will be delivered before 2024 and that if this is not possible that the completion date can be extended. The importance of the 605GL identified as offsets cannot be overstated. Council is significantly concerned that if these projects fail to deliver the environmental outcomes, then the water will be purchased by the CEWH from the GMID to cover the shortfall.

Further buy-backs would be catastrophic on our community and has the potential to see a system wide collapse. Resulting in a waste of \$2 billion of modernisation investment and significant social impactions for years to come.

Council calls for:

- A guarantee that water buybacks from the consumptive pool will not be resumed.
- The recovery of any further efficiency measures above the 2750GL be abandoned, given that any further recovery of water for the environment cannot be achieved without negative impacts on our regional economy and the social fabric of our communities
- We seek greater reporting on the effectiveness of environmental watering programs and that this be supported by public information campaigns to inform all basin communities of the outcomes of utilising environmental waters.
- Implementation of a mechanism to ensure that all three states that abut the Murray downstream of the Barmah Choke act responsibly in the allocation of water.
- Regulation of the Murray and Darling delivery systems to guard against the indiscriminate issuing of water licenses.
- A guarantee that funding and support is available to the States to properly develop and implement SDLAM projects and a deadline that is more flexible to ensure that the target is achieved.

6. Social and Economic Impact

The Basin Plan has been in its implementation phase for five years, and communities are still calling for an improved understanding of the socio-economic impacts of the removal of water for environmental purposes. There is little evidence that enough work has been done in this area and without an adequate understanding of the socio-economic impacts, it is unlikely that government policy will be developed to assist these communities.

Council welcomes the inquiry which has been established to assess the social and economic conditions impacting communities across the Murray Darling Basin.

The draft Terms of Reference and Assessment Framework were released for public submission, but have now closed.

The draft Terms of Reference at item D proposed - *the review should take into account the ongoing structural changes in agriculture and communities in the Murray Darling Basin, and seek to separate the effects of these trends, and events such as drought, from the effects of the water reforms including the Basin Plan* – Consideration also needs to be given to not only ongoing structural changes in agriculture and communities in the Murray Darling Basin, but also the cumulative effect of these changes and individuals' concerns for their own welfare and that of their communities.

Consideration should also be given to balancing the allocation of water for irrigation, the environment and town water supplies, particular given the Commonwealth and State Governments increasing push for population growth across regional Australia.

Council calls for:

- Commonwealth and State Governments to support communities found to have been impacted as a consequence of the Plan.

7. Call to Action:

Campaspe Shire Council affirms its support for a holistic approach to water management and a desire to see balanced outcomes and a sustainable Basin. Council believes that a Plan is necessary and calls on the Australian Commonwealth Government and the Murray Darling Basin Authority to:

- Increased Commonwealth investment to:
 - preserve and enhance our regions capacity to sustain food and fibre production, and
 - enable new and enduring economic activity and economic diversification to mitigate the long-term negative impacts of the Plan.
- Amend the legislative restrictions on the CEWH to enable trade on the temporary water market and that the proceeds of trade be re-invested in infrastructure and improved water efficiency measures.
- Implement mechanism which supports increased transparency in the water market through providing real-time information on water price and amount of water available.

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- Review the operating model of the CEWH such that it operates in a manner complementary to Australian agriculture (and hence the national economy).
- Guarantee that water buybacks from the consumptive pool will not be resumed.
- Abandon the recovery of any further efficiency measures above the 2750GL, given that any further recovery of water for the environment cannot be achieved without negative impacts on our regional economy and the social fabric of our communities.
- We seek greater reporting on the effectiveness of environmental watering programs and that this be supported by public information campaigns to inform all basin communities of the outcomes of utilising environmental waters.
- Implement a mechanism to ensure that all three states that abut the Murray downstream of the Barmah Choke act responsibly and in the allocation of water.
- Regulate the Murray and Darling delivery systems to guard against the indiscriminate issuing of water licenses.
- A guarantee that funding and support is available to the States to properly develop and implement SDLAM projects and a deadline that is more flexible to ensure that the target is achieved.
- Commonwealth and State Governments to support communities found to have been impacted as a consequence of the Plan.