



# **SENATOR THE HON PENNY WONG**

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*'Water for the Future'*

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## **INTRODUCTION**

Thank you to Professor Paul Perkins for your introduction, and to the event organisers for putting together this very stimulating and topical program.

### Acknowledgements

- Traditional owners (Cadigal people)
- the Hon Nathan Rees, Min for Water Utilities in NSW
- the Hon Tim Holding, Minister for Water, Vic.
- Ken Matthews, Chairman and CEO of the Nat Water Commission.

Today I will be outlining the Rudd Government's new national plan on water – 'Water for the Future'.

This plan delivers our election commitment to develop a single, coherent, national framework that integrates rural and urban water issues.

Water for the Future is the Rudd Government's strategy to secure the long term water supply of all Australians.

Australia needs a truly national approach to water because it cannot be the domain of one single government.

Although State and local governments are responsible for delivering water services to Australian households, businesses and farms, the Commonwealth Government must provide strategic direction and leadership to help State and local governments secure water supplies in the era of climate change.

And whilst the Commonwealth Government now has a stronger role in the Murray Darling Basin as a result of the agreement at COAG in March, the Basin states will nevertheless need to play their part in addressing the problems in the Basin.

It is imperative for Commonwealth, state and local government to share a common understanding of the problems in water and respond in a comprehensive and coordinated way.

Like many areas of public policy involving multiple levels of government, water policy has been derailed by bickering and blame.

As a result, progress on many of the important issues has been a case of too little, too late.

Water for the Future recognises that water shortages are a serious threat to our economy and way of life.

Problems like climate change, over-allocation and water shortages don't get fixed by denial, delay or pointing the finger.

Water for the Future is built on four key priorities that integrate what all levels of government should be striving to achieve in the area of water:

- taking action on climate change,
- using water wisely,
- securing water supplies; and
- supporting healthy rivers.

Climate change is a major threat – for much of Australia it means more droughts and less rain.

The rapidly emerging threat of climate change, with its inherent uncertainties and risks, is something that we must plan for and manage.

As a nation, we have not had a Federal Government alive to these threats until now.

Instead, we have been taking too much water from our rivers and aquifers – particularly in the Murray Darling Basin.

We can, and we must, make better use of our available water resources. This means improved efficiency and productivity of water use, and better use of water markets to optimise the economic benefits that water brings.

In our towns and cities, we must secure water supplies for current and future needs, including from a range of new sources that rely less on rainfall given the clear threat climate change poses to traditional water sources.

In delivering Water for the Future we will be seeking to set a new standard in national leadership and co-operative relations with state and territory governments.

Our plan delivers a much needed focus on the water crisis in the Murray Darling Basin – an issue of truly national importance.

As you know, the Prime Minister recently secured a landmark agreement with Basin states on a new Basin Authority and Basin Plan.

For the first time, Water for the Future provides a long term focus on securing water for all Australians – whether they be irrigation communities or suburban households.

‘Water for the Future’ will be driven by a ten-year, \$12.9 billion investment in strategic water priorities; sound water governance and policy; and renewed purpose and commitment in water reform.

In a mature Federation, it is a reasonable expectation for states and territories to fulfil agreed reform objectives in return for Australian Government investment. If not, the benefits that flow from this investment would be short-lived.

Co-operation with the states and territories is a crucial underpinning to our approach – collaboration on agreed investment priorities and outcomes, co-operation on establishing new national water accounts, and co-operation on an agreed program of water policy reform.

## **WATER REFORM**

Already, the Rudd Government has made significant progress on water reform.

This year, we will establish the independent Murray Darling Basin Authority to develop a new Basin Plan, including a sustainable cap on surface and groundwater extractions in the Basin. Just as importantly, final approval of this new Basin Plan will rest with the Australian Government alone.

In another Basin reform, the ACCC is now responsible for developing water market and charging rules for the Murray-Darling Basin. I expect these new regulatory arrangements to be in place early next year.

At the national level, the issue of water and climate change was recently identified by COAG as one of seven areas requiring urgent reform..

As Chair of the COAG Working Group on Climate Change and Water, I am now overseeing a forward work program that covers the following challenges:

- addressing overallocation
- improving water markets
- urban water reform; and
- skills and information.

This work will provide new impetus to the National Water Initiative, strengthening its role as the blueprint for continuing water reform.

As part of Water for the Future, the National Water Commission will be directly responsible for assessing state and territory performance against the National Water Initiative and agreed funding milestones under the Government's Plan.

Water reform is not just some abstract policy exercise – and Commonwealth funds will depend on it being realised. Our reform agenda directly impacts on our everyday lives.

- By removing barriers to trade in water, we will allow markets to operate much more effectively in allocating water between competing uses, improving water use efficiency, and delivering water to its highest value uses. These benefits flow right through to the supermarket shelf.
- By ensuring that economic settings work to promote affordable and timely investment in secure water supplies, and ensure that alternative water supplies and water-efficient technologies can compete on a level playing field. This will also provide customers with an appropriate financial reward for their water conservation efforts.
- By improving water security in remote communities, including remote indigenous communities, we are confirming the basic right to drinking water.
- And by making sure our water planners have best available information on available water resources and the likely impacts of climate change, we avoid problems of poor planning, over-allocation and under-investment, and we minimise the likelihood of costly water shortages into the future.

Unfortunately, years of inaction mean this reform has become urgent. Further delay will only make reform more difficult and more costly. As is the case in many areas of reform, the longer we delay, the bigger and more costly the problems become.

I'd now like to talk in more detail about the four water priorities that will be addressed through 'Water for the Future'.

## **TAKING ACTION ON CLIMATE CHANGE**

The most pressing challenge is to ensure all Australian governments are responding to the impacts of climate change on our water supplies and the health of our rivers .

The signs that the Australian climate is changing due to human impact are already clear. Indeed, 16 of the last 18 years have been warmer than the long-term average in Australia, and across much of southern Australia, 2007 was the hottest year on record.

In the Murray Darling Basin, the last few years have seen a sequence of very low inflows to the River Murray and record-low allocations.

In the period from 1997 to 2007, inflows to the Murray River averaged 49 per cent below the pre-1997 long term average.

Over 2007/08, water allocations in the southern Basin have been at critically low levels, and at this point the outlook for the 2008/09 water year is not good.

In Melbourne, post-1997 inflows to Melbourne's water supply catchments average at 35 per cent below the pre-1997 average.

And in Perth, there has been a reduction in water flowing to dams in the order of forty per cent over the last 30 years.

Water shortages now impact on our daily lives, and it is largely through this experience that Australians now understand the threat of climate change. .

As I said before, for most Australians climate change means more droughts and less rain. We must adapt to this world where climate change is a reality.

The first part of the adaptation challenge is to understand how much water is likely to be available in our rivers and aquifers into the future.

Many of you will be aware of work by CSIRO on future water availability in the Murray Darling Basin that is expected to be completed over the next few months.

In addition to the likely impacts of climate change, this work is also looking at the future implications of groundwater use, new farm dams and land use change on the Basin's water resources.

Those of you who have read some of the reports that have come out to date will know that for the southern Basin in particular, the results are very sobering indeed.

The Australian Government is now committed to extending the sustainable yields work to other regions of Australia – to Tasmania, the south-west of Western Australia, and northern Australia.

We need to understand the implications of climate change for our farmers, cities, towns and rivers. This demands sound water resource planning to inform tough water sharing and investment decisions; decisions that are required to ensure that all needs are catered for in the face of reduced water availability and – in many instances – increased population.

In the Murray Darling Basin, the Australian Government will put a new Basin Plan in place that will take account of future climate change and address the legacy of past over-allocation. This Basin Plan will also make provisions to secure the critical human needs of people reliant on the Murray for drinking water.

With help and assistance from the Australian Government, Basin states must then put this Basin Plan into effect.

## **USING WATER WISELY**

A fundamental priority is to use water wisely – to make better use of the water we have.

Water conservation is already a part of our lives. There aren't too many places around Australia that are not affected in some way by water restrictions – restrictions that have been in place now for quite some time.

The need to save water will not disappear with the next decent rain event. Climate change, combined with growing water demand, means that now and in the future, there simply isn't enough water to waste.

This is why water conservation and water efficiency has become intrinsic to water planning in both rural and urban settings.

For several years now, Australian households have shown a remarkable community spirit in adapting to water restrictions and helping to conserve our water resources.

However, we can do more to use water wisely. Water for the Future includes a \$250 million commitment to a National Greywater and Rainwater Initiative.

Through direct incentives for household rainwater and greywater use, this program supports the very many Australians who are prepared to take personal responsibility for conserving our drinking water supplies.

By far the biggest user of water in Australia is the irrigation sector, accounting for around two-thirds of all water use nation-wide. Around 70 percent of this irrigated agriculture takes place within the Murray Darling Basin.

Irrigated agriculture provides a wealth of food and fibre.

This not only generates considerable export income, but provides fresh food for Australian households at prices that are low by world standards.

But despite the economic importance of irrigated agriculture, we must become more efficient in the way we use water for crops.

This means improving the efficiency of irrigation infrastructure and ensuring the water market promotes high value use.

It is estimated that the amount of irrigation water lost to leakage and evaporation each year is about the same as that consumed by all of our major capital cities. Clearly there is plenty of scope to improve.

Under our Sustainable Rural Water Use and Infrastructure Program, Water for the Future provides for more than \$5.8 billion in investment towards improving the efficiency and productivity of water use and management.

Subject to due diligence, Stage 2 of Victoria's Foodbowl project will be amongst the projects funded. Other Basin states have also been invited to submit their priority projects over coming months. Private irrigation corporations in the Basin will also be invited to participate later in the year.

As I announced a few weeks ago, I will be applying three threshold tests for Government investment in infrastructure projects. I am now able to expand on these investment principles:

1. Projects must be able to secure a long-term sustainable future for irrigation communities, in the context of climate change and reduced water availability into the future. Projects must help support and drive regional investment and development, secure regional economies and support the local community. And they must demonstrate a long-term economic and environmental benefit that can be sustained over a 20 year horizon. In this context, the Government may consider community-driven proposals that actively address existing over-allocation problems by assisting regional economies and local communities to adjust in anticipation of a new Basin cap in the future.

2. Projects must deliver substantial and lasting returns of water to the environment to secure real improvements in river health. The Commonwealth's share of water saved must be able to be delivered and used for environmental purposes that reflect the Commonwealth's environmental priorities. It must be in the form of a secure and transferable water entitlement, to be owned by the Commonwealth Environmental Water Holder
  
3. Projects must deliver value for money in the context of the first two tests. This includes:
  - cost-benefit analysis to test the net impact of the project on national economic welfare;
  - evaluation of the cost of water returned to the environment; and
  - clearly defined cost sharing arrangements.

These tests will be crucial for investment support. Progress payments for approved projects undertaken by Basin States will be linked to implementation of agreed water reforms.

In the Murray Darling Basin and elsewhere, part of the challenge of using water wisely is to realise the potential of water markets and trade.

Water trade can deliver significant economic and water efficiency benefits. Continuing improvements in our capacity to support and develop water markets will only increase these benefits.

This last year or so of very low water allocations in the southern Basin has seen a significant increase in water trading activity to protect permanent plantings and other high value crops.

If the water market did not exist, the capacity of irrigators to cope with this drought would have been greatly diminished and millions of dollars of investment lost.

The capacity for markets to manage the economic and social impacts of water shortages should not be understated.

In making better use of our available water resources, it is vital that we understand how much water we have, and how much water we use. You cannot manage what you do not measure.

‘Water for the Future’ includes the \$450 million ‘Improving Water Information Program’, administered by the Bureau of Meteorology. This program will produce the first ever national water accounts, supported by a truly national water monitoring and data collection network.

As part of this program, the Bureau has worked closely with state and territory agencies on identifying their needs, and will be providing financial assistance to assist agencies and water authorities to collect and maintain this data. The Bureau will coordinate the collation of all this data into a nationally consistent format, and provide an annual assessment of the condition of Australia’s water resources.

All this work to help us use water more wisely will enable us to continue to enjoy fresh produce we have come to expect.

## **SECURING NEW WATER SUPPLIES**

The third key priority is to secure water supplies for our towns and cities – a problem of matching growing water needs to declining traditional water resources.

Brisbane is currently experiencing its worst drought in more than 100 years, with five consecutive low-rainfall years and water storages now at just 38 per cent of capacity. As a result, Level 6 water restrictions are now in place. Most other capital cities – Perth, Sydney, Melbourne, Adelaide and Canberra – have also been facing serious water shortages.

Whilst traditional water supplies are declining, many of our towns and cities continue to grow. By 2050, it is estimated that Australia’s current population of 21 million will have increased to 33 million.

This is why a key element of Water for the Future is to work with the States to develop new sources of water that do not rely entirely on rainfall.

The Rudd Government will work with states and territories to develop new water sources, and on a range of other strategies that help to secure future water supplies.

As part of our election commitments on water, the Government will invest in a \$1 billion 'Urban Water and Desalination Program'.

By working with state and local governments and the private sector, this Program will provide funding towards new and innovative water supply projects in desalination, recycled water and stormwater harvesting in areas with a population of 50,000 people or more.

Adding these new and innovative supplies to cities' water 'portfolios' will improve the water security of Australian families and provide certainty for businesses.

Individual major project proposals costing \$30 million or more will be eligible to apply for up to 10 per cent of capital costs. \$100 million will be the maximum contribution for any one project.

Funding assistance will be available through either a refundable tax offset or grants.

After consultation with state government and water industry stakeholders on the design and implementation of the Urban Water and Desalination Program, I then intend to issue a public call for funding applications in the next financial year.

In addition, funds from this program will be used to establish new Centres of Excellence in Water Recycling in Brisbane, and in Desalination Technology in Perth.

Water authorities servicing towns and cities with a population of less than 50,000 people will be able to apply for funding under a new \$250 million 'National Water Security Plan for Towns and Cities'.

This program will target infrastructure refurbishment, new infrastructure, and practical projects to save water and reduce water losses.

Investments through these two programs will be used to drive further improvements in water planning and investments needed for our towns and cities to cope with the challenge of climate change.

## **HEALTHY RIVERS**

I would now like to move onto our final water priority – healthy rivers.

Australia's rivers and wetlands serve many functions and support many values – economic, environmental and cultural.

For too long, we have treated our rivers and groundwater systems as 'magic puddings'; as limitless supplies of water.

Nowhere is this more the case than in the Murray Darling – our largest and most important river system. Quite simply we have been taking too much water out of the Basin for far too long. We have overdrawn the Murray and now we need to restore the balance.

The signs of decline are obvious to all, and the need to address it is urgent.

In my short time as Minister I have had the opportunity to travel through many parts of the southern Basin, to see some of this degradation, and to speak with many people whose livelihoods depend on irrigated agriculture.

Not everyone I have spoken with would agree on the extent of the problem, or on what should be done to fix it. What everyone does seem to agree on is that action must be taken to restore our rivers and wetlands to health.

To me this is particularly encouraging. It strengthens my resolve to working with affected communities and stakeholders on a lasting solution to the problems of over-allocation and declining river health.

Earlier this year I announced a \$50 million commitment to purchasing water from willing sellers for return to the environment. This initial program is now well underway – but it’s just the beginning.

We will invest at least \$3 billion in Restoring the Balance in the Murray Darling Basin. Over the next ten years, we will be purchasing water to put back in the rivers.

This \$3 billion program will complement the water savings made through our investments in improved irrigation efficiency, and water promised under The Living Murray initiative and the Snowy initiative.

Again, all water purchased by the Australian Government will be held by the new Commonwealth Environmental Water Holder.

We can not afford to wait for a new Basin Plan to come into effect before more water can be returned to the environment. Under ‘Water for the Future’, over-allocation and declining river health are urgent priorities, and I intend to progress them now.

This problem is not unique to the Murray Darling – it’s a problem that exists in other rivers, too. Rivers like the Yarra, Peel, Harvey, and Hawkesbury Nepean for instance.

Strategic investment in water security will help to take the pressure off these important river systems, enabling state governments to honour their environmental obligations and commitments to healthy rivers.

## **CONCLUSION**

As I said at the outset, ‘Water for the Future’ is much more than a \$12.9 billion investment program; it’s a plan that provides a clear strategic direction that will guide the way we manage water into the future.

Without clarity around what we seek to achieve as a nation, it is very difficult for other levels of government to go it alone in tackling complex problems like water.

As the National Government, we cannot fix all problems in water, but by making our priorities clear, we are putting in place framework in which we will work with other levels of government to achieve water reform.

So how will the Government's new plan be assessed?

An effective national water framework should have the following characteristics:

- Clear national objectives that are agreed by all governments;
- Investment that is backed by effective implementation of agreed reforms;
- Planning for balanced and sustainable water outcomes that is based on best available information and strong community consultation;
- Effective water markets that allow water to be used where it has the highest value;
- A sound economic basis for water pricing and investment;
- Effective and accountable management of environmental water that delivers the best possible environmental outcomes; and
- Better information about water availability and use, available to all.

In adopting this new plan, the Government recognises the need for some flexibility in our investment priorities. New evidence and new knowledge will of course become available in years to come. The views of our stakeholders on the performance of the Plan over time will also form a crucial contribution.

That's why 'Water for the Future' will incorporate a major review of its first three years of operation, in order to assess the performance of the Plan in meeting its objectives.

By this time the new Murray Darling Basin Plan will have been developed, and this will provide important new information on what is required for Basin states and irrigators to adopt and implement the new Basin Plan.

This review will provide us with the opportunity to further refine and target the Plan to deliver best value on the four priority challenges I have outlined today.

I believe that 'Water for the Future' will deliver on all these fronts. It's a truly comprehensive plan that works in the national interest. And it is based on a co-operative approach to working with state and territory governments.

Thank you for the opportunity to speak today, and I wish you all the best for the remainder of this Australian Water Summit.