



**Australian Government**

**Department of the Environment, Water, Heritage and the Arts**

## **Water for the Future**

### **Restoring the Balance in the Murray Darling Basin**

# **Developing Irrigator-led Group Proposals**

## **INFORMATION AND GUIDELINES**

**2008-09**

## Introduction

This Information and Guidelines kit has been designed to provide information on the Australian Government's *Water for the Future* investments and guidance for groups of irrigators wishing to sell their water entitlements to the Commonwealth under the *Restoring the Balance in the Murray-Darling Basin* program.

The kit is divided into three sections: Information, Guidelines and Supporting Documents.

The **Information** section sets out the Australian Government's objectives in relation to *Water for the Future* and particularly in inviting groups of irrigators to develop proposals for selling their water entitlements to the Commonwealth and decommissioning or altering irrigation supply infrastructure.

The **Guidelines** section provides details on what the Australian Government is looking for in a group proposal and the process for progressing your proposal once it is submitted to the Department of the Environment, Water, Heritage and the Arts (the Department).

There are also a number of **Supporting Documents** which contain information that will help you to develop a group proposal. This includes:

1. Fact Sheet: Assessment Criteria for Australian Government Water Purchases
2. Fact Sheet: Environmental Water Recovery
3. Fact Sheet: Offering conveyance water for Australian Government purchase
4. Fact Sheet: Obtaining Information on Market Prices
5. Fact Sheet: Responsibility for Access Termination Fees
6. Fact Sheet: The Due Diligence Process

**It is important that you read the information provided in this kit if you intend to develop a group proposal for selling your water entitlements to the Commonwealth.**

# INFORMATION

## What is Water for the Future?

*Water for the Future* is a \$12.9 billion Australian Government investment over ten years to secure the water supply of all Australians.

*Water for the Future* is built on four key priorities:

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

*Water for the Future* is the first ever nationwide plan that addresses both rural and urban water. It will help secure water supplies for Australian households, businesses and farmers, as well as provide water to restore the health of Australia's stressed river systems.

Key *Water for the Future* programs and activities include:

- Investing in key rural water projects that save water by upgrading out-dated, leaky irrigation systems under the \$5.8 billion *Sustainable Rural Water Use and Infrastructure Program*.
- Buying back water entitlements from willing sellers under the \$3.1 billion *Restoring the Balance in the Murray-Darling Basin* program.
- Establishing the Murray-Darling Basin Authority which will develop a Basin-wide plan to identify risks to Basin water resources and develop strategies to manage those risks.
- Setting a new, scientifically informed cap on the amount of water that can be taken out of rivers and groundwater systems in the Murray-Darling Basin.
- Accurately monitoring, assessing and forecasting the availability, condition and use of our water resources through the \$450 million *Improving Water Information Program*.
- Investing \$1 billion through the *National Urban Water and Desalination Plan* to support desalination, water recycling and stormwater reuse and reduce our traditional reliance on rainfall.
- Funding practical projects like pipelines, water saving infrastructure and water treatment plants, through the \$250 million *National Water Security Plan for Cities and Towns*.
- Providing \$250 million through the *National Rainwater and Greywater Initiative* to help households and surf lifesaving clubs save precious drinking water by installing rainwater tanks and greywater systems.
- Supporting businesses with high water usage to be more water-wise through the *Water Efficiency Opportunities Program*.

For more information about *Water for the Future* elements, visit <http://www.environment.gov.au/water/action/index.html>

## ***Restoring the Balance in the Murray-Darling Basin – Why is the Australian Government purchasing water entitlements?***

*Restoring the Balance in the Murray-Darling Basin* is the name of the Australian Government's water entitlement purchasing program. Under this program, \$3.1 billion has been allocated over the next ten years for purchasing water entitlements from willing sellers in the Murray-Darling Basin. This water will be used to protect and restore the high value environmental assets in the Basin. The water will protect against algal bloom outbreaks, salinity and other water quality risks that threaten the health of our rivers and the livelihood of our farmers and regional communities.

The Murray-Darling Basin Authority's Basin-wide Plan, to be provided in 2011, will detail the agreed sustainable balance between use of water for consumptive purposes, principally irrigated agriculture. When existing water sharing plans expire from 2014 onwards, they will need to be revised and accredited by the Murray-Darling Basin Authority as being consistent with the Basin Plan.

The goal of the Government's water purchasing program is to reduce the consumptive use of water in the Basin, and to provide more water for the environment. This water will be managed by the Commonwealth Environmental Water Holder to meet the objectives of the Environmental Watering Plan for the Murray-Darling Basin, which will be part of the Basin Plan.

Through the *Restoring the Balance in the Murray-Darling Basin* program, the Australian Government aims to provide more water for the environment ahead of the expiration of existing water sharing plans. By acting early, additional water is immediately made available for the environment and the transition to the lower levels of consumptive water use expected in the Basin Plan will be smoother. Action on environmental water recovery means that when water sharing plans are revised, any adjustments to the rights of entitlement holders will be smaller than they would have otherwise been. A reduction over several years in the amount of water available for irrigated agriculture will also enable regional economies to make more gradual adjustments to the water sharing arrangements in the Basin Plan.

## **Will this program take over from other existing purchasing programs?**

*Restoring the Balance in the Murray-Darling Basin* complements other environmental water recovery programs, such as *The Living Murray*. The Department will co-ordinate its efforts with this and other environmental water purchasing initiatives. For example, the water recovery targets of other programs will be taken into account when deciding on the volume of water to be purchased under the program. However, each initiative will operate as an independent buyer in the market.

## **How much water has been purchased so far?**

The first environmental water purchases were made under the *Restoring the Balance in the Murray-Darling Basin* program in 2007-08. This program attracted interest from a

large number of potential sellers from across the Basin. As at the end of September 2008, the Australian Government was pursuing purchases for around 28 GL of water entitlements as a result of the first purchase round. This represents a crucial first step towards improving river health. More information on the 2007-08 water purchases is available on the Australian Government's Water Entitlement Purchasing website at [www.environment.gov.au/waterpurchasing](http://www.environment.gov.au/waterpurchasing)

## **Opportunities for developing group proposals for selling water entitlements to the Commonwealth**

The Australian Government recognises that groups of irrigators may wish to develop coordinated proposals for selling their water entitlements to the Commonwealth and decommissioning or altering shared off-farm irrigation supply infrastructure under the *Restoring the Balance in the Murray-Darling Basin* program.

The Government is inviting groups of irrigators to work with their irrigation water provider and other directly affected parties to develop such proposals. Working together has the potential to provide a number of benefits for the parties involved, including:

- Allowing irrigators to sell their water entitlements and restructure their businesses;
- Allowing irrigation water providers to decommission inefficient channels, pipelines and other infrastructure;
- Providing the Australian Government with the opportunity to make value for money purchases of water entitlements under the *Restoring the Balance in the Murray-Darling Basin* program that can be used to protect and restore environmental assets;
- Where infrastructure is to be decommissioned, there may be savings in conveyance water, which can be retained by the irrigation water provider to benefit the business and/or remaining irrigators, or sold to the Commonwealth, thereby enhancing returns to irrigators selling their entitlements; and
- Where irrigation supply infrastructure is to be removed, irrigators may be able to negotiate reductions in any termination fees charged by their water provider.

# GUIDELINES

## Eligibility - Who can submit a proposal?

If you own a permanent water entitlement (also known as a water share) and are part of an irrigation district within the Murray-Darling Basin that has shared irrigation supply infrastructure you may work with fellow irrigators and your water provider to develop a proposal for selling your water entitlements to the Commonwealth and decommissioning or altering shared irrigation infrastructure.

Group proposals may be from irrigation districts serviced by either open channels or by a pressurised pipe network. Your proposal will need to demonstrate that all entitlement holders involved agree to the offer of sale of entitlements to the Commonwealth. The Australian Government does not have any restrictions on the scale of proposals that it will consider.

## What is the Government looking for in a group proposal?

There are four key features that the Australian Government is looking for in group proposals:

1. Acquiring value for money water entitlements that the Australian Government can use to protect environmental assets and support healthy rivers;
2. Rationalising irrigation supply infrastructure to address system losses and better prepare irrigation regions for the future impact of climate change;
3. Using water wisely; and
4. Ensuring that appropriate consultation with directly affected parties has occurred.

### Acquiring value for money water entitlements that the Australian Government can use to protect environmental assets and support healthy rivers:

- The Government will assess the entitlements offered to the Commonwealth as part of your proposal with reference to prevailing market prices. This includes entitlements held by irrigators involved in the proposal as well as any share in conveyance water savings that may be offered to the Commonwealth as part of your proposal (see the **Fact sheet: Offering Conveyance Water for Australian Government Purchase**).
- All entitlements offered for sale to the Commonwealth will also be assessed in terms of their ability to service environmental assets. The **Fact sheet: Assessment Criteria for Australian Government Water Purchases** provides more information.

Rationalising irrigation supply infrastructure to address system losses and better prepare irrigation regions for the future impact of climate change:

- Your proposal is likely to involve decommissioning off-farm irrigation water delivery infrastructure and/or installing or altering infrastructure to ensure continued stock and domestic supply.
- The Commonwealth will consider making a contribution towards these infrastructure costs where you can demonstrate that such an investment would help the Government to achieve its key *Water for the Future* objectives (listed on page 3), including taking action to prepare for climate change and using water wisely.
- Where a contribution towards infrastructure costs is requested as part of your proposal, the Department will undertake a due diligence process to verify the value of the infrastructure and the cost of the works proposed (see **Fact Sheet: The Due Diligence Process**).

Using water wisely:

- The Government is looking for proposals that result in more efficient water use.
- Where your proposal involves making arrangements for ensuring continued stock and domestic supply, for either irrigators involved in the proposal or others in your irrigation district, you will need to quantify any new diversion of surface or groundwater in your proposal. Your proposal should also list any additional licences or approvals needed to access and supply stock and domestic water.

Ensuring that appropriate consultation with directly affected parties has occurred:

*With fellow irrigators involved in the proposal*

- All of the irrigators involved in your proposal will need to be supportive of the terms, timelines, conditions and cost-sharing arrangements you have agreed to.
- The proposal must demonstrate that all parties involved are doing so voluntarily.
- Each entitlement holder involved will need to sign the proposal submitted to the Department.

*With your water provider and other irrigators in the district*

- Your proposal will need to demonstrate that issues such as the following have been resolved:
  - The timeframe and cost of infrastructure works, such as decommissioning off-farm supply infrastructure or installing or altering infrastructure to ensure continued stock and domestic supply, and how these costs will be shared between irrigators involved in your proposal and your water provider.
  - How any conveyance water savings would be shared between the irrigators and your water provider, including any proportion which is proposed for sale to the Commonwealth.
  - The position on any access termination fees imposed by the water provider. Where infrastructure is to be decommissioned, this may warrant a change to

the way that termination fees would be calculated. The **Fact Sheet: Responsibility for Access Termination Fees** provides information on the way that the calculation of termination fees may be affected by a group proposal and what the Government is prepared to accept in terms of termination fees charged upon irrigators as part of a proposal.

- How the proposed works will affect other irrigators in the district. If one or more irrigators along a channel or pipeline do not wish to participate in your proposal, it may be possible to negotiate with these irrigators to accommodate their needs. Such arrangements will need to be clearly described in your proposal.

#### *With other directly affected parties*

- Where necessary, you will also need to show how your proposal complies with any State or Local Government land use plans or zoning requirements that may be affected by your proposal.

Important note: The Department will not act as an arbiter to resolve any of the matters outlined above within your group or with other affected parties. Similarly, the Commonwealth will not provide compensation for any party affected directly or indirectly by your proposal.

## **What is the Commonwealth not prepared to pay for?**

When developing your proposal, you should be aware that the Commonwealth is not prepared to pay for the following:

- Temporary allocations: At this stage the Commonwealth is only buying water entitlements (rather than temporary or seasonal allocations) as the objective is to provide the environment with additional water into the long term. For the remainder of each financial year, irrigators who sell their entitlements to the Commonwealth can either use the season's remaining allocation, or sell it on the temporary water market. However, any allocations that are announced subsequent to the settlement of the water trade will belong to the Commonwealth.
- Termination fees: Irrigators are liable for paying any access termination fees imposed by their water provider. Access termination fees are charged by some irrigation corporations to protect remaining irrigators from the prospect of higher fixed costs caused by some irrigators leaving the scheme. Where infrastructure is to be decommissioned as part of your proposal, it may be appropriate to modify the way in which the termination fee is calculated. The **Fact Sheet: Responsibility for Access Termination Fees** provides more information.
- Water delivery charges: Irrigators will be liable for any outstanding water delivery charges imposed by their water provider.
- Legal or professional charges: The Commonwealth will pay for any charges associated with the transfer of water entitlements to the Commonwealth. However, your group will need to pay for solicitors, water brokers and any other professional advice or services you require.

## What to submit?

Your proposal should include information covering the following:

- Details of any water entitlements being offered to the Commonwealth for sale as part of your proposal, including entitlements held by individual irrigators plus any conveyance water savings being offered to the Commonwealth in the form of a tradeable water entitlement. In the first instance the Department needs to know the water entitlement details (see the last point), the volume of each type of water entitlement being offered and the price being asked per megalitre for each entitlement type.
- A description of any infrastructure decommissioning or alteration works and the expected cost and timeframe for these works.
- How the expected cost of infrastructure works, as well as any conveyance water savings, will be shared between irrigators in your group and your water provider.
- A justification for any Commonwealth contribution towards infrastructure works requested as part of your proposal based on key objectives of *Water for the Future*.
- The way in which any access termination fees have been calculated.
- Contact details for a nominated representative for your group. This person will be the first point of contact as the Department progresses your proposal.
- Where necessary, evidence (such as signed letters) to demonstrate that any other directly affected parties are supportive of your proposal.
- Finally, all members of your group need to sign the proposal submitted to the Department. The Department also needs to know the water entitlement reference numbers for all entitlements being offered for sale as part of your proposal. It may be simplest to provide a table listing all of the water entitlement reference numbers, the names of all the persons listed on these entitlements and the signature of each person to show they are supportive of the proposal.

## Can the Department help us to develop our proposal?

If you have a question about developing and submitting your proposal, officers from the Department will be able to assist you over the phone.

However, any spending of public money by the Australian Government is governed by specific legislation and policies. Of most relevance to water entitlement purchasing and potential contributions towards infrastructure works is the *Financial Management and Accountability Act 1997* and the Commonwealth Procurement Guidelines. These standards cover principles such as confidentiality, accountability, efficiency, ethical behaviour and ensuring that potential recipients of public money are able to apply for this money, and have their application assessed, on a common basis.

This means that there are certain things that the Department is unable to help you with. For example, officers from the Department are unable to advise you on what price the Commonwealth is prepared to pay for specific water entitlements. Similarly, the Department can not assist you in preparing your proposal or negotiating with third parties on your behalf.

## How do we submit our proposal?

Completed proposals can be submitted by:

1. Email: [waterpurchasing@environment.gov.au](mailto:waterpurchasing@environment.gov.au)
2. Fax: 02 6275 9398
3. Post: The Water Purchasing Officer  
Water Efficiency Division  
GPO Box 787, Canberra ACT 2601

Importantly, each irrigator involved in the proposal will need to have signed the proposal submitted.

## When can we submit our proposal?

Your group can submit a proposal to the Department at any time.

## What happens after we submit our proposal?

The key steps to the Group Proposals Process are as follows:

1. Your group, in consultation with your water provider, prepares your collective proposal and submits it to the Department.
2. The Department will contact your group's nominated representative to acknowledge receipt of your proposal and outline the next steps in the process.
3. The Department will assess your proposal. This will involve:
  - a. Assessing the offers to sell water entitlements to the Commonwealth on a value for money basis. The **Fact Sheet: Criteria for Australian Government Water Purchases** provides more information.
  - b. Determining whether the features listed under 'What is the Government looking for in a group proposal?' will be met.
  - c. Considering how your group intends to decommission or alter irrigation infrastructure in your area to reflect the sale of water entitlements.
  - d. Determining whether any requested Commonwealth contribution toward infrastructure costs would represent a value for money investment. This would involve conducting a due diligence assessment to verify the value of the infrastructure and the cost of the works proposed (see **Fact Sheet: The Due Diligence Process**).
4. As the Department progresses your proposal, officers may contact your group's representative to seek more information, discuss and resolve matters or negotiate where necessary.
5. Once a proposal is acceptable to both your group and the Department, the Department will commence the process for developing a contract for the exchange of water entitlements and funds.

## **How long will the assessment take?**

The assessment of your proposal will commence once it is submitted to the Department. The length of the assessment process will depend upon the number of proposals the Department receives, the amount of detail provided and the nature of the entitlement sales and infrastructure works involved in your proposal.

## **How do we find out more?**

Further information on developing a group proposal may be obtained from:

The Water Purchasing Officer  
Department of Environment, Water, Heritage and the Arts  
GPO Box 787  
CANBERRA ACT 2601

Telephone (toll free): 1800 218 478  
Email: [waterpurchasing@environment.gov.au](mailto:waterpurchasing@environment.gov.au)  
Website: [www.environment.gov.au/waterpurchasing](http://www.environment.gov.au/waterpurchasing)