



Australian Government

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

WATER for the **FUTURE**

Planned Approach for Restoring the Balance in the Murray-Darling Basin

Water Purchase Program: 2008-09 and Beyond

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Background

The first round of purchasing under the \$3.1 billion *Restoring the Balance in the Murray Darling Basin Program* was conducted from February to May 2008. The proposed arrangements for the program in 2008-09 have been informed by the Department of the Environment, Water, Heritage and the Arts' review of the first round of water purchasing. The review drew on input from a Stakeholder Consultative Committee, regional consultative workshops, and an independent assessment commissioned by the Department. A copy of the independent assessment is available at www.environment.gov.au/waterpurchasing.

The independent assessment endorsed the approach taken to implementing the 2007-08 water entitlement purchase program, particularly the tender based approach where irrigators considering selling their entitlements could voluntarily submit a sell offer. The assessment also concluded the bid assessment criteria used by the Department delivered value for money to taxpayers and was the best way of acquiring more water for environmental priorities over the long term.

The independent assessment noted that individuals who chose to sell were better off, though the long term impact of the sale of water entitlements on regional communities was less clear. The long term affect will not necessarily be negative and will vary from region to region according to the nature of the irrigation activities and how the sales proceeds are used.

However, the Government recognises that some stakeholders are concerned that sale of water entitlements to the Commonwealth may adversely affect some regional businesses. The Government remains committed to monitoring the impact of the program and has invested resources to better understand the potential impact of the water purchases on particular regions.

The independent assessment also noted that communication and community engagement about the purpose of the water purchase program and how it fits with other government initiatives to recover water for the environment should be a high priority in current and future water rounds. In particular, the Department's review received feedback from stakeholders that the environmental priorities that are guiding the purchase decisions need to be better communicated.

Proposed approach for 2008-09

The principal water purchase method to be adopted is a public tender mechanism whereby irrigators considering selling their water entitlements can voluntarily submit a sell offer to the Department. Sell offers will be assessed every one to two weeks and vendors immediately advised of the outcome.

Northern basin tender: The first Northern Basin tender opened on 15 September 2008 and closes on 19 December 2008. The Department is making preparations for future tender rounds for 2009.

This tender is the first step in delivering on the Australian Government commitment to \$350 million of water purchases in Queensland, and \$50 million water purchases in northern New South Wales.

Southern basin tender: Opened on 7 October 2008 and will remain open until 30 June 2009.

This tender delivers on the Australian Government's commitment to make \$80 million immediately available for water purchases in South Australia. This tender, in conjunction with the northern basin tender, also delivers on the Australian Government's commitment to a basin wide tender in 2008-09.

Note: The northern and southern Basin tenders are the mechanisms through which irrigators applying for the Small Block Irrigator Exit Grant Package can sell their water entitlements to the Government. Guidelines for the Small Block Irrigator Exit Grant Package were released on 2 November 2008.

Irrigator led group proposals: The Australian Government has released guidelines for irrigator led group proposals for sub-district closure. 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 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 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. The Australian Government will consider making a contribution towards the cost of infrastructure works where such a contribution could be justified in terms of key *Water for the Future* priorities (particularly 'taking action on climate change' and 'using water wisely');
- 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.

Purchase of land and water: The Australian Government will work with State Governments to assist with the purchase by State Governments of appropriately located irrigation properties and their water entitlements to enhance environmental outcomes in the northern basin. The purchase of Toorale Station by the NSW Government on 10 September 2008, made with substantial financial assistance from the Australian Government, was the first investment under this element of the program.

Further information is available at www.environment.gov.au/waterpurchasing.

Approach beyond 2008-09

The program elements introduced in 2008-09 are likely to feature in future years of the Restoring the Balance in the Murray-Darling Basin program. These elements will be modified or further refined following regular reviews of their effectiveness and efficiency. The Department will also be further investigating other complementary purchase mechanisms which can be used to make value for money water entitlement purchases.

Investments in irrigation infrastructure upgrades and associated water savings will be funded from a separate Australian Government program, the \$5.8 billion Sustainable Rural Water Use and Infrastructure (SRWUI) program.

The Australian Government's environmental watering priorities

Water rights acquired under the Restoring the Balance in the Murray-Darling Basin program become part of the Commonwealth's environmental water holdings. The Commonwealth Environmental Water Holder (CEWH) must manage the holdings for the purpose of protecting or restoring environmental assets so as to give effect to relevant international agreements. The CEWH 2008-09 Business Plan outlines the principles which will be adopted in determining environmental watering priorities. A copy of the CEWH 2008-09 Business Plan is available at www.environment.gov.au/water/publications/action/cewh-business-plan.html.

To help manage the holdings, the Department:

- is consulting jurisdictions on environmental watering priorities and working with them to establish initial water delivery partnerships;
- is establishing an Environmental Water Scientific Advisory Committee to assist in prioritising environmental assets;
- is setting up a Water Recovery and Environmental Use Stakeholder Reference Panel to consider acquisition arrangements, the socio-economic impact of water purchasing, and provide stakeholder views on the economic and environmental impacts of the proposed use of environmental water; and
- has commissioned studies to provide additional information that will support its decision making framework on environmental watering priorities.

The above work will feed into the process of preparing the Murray Darling Basin Plan, and the Environmental Watering Plan which will provide further guidance on environmental priorities and the flow regimes needed to protect and restore identified assets.