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Speech to Irrigation Australia 2008 Conference & Exhibition

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Check against delivery

Thank you, Stephen Mills, for your introduction and the opportunity to speak today at Irrigation Australia's 2008 Annual Conference. I understand this is the first annual conference of the new combined organisation that was previously two separate organisations – the Australian National Committee on Irrigation and Drainage (ANCID) and the Irrigation Association of Australia.

First, I'd like to acknowledge the traditional owners of the land on which we stand today, the Wurundjeri people.

On 29 April 2008 I announced Water for the Future, the Rudd Government's long-term, \$12.9 billion plan to secure water for all Australians.

The Rudd Government recognises that water shortages are a serious risk to our economy and way of life.

In Water for the Future, we have for the first time, a cohesive national strategy that addresses the key water challenges that Australia faces.

Through Water for the Future, we will focus on four key priorities:

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

Australia is the driest inhabited continent and yet we have one of the highest per capita water usages in the world. For too long, we have ignored the impacts of climate change, drought and historic over-allocation of our water supplies.

The Australian Government recognises and accepts the scale of the problem that confronts us all as we begin to roll out our plan – particularly in the Murray Darling Basin.

We are also acutely aware that many communities in the Murray Darling Basin are concerned about what *Water for the Future* will mean for *their* future.

Today I am going to talk about the four priorities we are addressing through *Water for the Future*. I will also be announcing a new measure to involve Basin communities in shaping the way in which we take action on the urgent issue of over-allocation and its impacts on river health.

TAKING ACTION ON CLIMATE CHANGE

In Australia, you can't have a serious discussion of water policy without also discussing climate change.

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 as most of you will know the dry autumn to date means that the outlook for the 2008/09 water year is not good. Unless we get significant winter rain, we are looking at low or zero opening allocations in the southern Murray-Darling Basin.

So will things ever get back to 'normal' in the Murray Darling?

The science is now telling us that this last 10 years or so of low rainfall in the Basin bears some of the hallmarks of climate change. And from the CSIRO's Sustainable Yield reports produced to date in the Basin, it's clear that climate change means less rain and more drought into the future.

This is a harsh reality – but it is one we have to face up to. We all have to take responsibility for the future we create.

The same goes for politicians. Politicians cannot keep telling you what they know is untrue.

Leadership is not telling people what they want to hear – that we can continue as we have been and hope things will get better.

When it comes to Australia's water future, leadership means helping communities adapt to this world where climate change is a reality.

While some cynical politicians like to pretend that there is some simple solution, the vast majority of irrigators that I have spoken with understand that meeting this challenge will not be easy.

Indeed, it is a job made harder by the past decade of neglect.

But we can help manage the scale of the challenge by working together.

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.

As I mentioned before, the work by CSIRO on future water availability in the Murray Darling Basin has been progressively released, and 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; issues that further compound the adaptation challenge.

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 declining water availability and – in our cities especially – increasing population.

USING WATER WISELY

Australians have come to realise that we can no longer take water for granted. As professionals in both rural and urban irrigation, I'm sure you will appreciate that this realisation has been sinking in for some time now.

In the 1990s the introduction of the Interim Cap in the Murray Darling Basin, much needed at the time, still came as a shock to many, and the initial reaction against it was strong.

Now I think you would be hard-pressed to find any irrigation leader who would dispute the need for the Murray Darling cap – interim as it is. And since that time many more river systems around Australia have seen caps imposed on consumptive use.

Irrigation water property rights, markets and trading have emerged quite quickly in these systems, largely because there is no more new water to allocate. In a capped system, water markets are the best and fairest means to allocate water resources between competing uses.

Water markets have also given water a tradeable economic value. This market value in itself works to drive more efficient water use, and more technical sophistication in irrigated agriculture.

All this has helped to focus attention on gaining more value for money – or more output from water used.

In many areas, great strides have been made in irrigation technology and efficiency, but I think most of you would agree that much more remains to be done. To borrow from Ben Fargher, we need to get 'more crop per drop.'

There will be a new Cap in the new Basin Plan, and it is a safe bet that in most catchments it will be lower than the current cap.

A big part of the challenge of adapting to a new Murray Darling Cap is for irrigation regions and communities to further improve the ways that they manage, deliver and use water resources.

Three weeks ago I announced that the Australian Government had committed \$5.8 billion in investment under the Sustainable Rural Water Use and Infrastructure Program.

In large part, this program is focused on the significant adaptation challenge for irrigated agriculture in the Murray Darling Basin.

As I have said previously, each Basin state has been invited to submit their priority projects over coming months for funding under this Program. Irrigation delivery corporations in the Basin will also be invited to submit their proposals later in the year.

I have also announced the three threshold tests for Government investment in infrastructure projects. I will reiterate what these tests are:

1. Firstly, 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 overallocation problems by assisting regional economies and local communities to adjust in anticipation of a new Basin cap in the future.
2. Secondly, 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. And thirdly, 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 three tests are designed to ensure Government investment in irrigation benefits not just for irrigation communities, but also the Australian community at large. These tests will ensure our investment improves river health and supports continued local production of food and fibre in an era where a range of global factors are driving prices up.

So what sort of projects will the Australian Government invest in?

The Australian Government will not be paying to paint over the cracks in old and outdated infrastructure that simply cannot remain viable into the future. We do not intend to spend taxpayers' funds on projects that cannot secure a long-term future for irrigation communities. And we will not invest where the economic and environmental return represents poor value for money.

This Program should be seen for what it is – an opportunity to take the initiative in securing a long-term viable future for irrigation regions, and in the process, make the necessary adjustments in anticipation of a new Basin cap.

We must resist the urge to avoid hard decisions. The longer we avoid hard decisions, the harder those decisions will become.

In terms of using water wisely, we are also very keen to see urban households doing their bit to conserve our precious water resources.

That is why we are providing \$250 million to help households install rainwater tanks and greywater systems.

We are also supporting water efficient urban design through our \$15 million Green Precincts program.

SECURING NEW WATER SUPPLIES

This brings us to the third key priority, securing water supplies for our cities and towns – 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, Adelaide and Canberra – have also been facing serious water shortages.

Here in Melbourne, Stage 3a water restrictions are in force, with storages at 30.6%.

While 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.

As part of our election commitments on water, the Government is delivering the \$1 billion National Urban Water and Desalination Plan.

By working with state and local governments and the private sector, this Plan 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.

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 National Urban Water and Desalination Plan, I then intend to issue a public call for funding applications in the next financial year.

In addition, we are establishing new Centres of Excellence in Water Recycling in South East Queensland, and in Desalination Technology in Perth.

Further, Australian cities and towns will also be able to apply for funding under the \$254.8 million National Water Security Plan for Cities and Towns.

Through this Plan, we are investing in infrastructure refurbishment, new infrastructure, and practical projects to save water and reduce water losses.

Commonwealth investment delivered through these initiatives 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 – but equally important - water priority: healthy rivers.

As you all know, 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 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.

As I have said, the Murray has been overdrawn, and we must restore the balance.

Since being appointed to this role, I have travelled through many parts of the southern Basin and have spoken with many people whose livelihoods depend on irrigated agriculture.

The views that have been expressed to me cover a range as wide as the landscape itself. But there does seem to be agreement that action must be taken to restore our rivers and wetlands to health.

I see a strong willingness across Basin communities and from Basin governments to work together and deliver a lasting solution to the problems of overallocation and declining river health.

GOVERNMENT WATER PURCHASE IN THE MURRAY DARLING BASIN

I've previously announced that the Australian Government will invest at least \$3.1 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. Part of the water efficiency gains under the \$5.8 billion Sustainable Rural Water Use and Infrastructure initiative will also help improve the plight of our rivers.

I have heard the concerns that have been raised regarding our water purchasing program.

I would like to talk with you about the merits of purchasing water from willing sellers to return to our rivers – and explain why it is that the Government has made this decision.

One of the fundamental underpinnings of the National Water Initiative was the widely-held concern that water needed for the environment would be taken away from irrigators without due recognition of their legitimate water entitlements, and of the considerable investments made on the strength of these entitlements.

As a result, the National Water Initiative provides recognition for these legitimate property rights. And this was the right thing to do.

The NWI also recognises that many of our rivers are over-allocated and under stress, and have a legitimate need for water entitlement too.

And the NWI has also recognised the value and importance of water markets – a logical extension to property rights. Where property rights exist, you should be able to buy and sell them.

In the Murray Darling Basin, there is a significant and pressing need to secure more water for our rivers. Using the market, by purchasing water from willing sellers at a fair market price, is a sensible response to this problem.

Let me make a few points about the Government's water purchase program.

As I said before, water purchasing is only one part of an integrated approach to the problems in the Murray Darling Basin. It should not be looked at in isolation.

The public tender process was selected as the best way to deliver value for money for Australian taxpayers while also providing a fair price for sellers.

The Department provides advice to prospective sellers on publicly available sources of market information.

I expect that some of the irrigators who sell water to the Australian Governments will choose to use the proceeds from selling some of their water to invest in on-farm efficiency and productivity improvements.

I also expect that some irrigators who are looking to sell water to the Australian Government are actively looking to leave the industry. I don't believe it is appropriate that these people should have their property rights restricted in such a way that they are unable to sell to the Australian Government.

One of the things about a water market is that it does enable people to leave the industry with relative ease and dignity, and – regardless of who is buying their water – that is a good thing.

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', the need to restore the balance and restore our greatest river system to health is an urgent priority, and the Government intends to address it now.

STAKEHOLDER CONSULTATIVE COMMITTEE

Many Basin communities are doing it tough. They have been under stress for a number of years and this situation has been made worse by the failure of the previous government to face up to the realities of climate change, drought and over-allocation.

On this point, let me reiterate: the time for governments telling people that things are fine when they are not has passed.

We must be honest and upfront about the extent of the problem we face.

The Rudd Government will be tackling a number of major problems for the very first time: we are establishing the new Murray Darling Basin Authority to develop the first ever Basin-wide plan and we are purchasing water to address over-allocation.

These things have never been done before and they are difficult things to do, but the degree of difficulty should not detract from the fundamental need to take action now.

As many of you know, the tender on the Federal Government's first ever water purchase closed last Friday.

I would like to talk now about how we intend to use the experience of our first water purchase moving forward.

Today I can announce that the Government will be establishing a Stakeholder Consultative Committee to evaluate the outcomes of our first ever water purchase tender.

The Government is absolutely committed to purchasing water to improve river health because the need to act is urgent.

But in terms of the way in which we purchase water, we believe irrigators, Basin communities and other stakeholders must play an important part in getting the system right.

As I mentioned before, Government water purchase is a relatively new frontier, so we are acutely aware of the need to learn from our first foray into the market.

My department has approached a dozen representatives from stakeholder groups in the Murray Darling Basin who have agreed to join this Committee.

These people represent a broad cross-section of Murray Darling stakeholders, including irrigators, irrigation companies, community members, environmentalists and people with technical expertise in the fields of economics and environmental management.

The Committee will play an important role in assessing the strengths and weaknesses of the \$50 million tender and provide advice on how we roll out further water purchasing in the future.

I will also ask the Stakeholder Consultative Committee to provide advice to the Government on how we can best respond to concerns about water purchasing.

We have established this Committee because we want to address the problem of overallocation in partnership with Basin communities.

Years of inaction mean the need to act is urgent. We cannot shy away from this simple fact: too much water is being taken out of the rivers and groundwater systems of the Murray Darling Basin.

We understand people are worried about how they will be impacted as we take further action to purchase water, but delaying action to tackle over allocation is not the way to address community concerns – all this does is prolong the pain and make things worse.

While I cannot physically talk to every irrigation community across the Basin, I will be ensuring the group of stakeholders we are establishing today will be given a strong voice in bringing a wide range of views out there to the table.

CONCLUSION

So, today I hope that I have been able to shed a bit more light on the nature and extent of the problems we all face in water, and of the approach that the Australian Government has taken to address these problems with our new national plan – Water for the Future.

As professionals in water, none of the problems that I have outlined today will come as much of a surprise to you.

What may come as a surprise is the fact that for the first time, the Australian Government is determined to act, and to act decisively, in order to address these problems.

We will not pretend the problems don't exist. We will not avoid the tough decisions on the grounds that they are, politically, too tough to tackle. This approach has failed in the past, and it would fail again.

One way or another the water crisis that we face must be dealt with, and as water professionals I ask that you play a role in shaping the ways that we respond and adapt to this challenge.

I thank you for the opportunity to speak to you all today, and I wish you all the best for the remainder of your time together at this conference.