

PRIME MINISTER

PREMIER OF VICTORIA

NEW COMMONWEALTH/VICTORIAN AGREEMENT ON WATER

The Australian and Victorian Governments have agreed on landmark reforms to return more water to the environment in conjunction with Victoria's irrigation modernisation program.

The new agreement will enable the Australian Government to acquire 300 billion litres over the next five years from 2008/09, over and above those purchases already permitted under Victoria's four per cent annual cap from irrigation districts.

A significant part of this agreement is greater co-ordination of Commonwealth purchases with the \$2 billion Northern Victoria Irrigation Modernisation Project.

Under the agreement, and subject to a review of progress on the modernisation project, Victoria will begin to phase out the four per cent cap on permanent water trades from irrigation districts from July 2011, with a view to removing the cap entirely by 2014.

The Australian Government has also committed \$300 million towards a grants program to assist farmers in southern Basin States to improve on-farm efficiency to save more water for the environment.

Other key aspects of the agreement include:

- The Commonwealth reaffirmed its in-principle commitment to provide up to \$1 billion to Stage 2 of the Northern Victoria Irrigation Renewal Project to modernise leaky old irrigation infrastructure;
- Water trades associated with the Commonwealth's *Small Block Irrigator Exit Grant Package* in Victoria will be allowed to proceed immediately, regardless of the four per cent cap.

Overall, the Australian Government expects to acquire 460 billion litres from willing sellers over the next five years from 2008/09.

Prime Minister Kevin Rudd and Victorian Premier John Brumby said the agreement underlined the importance of securing water for our rivers and wetlands, while also investing in a sustainable, efficient and productive future for our irrigation farms and communities.

"We are facing a critical situation in the Murray-Darling Basin resulting from historical over-allocation, long-term drought and the emerging impacts of climate change," Mr Rudd said.

"The Australian Government is determined to restore the Basin's rivers and wetlands to health, and help irrigation communities adjust to a future with less water.

"Longer-term, Commonwealth environmental purchases across the Basin will help to smooth the transition for irrigation communities to new, lower, sustainable diversion limits that can be expected when the new Basin Plan takes effect.

“The Australian Government remains committed to continued water market reform, because a free and fair water market provides the best way of ensuring that water can move to its most valuable and productive uses,” Mr Rudd said.

Mr Brumby said retaining the four per cent cap until July 2011 while allowing trades to proceed under the Commonwealth buybacks was a balanced outcome.

“This is a good deal for Victorian farmers, regional communities and the Murray River,” Mr Brumby said.

“Keeping the four per cent cap will allow communities sufficient time to adjust to large volumes of water being traded out of their region.

“At the same time, a coordinated approach to irrigation modernisation will mean more water can be returned through the buyback to the Murray River and its Victorian tributaries and wetlands.

“Under this agreement, buybacks will be targeted at less productive areas while irrigation infrastructure is modernised and reconfigured to ensure Victorian farmers have a more productive and sustainable future.”

The agreement follows lengthy negotiations between the Commonwealth and Victoria.

The Victorian Government recently announced it would legislate to remove the 10 per cent limit on the volume of water entitlements that can be owned without being associated with land. The limit will be removed by 31 October 2009.

The Australian Government’s \$12.9 billion *Water for the Future* plan includes \$3.1 billion to purchase water from willing sellers to put back in the Basin’s rivers and wetlands, and \$3.7 billion in commitments already made to Basin state priority projects.

This includes an in-principle commitment of up to \$1 billion for the second stage of the Northern Victoria Irrigation Renewal (Food Bowl) Project, and up to \$106 million for the Sunraysia Modernisation Project.

Stages 1 and 2 of the \$2 billion Northern Victoria Irrigation Renewal Project will return on average 175 billion litres of water to the Murray River and its tributaries and on average 175 billion litres of additional water for farmers, by modernising leaky old irrigation infrastructure.

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