



SENATOR THE HON PENNY WONG

MINISTER FOR CLIMATE CHANGE AND WATER

Victorian Farmers Federation Annual General Meeting

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Check against delivery

Thank you for inviting me to talk with you at your Annual General Meeting.

Introduction

It's good to be with you today to speak about the things we have achieved together in the Murray-Darling Basin so far and the things we plan to achieve in the future.

Today, I want to reflect a little on our achievements and talk about how the next couple of years will look.

Whether you farm north or south of the Divide, I know many of you are doing it tougher than ever before in the face of this terrible drought and of the emerging effects of climate change.

Recent predictions from the Bureau of Meteorology of a return to El Nino conditions later this year are doing nothing to allay these worries.

And nowhere are these problems more starkly exemplified than in Australia's food bowl: the Murray-Darling Basin.

Consider some facts that really bring home the critical situation in the Basin:

- Flows into the River Murray in the first three months of this year were the **lowest ever** in 117 years of records.
- Murray inflows over the last three years to March are sitting at just **46 per cent** of the previous worst three-year-period on record, or **approximately one-fifth** of the long-term average inflows for a three year period.
- The first Sustainable Rivers Audit, released last year, found that **20** of the Murray-Darling Basin's **23** river valleys are in **poor** or **very poor** health.
- In the last three years the yield on Basin water entitlements has averaged 2,500 GL per year compared to a long term average of almost 8,000 GL.
- And unfortunately, we've now had our ninth consecutive autumn in the southern Basin with below average rainfall.

These figures tell us that the current dry period is very different to our historical experience of drought in this country.

We are in new territory.

The story of water stress applies right across southern Victoria, as many of you know too well.

It would be simply irresponsible to ignore the risk that climate change may have already caused a step change in south-eastern Australia's weather patterns – the sort of step change that has been evident in south-western Australia since the 1970s.

And it's not just Australia that is feeling the pinch. Right around the world, temperate zone river systems in southern Europe and the Middle East, in China, India and Pakistan, and in the parts of the USA and Africa, are running out of water far quicker than most climate change experts have predicted.

These are unprecedented times and they call for unprecedented decisive action.

I know many of you are having to adopt new measures and make in many cases hard decisions to cope with this situation – selling livestock, changing crops, reducing or removing permanent plantings.

The Government knows that, like many of you, we must also take unprecedented action if we are to have any hope of restoring the Basin to health.

And this means healthy irrigation and farming industries, healthy communities, as well as healthy rivers and wetlands.

Our action plan

Action on the Murray-Darling Basin is being delivered through our ten-year, \$12.9 billion Water for the Future plan.

Water for the Future focuses on four national priorities: taking action on climate change, using water wisely, securing our water supplies, and supporting healthy rivers.

Water for the Future is, in fact, Australia's biggest and most ambitious climate change adaptation program, taking decisive steps to prepare our cities and towns, our irrigators and rural communities, and our river systems for a future with less water.

Water for the Future also recognises the scale of the challenges we face in the Murray Darling Basin.

Around 40 per cent of the gross value of agricultural production in Australia comes from the Basin and it contains 60 per cent of the irrigated agricultural area in Australia. Irrigation accounts for 84 per cent of water extractions from the MDB system.

The economic and social significance of the Basin's water resources cannot be overstated.

For this reason, we can no longer ignore the legacy of historical over-allocation in the Murray Darling Basin.

Even after the interim Basin cap in the mid 1990s, some water entitlements continued to be allocated with little or no regard for the environment or for downstream uses and values.

The over-use of water resources has had a profound impact on the Basin's ecological health, as last year's Sustainable Rivers Audit confirmed.

And to a greater or lesser extent, over-allocation also led to a gradual erosion of the reliability of pre-existing water entitlements.

With the benefit of hindsight, the interim Basin Cap in the mid 1990s was an inadequate response to these issues.

And the fact that nothing much changed in the subsequent decade or so further highlights the failure of the old Basin governance model.

But the current extended drought, combined with the emerging impacts of climate change, has greatly compounded these problems.

Water is now truly a scarce resource, adding real imperative to the case for change.

When you compare recent southern Basin inflow figures that I mentioned earlier with the CSIRO's projections for 2030, you'd be forgiven for thinking that their worst case scenario for 2030 is already with us.

There is no escaping the scale of the adjustment that needs to take place in the Basin.

This is presenting all of us with difficult choices and decisions around how best to make this transition, and how best to ensure the continuing viability of irrigated agriculture.

One imperative is to become much more efficient with the water that is available.

But the efficiency with which we manage and use our available water resources is only part of the answer.

The scale of the adjustment required means that we can no longer put off the difficult but necessary choices about where irrigation remains viable and where it does not.

And this means we must support farmers, water providers and communities in preparing for a future with less water.

Water for the Future is a strong, integrated plan for the Murray-Darling Basin, combining large-scale investment with policy and institutional reforms.

It's these reforms, and these investments, that I know are of intense interest to the irrigation farmers of northern Victoria.

Basin Plan

The central task of our Basin reforms is to develop the Basin Plan including a new, scientifically-based sustainable limit on the amount of water that can be diverted from rivers and from groundwater.

Ultimately, this is a challenge of finding the right balance – a sustainable balance – between the water needs of irrigation communities on the one hand, and the needs of the Basin's rivers and wetlands on the other.

The independent, expert Murray Darling Basin Authority is charged with this responsibility.

Many of you will know well the new Chair of the Authority, Mike Taylor, who worked for many years in agriculture and water resource management in Victoria. Some of you may also know new Authority member Professor Barry Hart.

So after far too many years of quarrelling and inaction, getting all jurisdictions to agree to this reform was in itself a significant achievement.

But there's a long way to go yet.

The new Authority has embarked on a ground-breaking task to:

- complete a comprehensive assessment of all Basin ground and surface water resources;
- assess the likely changes to the Basin's water resources arising from climate change and, for example, surface water interceptions, and the interactions between ground and surface water resources;
- develop an environmental watering plan to best meet the needs of Basin rivers and wetlands;
- develop an understanding of socio-economic conditions and likely impacts; and
- develop sustainable diversion limits for each catchment and aquifer.

Naturally this work requires the best available science and information.

But I also want to emphasise that stakeholder and community consultation, particularly on release of the Proposed Basin Plan in 2010, will be vital to this process.

The Basin Plan, of course is to be finalised in 2011.

Importantly, the final decision on this new Basin Plan will rest solely with the Commonwealth Minister – an arrangement on which all Basin jurisdictions are agreed.

It is then the responsibility of Basin states to implement the new Basin Plan and sustainable diversion limits once existing water plans expire. In Victoria, this is scheduled for 2019.

The wrong thing, the irresponsible thing for a Federal Government to do would be to stop there, and leave the entire task of implementing the Basin Plan, and of bridging the gap between current and future 'caps' on water use, to the Victorian, NSW, Queensland and South Australian governments.

We're not about to do that.

If we want to ensure that this transition to the new cap is as smooth as possible, and if we want to do this with the least amount of disruption, then this adjustment process – this process of bridging the gap to the lower

sustainable diversion limits that will come with the new Basin Plan – must start now.

Infrastructure Investments

According to the ABS report Water Use on Australian Farms, 2007-08 Victoria had the greatest number of irrigating agricultural businesses of the states/territories, accounting for 26 per cent of Australia's irrigating businesses.^[1]

Most of these farmers are located in northern Victoria, and they are feeling the pressures of drought.

But northern Victorian irrigators are adapting to the changed conditions in a variety of ways.

You're reducing water application rates, changing irrigation scheduling, changing crops, buying or selling water to best suit their needs, substituting other inputs for water, and much more besides.

All these actions by farmers are helping maintain productivity in the face of reduced water availability arising from this current drought.

But regardless of whether or not this current drought breaks, as I have said it's prudent to anticipate that the new Basin Plan will come with lower sustainable diversion limits right across the Basin.

The challenge for irrigation operators is to modernise, rationalise and consolidate irrigation delivery systems to reduce system losses, and ensure their ongoing financial viability in a future where there will be less water.

The challenge for farmers, and for irrigation communities, is to derive more value from a smaller pool of available water resources.

In this context, Australian Government investments in more efficient irrigation infrastructure, water management and water use are crucial to maintaining the viability and competitiveness of northern Victoria's irrigation sector into the long term future.

[1]

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/24700B5D1E4D0E7CCA2575C10012D8B6/\\$File/46180_2007-08.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/24700B5D1E4D0E7CCA2575C10012D8B6/$File/46180_2007-08.pdf) pg 5

As part of the Australian Government's \$3.7 billion commitment to Basin State Priority Projects, we have committed over \$1.1 billion towards the Victorian Government's plans for irrigation modernisation in northern Victoria, covering 90 per cent of the cost of stage 2 of the Northern Victorian Irrigation Renewal Program, and the modernisation project in the Sunraysia region.

That was nearly 12 months ago. My Department is yet to receive a project proposal from the Victorian Government. Obviously this means we have not been able to spend any state priority project funds in Victoria this financial year.

I'm encouraged that, under the recent agreement on water purchase struck between the Prime Minister and Premier Brumby, Victoria has agreed to provide, by the end of this month, a business case for some early works in 2009/10; an initial component of the NVIRP Foodbowl Stage 2 project.

My strong preference is that overall business cases for both the Foodbowl Stage 2 and Sunraysia projects should be completed as soon as possible.

The Commonwealth stands ready to commence serious investment in irrigation infrastructure in Victoria. We want real progress this year.

Furthermore, the sooner all of this work gets underway, the sooner we can expect to see a boost in regional economic activity associated with the bricks and mortar phase of project implementation.

That's why we are so keen to see these projects developed, approved and underway. The sooner this happens, the sooner the benefits will start to flow.

The Australian Government's commitment to Victoria's priority project comes on top of the \$99 million already provided by the Rudd Government towards the Wimmera-Mallee pipeline project.

And this also comes on top of other Australian Government commitments in Victoria, namely:

- Grants for the development of comprehensive irrigation modernisation plans, one of which is assisting planning in the Goulburn Murray region.
- The current Small Block Irrigators Exit Grant package, which so far has had a healthy take-up rate amongst eligible Victorian irrigators;
- The \$200 million Strengthening Basin Communities commitment announced earlier this year;
- And our new, \$300 million commitment to on-farm irrigation efficiency projects in the southern Basin.

Today I'm announcing that consultation with key stakeholders on the funding guidelines for our \$300 million on-farm initiative will get underway immediately, under a process we've organised with the National Farmers' Federation.

I'm grateful that my colleague and Parliamentary Secretary for Water, Dr Mike Kelly, has agreed to oversee both this initial consultation process, and implementation of this crucial on-farm efficiency program.

[Minister introduced Dr Kelly]

This consultation process will provide organisations such as VFF with the opportunity to provide detailed input to the guidelines to ensure that they can best meet your needs, and the best interests of Australian taxpayers.

Our commitment to invest in irrigation regions is clear. However as you would expect, this funding is not obligation free.

In particular, the Australian Government expects a tangible return on taxpayers' funds. Whilst some of the water efficiency savings achieved will help to underwrite improved security and reliability of irrigation entitlements, a fair share of these savings must be returned to the stressed rivers and wetlands of the Murray-Darling Basin.

This is all part of a broader objective of helping Basin irrigators and communities transition to a new, lower limit on water use to be introduced with the Basin Plan in 2011.

I will say more about this broader objective later.

Water Purchase

Our commitment to helping build good irrigation infrastructure is evident in *Water for the Future*. A total of \$5.8 billion is earmarked by the Government under our *Sustainable Rural Water Use and Infrastructure* program – almost twice the amount of \$3.1 billion that we've committed to water purchases.

We understand that it takes longer to plan and build good irrigation infrastructure than it does to buy water, but we are committed to pursuing both with vigour.

A significant part of the Australian Government's plan for reform is to purchase water entitlements, from willing sellers, to help restore the rivers and water resources of the Basin and to ease the transition to the lower diversion limits expected under the Basin Plan.

Last week the Prime Minister announced an agreement with Premier Brumby that will enable the Commonwealth to purchase, through the water buyback, 460 gigalitres of water entitlement from northern Victoria over five years, commencing this current financial year.

This 460 gigalitres includes 300 gigalitres that will be purchased over and above those purchases already permitted under Victoria's four per cent annual cap from irrigation districts.

Victoria will facilitate this purchase of water from willing sellers in areas to be identified by the Victorian Government under the Northern Victoria Irrigation Modernisation Project.

Also 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.

And I note also that my colleague Minister Tim Holding has committed to lifting the current 10 per cent cap on water held separately from land later this year.

These moves are to be applauded, as they represent a step towards freeing-up the water market so water can go to where it has most value – which has benefits for irrigators as well as for the environment.

Put simply, we think people should have the right to sell their water assets, or buy someone else's water assets, if they wish.

The two criteria for our water purchases are environmental benefit, and value for money.

In terms of environmental benefit, there are of course numerous wetlands, floodplains, lakes and river reaches in Victoria that have been identified as having a high priority for additional environmental watering.

Once purchased, or once acquired via water savings investments, water entitlements are transferred to the Commonwealth Environmental Water Holder – a statutory office under the Water Act.

The Commonwealth Environmental Water Holder's assessment of the best environmental use for all available water is based on advice from Basin states, and a dedicated panel of experts.

This water is then delivered in close cooperation with our partner states.

Even with the limited water available on allocation right now, our water purchase program is realising environmental benefits, including in northern Victoria. To date we have been able to deliver 3.1 gigalitres of water to Hattah Lakes and Lindsay Island.

Another important consideration for our purchase program is to purchase from willing sellers at prevailing market prices.

Despite calls from some quarters for compulsory acquisition, this is not the course we are taking.

There are plenty of practical reasons for supporting the Australian Government's water purchase program. I want to make a number of points in this regard.

Firstly, the purchase of water entitlements from willing sellers is helping irrigators to manage on their own terms the likely reality of a future with reduced water availability. And it does so in a way that fully respects the property rights of irrigation farmers.

The water purchase program also provides an additional selling option for irrigators, and a potential capital injection for businesses that face very difficult times with the continuing drought.

Understandably, some irrigators, be they large or small, have had enough of persistently low allocations, and are looking to exit the industry.

The Commonwealth's purchase program is enabling these farmers to realise their water assets and take this difficult decision with dignity.

Stepping back for a moment to look at the bigger picture, I want you to consider this question:

Would you rather have the Commonwealth help bridge the gap between the current cap and the new lower limits under the Basin Plan through a combination of water purchase and efficiency investments? Or would you rather absorb all of the impact of new sustainable diversion limits via rapid reductions to individual water entitlements, without the option of selling to the Australian Government?

The Government is firmly of the view that its accelerated water purchase program is playing a crucial role in smoothing the transition to the new, lower limits on water use in the Basin when the Basin Plan starts to take effect.

And that's important, because if we don't start this adjustment now, we face a far tougher and more abrupt cut in the future.

Summary and conclusion

By now we should all be on the same page about the changes that need to happen in the Murray-Darling Basin.

One way or another, our challenge is to put the future of the Basin onto a sustainable footing, and that requires some tough decisions.

Wherever I go, this is now pretty much the consensus view. Most of the debate that I'm hearing is mainly about how best to achieve this necessary change.

The consensus view is also that food security, and a vibrant and profitable irrigation sector, must be valued and protected through this change process, and I support this whole heartedly.

Water for the Future includes three main ways to progress these changes:

- a new Basin Plan that will set sustainable limits on water use;
- purchasing water; and
- investment in irrigation efficiency and productivity.

Our commitment to irrigated agriculture is clearly evident in *Water for the Future*. On numbers alone, a total of \$5.8 billion is earmarked by the Government under our *Sustainable Rural Water Use and Infrastructure* program – almost twice the amount committed to water purchases.

And when you add our reforms to Basin governance, expanded roles for both the Bureau of Meteorology and the National Water Commission, and reforms make the water market work better for everyone, this constitutes a serious reform agenda for a serious challenge.

As I said earlier, much of my focus is to ensure that our irrigation investments, and our water purchase program, facilitate a smooth, early transition now in anticipation of the new Basin plan and a sustainable cap on water use.

I am keen to receive your input and feedback on how best to achieve this.

I thank you for your time today, and I look forward to continued constructive dialogue with the VFF on the journey that lies ahead.

