



**Australian Government**  
**National Water Commission**

## ***Australian water reform 2009 – Overview of key findings and recommendations***

### What is the Biennial Assessment?

- A two-yearly report to COAG on progress in water reform produced by the National Water Commission.
- The independent, evidence-based report is based on the National Water Initiative, but takes into account developments since the National Water Initiative was signed (e.g. further evidence of climate change, new policy).
- The report is the product of a 12-month process involving significant consultation, and contains more than 100 findings and makes 68 recommendations.

### Water reform: what's going well?

- Australia has an agreed water reform framework in place (the National Water Initiative) – and water reform is going better than it would otherwise, in tough conditions.
- There is unprecedented attention to water, coupled with unprecedented budgets especially on the part of the Australian Government.
- Water trading has proven to be very successful and is applauded internationally.
- Progress has been made in supplementing and diversifying urban water supplies.
- The report welcomes historic governance reforms in Murray-Darling Basin.
- Buybacks for the environment are a commendable development.

### So why is our water still in trouble?

- Overallocation still not dealt with – 15 years after state governments first promised to fix it.
- 40% of promised water plans still outstanding, and many others are suspended – caught short by climate change.
- There is ample evidence of environmental degradation, yet the aims and results of some environmental watering are still unclear.
- Barriers to water trade are still being imposed by state governments.
- Irrigators lack the information, clarity and therefore confidence they need for planning and investment decisions.
- In urban Australia, water restrictions are still widespread and there is continuing uncertainty as to the security of future water supplies in the face of climate change.
- Interstate bickering over water continues, intergovernmental processes are slow, and states lack adequate policy and implementation resources.

- *Meanwhile, climate change has raised the bar on water reform – making the challenges even more urgent than we thought.*

### Key findings and recommendations in the report

#### **Water planning and entitlements**

- Local water plans need to be ‘stress tested’ against climate change scenarios. The rules for how water plans will operate in drought conditions need to be spelt out publicly.
- Water planning should more effectively include Indigenous interests.
- It’s time to bring the mining industry into water planning processes.
- The Basin Plan is an historic opportunity to improve planning in the Murray Darling Basin. Recognising this, as well as the need for greater clarity for stakeholders, the Commission suggests that the MDBA provide interim and progressively-refined guidance on the environmental, economic and social objectives likely to be targeted in the 2011 plan.

#### **Groundwater and water accounting**

- It should be assumed that groundwater and surface water are connected, unless it can be proved otherwise.
- All governments should commit to an ambitious, ultimate national goal of universal licensing and metering of all surface and groundwater extractions, including stock and domestic.

#### **Environmental water**

- Environmental water lacks security, especially in drought. State government decision-making processes to reduce security of environmental water in drought conditions should be made transparent.
- The Commission strongly supports the Commonwealth’s buybacks for the environment. However, efforts should continue to more clearly specify and communicate environmental watering objectives and achievements.
- Environmental water managers have a low profile, are poorly resourced and can have blurred accountability. Sometimes the same officials or agencies can be responsible for advising on water for the environment as well as on water for consumptive purposes. Governments need to look hard at improving these arrangements.

#### **Addressing overallocation and overuse**

- There is still no shared national understanding of the concepts of overallocation and sustainable yield.
- The central NWI commitment to ‘make substantial progress on overallocation by 2010’ will not be met.
- Governments need to agree on a national definition of overallocation and publicly identify overallocated and overused systems for prioritised action.

#### **Water markets and trading**

- Water trading stands as an example of successful microeconomic reform, directing scarce water resources to higher value uses and helping smooth adjustment pressures.
- The Commission calls for the coordinated removal of all barriers to water trade, including the 4% rule.

- Action by governments is also needed to improve handling of transmission losses in water trades.

### **Urban water, pricing and demand management**

- Urban water restrictions should be kept as a reserve response for exceptional circumstances; they should not be in place indefinitely.
- Water security (reliability) targets are welcomed, but there is scope to make responsibility for water supply planning against climate change scenarios clearer.
- No new supply option should be taken off the table, including recycling for drinking purposes.
- States should agree on mutual recognition of decentralised water recycling systems, such as greywater treatment systems.
- Governments should avoid making grants for conventional urban water infrastructure.
- State governments are urged to continue to strengthen their independent economic regulation arrangements.
- The Commission recommends a national strategy to foster the development of water sensitive cities in Australia.

### **Structural adjustment and water reform**

- Structural adjustment is a natural socio-economic process, not a government program.
- For rural communities, water availability is only one of the adjustment factors – others include world commodity prices, changes in technology, demographic and social changes.
- Water markets help irrigators and communities deal with structural adjustment – so do buybacks.
- Despite the very real challenges for affected communities, structural adjustment is desirable and necessary – and should not be impeded.
- But, irrigators and communities need as much information and clarity as is possible about the likely extent of adjustment pressures to enable them to plan for the future.
  - ∅ To illustrate the scale of adjustment pressures potentially bearing on irrigation-dependent communities, the Commission estimates in this report that irrigators in northern Victoria could face in the order of 30% less water in the years ahead.
  - ∅ The Commission also urges governments to improve communication efforts on future water reform directions, buybacks and environmental water objectives.
  - ∅ And the given the uncertainties, the report recommends each government publishes guidance on how the National Water Initiative risk assignment framework will apply in their jurisdiction.

### **Conclusion and next steps**

- The Commission's report concludes that the National Water Initiative policy reform prescriptions are still the right ones, but the pace of water reform has slowed at just the time when climate change has raised the bar.
- Renewed reform momentum is now urgently needed. If governments don't act the stakes will only get higher – for irrigators and the environment.

- This report identifies opportunities for COAG to get water reform back on track. COAG will now consider this report and its recommendations.