

**SUBMISSION BY THE  
NATIONAL WATER GRID AUTHORITY**

**NATIONAL WATER REFORM – PRODUCTIVITY COMMISSION ISSUES PAPER MAY 2020**

This submission is the National Water Grid Authority’s (NWGA) response to the Productivity Commission (the Commission) Issues Paper May 2020 on national water reform, in particular the Commission’s request regarding government funding, or financing, of new water infrastructure.

**The newly established NWGA has a role in national water reform**

The NWGA was established in October 2019 to provide a key role in shaping national water infrastructure for agriculture and primary industry by increasing water security, building resilience to drought and supporting regional prosperity. The NWGA is responsible for leading the Australian Government’s investment in water infrastructure including through the \$1.5 billion National Water Infrastructure Development Fund (NWIDF) and overseeing the development of a National Water Grid.

Broader national water policy matters are led by the Department of Agriculture, Water and the Environment.

For the NWGA, the concept of a water ‘grid’ is based on a distributed and regional network of water storage and distribution systems that secure predictable supplies of water. All infrastructure options and combinations, including dams, reuse, desalination, groundwater, natural waterways, channels and pipelines, are within the scope of the grid. The development of a ‘grid’ will be guided by a comprehensive and integrated investment framework that is supported by robust science based evidence and through collaboration with state and territory governments (the States).

**The National Water Grid to underpin Australia’s agriculture sector**

Australian Bureau of Statistics data showed that in 2018-19, agriculture contributed around \$60 billion to our economy and supported 89,400 businesses. The agriculture sector is pursuing a goal of becoming a \$100 billion industry by 2030. As agriculture currently accounts for more than half of Australia’s annual demand for water, a \$100 billion industry will require a significant increase in secure and reliable water supplies.

The NWGA is working with the States, and leading science agencies including Commonwealth Scientific and Industrial Research Organisation, the Bureau of Meteorology and Geoscience Australia to identify:

- where and how additional water resources can be sustainably developed to support new, or expanded agriculture and primary industry sectors;
- where current, or future, water demand is exceeding, or is likely to exceed, available supplies;
- where current or future water demand will exceed existing levels of reliability, including the potential impact of climate change on water resources; and
- opportunities where existing water resources can be more efficiently utilised.

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**Strategic approach to investment in water infrastructure**

Uncertainties in access to water can lead to an unwillingness to make long-term investments in agriculture, for example higher value production and / or permanent plantings.

NWGA is developing a strategic approach to government investment in water infrastructure through a National Water Infrastructure Investment Policy Framework. Currently in draft, the framework takes into account broader water policy considerations identified within the NWI, and includes a series of principles such as:

- Projects should be of demonstrable public benefit and have a national interest element, including through securing the nation's water security, building resilience to future drought, supporting primary industries and promoting regional prosperity, including through the creation of jobs.
- There must be strong State support including funding contributions, and involvement of the private sector and local government, where appropriate.
- The investment should provide the highest net benefit of all options available to increase access to water, taking into account economic, social and environmental impacts.
- Projects should look to address circumstances which cannot be effectively addressed by private proponents, the States or other stakeholders alone.
- Projects should align with the National Water Initiative (NWI) principles including appropriate cost recovery, and where full cost recovery is not deemed feasible, any subsidies are fully transparent.
- If providing capital, a consistent, robust analysis of costs and benefits is used and assessment of appropriate funding and financing arrangements is undertaken.
- Earlier involvement in project identification and development, including through the NWGA's science program, support for business case development, and close collaboration with the States and other project proponents.

When finalised, the framework will operate alongside other Australian Government policies and the national water reform agenda. It will align with Australian Government drought, regional development and economic recovery, and bushfire recovery efforts, along with other whole-of-government water commitments, such as implementation of the Murray Darling Basin Plan. The framework will be publicly available and shared with the Productivity Commission once it is agreed by the Australian Government.