



National Irrigators' Council

Food · Fibre · Future

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Commissioner
Productivity Commission

Submission into the Productivity Commission's 2024 Inquiry into the Implementation of the National Water Initiative

Background:

The National Irrigators' Council (NIC) is the primary representative body for irrigated agriculture in Australia, advocating for the interests of irrigation entitlement holders, water delivery operators and industries involved in food and fibre production across the nation. The agricultural sector in Australia plays a crucial role in the economy, delivering economic benefits to both the country as a whole and rural communities. Renowned for its innovative approach to water management, Australian irrigation farmers utilize cutting-edge practices that are recognized internationally. By embracing new technologies and continual learning, farmers in Australia have been able to boost productivity while conserving water resources efficiently.

In addition to their forward-thinking techniques, Australian irrigation farmers are committed to adhering to achieving regulations and compliance standards to ensure sustainable agricultural practices. This commitment to responsible farming practices has positioned Australia as a global leader in agricultural methods, water efficiency, and produce quality.

Part of the success of the Australian irrigated agriculture sector can be attributed to national water policy leadership in the National Water Initiative (NWI). Whilst not without its challenges, the NWI has played a critical role in securing access to water resources and promoting efficient water usage. It has encouraged the implementation of water efficiency practices, water trading systems, and addressed the concerns of over allocation through environmental flow requirements, all of which are essential for the long-term sustainability of irrigated agriculture.

The following sections provide brief commentary on key themes and gaps identified in the NWI renewal discussions.

Table 1 in Attachment A outlines each of the Productivity Commission's (PC) 2020 NWI renewal advice: high-level summary by area, with specific comment from the NIC.

Achievements:

The NWI has played a crucial role in shaping the future of water management in Australia and supporting the growth of the irrigation industry. In doing so, it has also reshaped many regional communities and irrigation industries, particularly when

considering the impacts experienced to achieve sustainable levels of take and establishing the water market.

Nonetheless, it is imperative that any updates to the NWI uphold the fundamental principles that are now the backbone of the industry. We must also recognize that the objective to achieve environmentally sustainable level of take has been or is near completion, in all developed water sources and consideration how this objective applies for remaining regions should be a future focus. This is especially important as not all jurisdictions have completed the required tasks from the current implementation, which we recommend the PC provide updated progress.

For the NIC, we stand by the key values of the NWI which include:

- effectively managing all water resources to promote economic development (and encourage consideration of a forward looking objective to maintain economic prosperity),
- establishing a consistent and regulated system for managing water resources across rural, urban, and remote areas (and continue implementation where this has not yet occurred),
- ensuring optimal economic, environmental, social, and Cultural outcomes, and
- enabling stakeholders to navigate climate variability and adapt to changing environmental conditions while sharing risks.

Furthermore, it is essential to provide water services that are efficient, effective, and fair to meet the needs of customers and communities in a variable climate and growing society. This includes considering current and future community needs and skills, which need a greater focus and delivering safe and secure water for various purposes, and effectively managing and sharing risks among stakeholders. This element of the NWI is critical when we consider the focus to include ongoing security and quality risks and opportunities, due to climate change.

While we can now reflect on many of these outcomes of the NWI as future proofing the industry, at the time of implementation, the reform agenda and at times its pace, created significant uncertainty for users, the industry, and regional and remote communities. The 20-year reform agenda has substantially reduced the volume of water available to Industries and communities, increased the regulatory burden and costs of doing business. It has been through innovation that Australian farmers managed to maintain or increase their production, ensuring we can feed and clothe Australians and other reliant nations.

These changes have had significant effects on the economic viability of regional communities, particularly those reliant on irrigation for their livelihoods. It is important to continue monitoring and evaluating the effects of the NWI and subsequent reforms on regional and remote communities to ensure that any negative impacts are addressed and mitigated effectively.

The Future of the NWI:

Renewal Principles:



We support the enhancement and modernization of the NWI, rather than the establishment of a new NWI. This approach ensures that the fundamental principles that underpin our national water management remain intact and are consistently put into action.

The overall objectives should seek to maintain their original intent of the NWI to effectively manage all water resources to promote and maintain economic development and prosperity of the nation. We expect effective management delivers quadruple bottom line outcomes – social, economic, environmental, and where known, including the values of First Nations water users. We recommend that risks must be shared fairly and equitably.

Any new agreement should also recognize a nationally consistent approach to environmentally sustainable level of take has been achieved or is near completion, in all developed water sources. Consideration of how this objective applies for remaining regions and monitoring should be a future NWI focus.

Any revised NWI must acknowledge the established, nationally consistent water entitlement system and the rights held by entitlement owners, whether individuals, companies, or governments across the nation and that ownership, does not change the character of that entitlement or conditions of use with all owners treated equally. Future agreements must avoid negative third-party impacts on reliability or availability of water established by these frameworks. Any potential negative impacts must be compensated or mitigated through negotiation with affected parties, this includes communities. This is critical to recognizing the value of the current frameworks that exist and the certainty they provide. It also aims to ensure communities and those impacted are part of any solution.

Unfortunately, the evidence from the Department of Climate Change, Energy, Environment, and Water (DCCEEW) as part of targeted consultation on their initial objectives, indicates a neglect of these crucial pillars, highlighting the necessity for a renewed focus on these fundamental principles.

It is imperative that all objectives and actions taken are clearly defined, quantifiable, realistic, repeatable (for consistency), and time-bound, in order to track progress, see advancements, and report on outcomes.

First Nations rights:

We understand that Indigenous water matters are intricate and multifaceted, and that other groups, are recognized to comment on the needs and values of First Nations peoples regarding water rather than the NIC.

Even so, the NIC support the call by Indigenous leaders for greater inclusion of Indigenous values and cultural objectives in National water policy. The NWI has implemented a uniform water management system with an open market structure, thus providing a transparent route for involving our First Nations people in water governance and ownership. This can be achieved through collaborative planning processes, decision-making procedures, or utilizing the available markets to secure water rights for their specific purposes, recognizing that entitlement and usage conditions remain the same regardless of who owns water and what it is for.



Community values and ownership:

We urge the PC to acknowledge the diverse perspectives of irrigation entitlement holders, irrigation delivery businesses, communities, First Nations people, and urban residents and their different needs, as crucial in any revitalization efforts. It is worth highlighting that Australia's population has been steadily growing since the agreement in 2004, reaching over 25.7 million in 2021. This growth has been predominantly in urban areas driven by factors such as employment opportunities, infrastructure development, and lifestyle preferences. This shift towards urbanization has resulted in a decline in regional populations as more individuals migrate to cities. It is imperative that we acknowledge and adapt to these demographic changes, in terms of planning for safe and secure water for urban needs and in how we engage, consult and implement future agreements. Particularly noting the disparities faced by First Nations peoples and regional communities feeling marginalized in decision-making processes.

A new NWI agreement may also significantly impact regional communities dependent on water for their well-being and economic diversification and prosperity. Therefore, community-driven approaches and enhanced participation in decision-making processes are essential for the successful renewal of the NWI.

One notable drawback of the current framework is that national consistency in planning and implementation, has led to communities being left out of crucial discussions on risk-sharing, priorities, and investments. It is crucial to rectify this oversight and involve communities directly in decisions that affect them. Establishing a dedicated Advisory Group like those for Committee on Aboriginal and Torres Strait Islander Water Interests (CAWI) may help capture regional community input effectively and ensure that their voices are heard in the NWI renewal process.

Climate Change:

The PC and the DCCEEW have identified the importance of addressing climate change risks in a renewed NWI. It's important to note that climate change has risks and opportunities that may affect water owners and users, water delivery networks, economy, the environment, and society.

The nationally consistent water management framework established through the NWI, already includes climate mitigation strategies embedded in water management that account for Australia's climate variability. These being:

Public and Private Storages that capture and store water in dams when conditions allow for use later.

The water entitlement system enables individuals, businesses or governments to access a proportional share of total reserves by establishing water entitlements with varying levels of security (surety) that account for a share of that stored water. Water entitlements provide users with a secure and tradable right to a share of certain volume of water, allowing them to plan and manage their water use over the long term.

The water allocation system then adjusts the volume of water available to an entitlement based on factors such as rainfall, river flows, and storage levels, allowing for responsive and dynamic management in response to changing climatic



conditions.

Account and trade rules such as carryover provisions, water trading, and water banking also exist within the entitlement and allocation systems and frameworks, which help users manage their water resources more effectively during periods of climate variability. These tools enable water users to access additional water when needed or save water for future use, helping to build resilience against the impacts of droughts, floods, and other extreme weather events.

Currently water entitlement holders are the ones who bear the risk of any changes in water availability outside of policy guidelines. Any new agreement must recognize that the traditional risk assignment system may need modernization to consider a broader risk sharing arrangement across society, not just water users. This is imperative in the context of predicted population growth and its location and if we are to continue to produce a broad range of food and fiber products to feed and clothe our nation and others.

The focus from the PC and DCCEEW appears to be on addressing and mitigating risks associated with climate change, it is also essential to acknowledge that there may be new opportunities emerging in certain areas of Australia due to adjustments in crop choices, changes in rainfall patterns, and other climate-related factors. This must include consideration of our current and future infrastructure needs. Any new NWI agreement should take into account these opportunities and consider how they can be leveraged to promote sustainable and resilient practices in agriculture and other sectors.

By recognizing both the risks and opportunities presented by climate change, stakeholders can work together to develop strategies that not only mitigate negative impacts but also capitalize on new possibilities for economic growth and environmental sustainability. This could include the consideration of alternative water sources, opportunities for water recycling and reuse, and improvements in the efficiency and effectiveness of national water infrastructure is crucial. For urban water planning, climate change planning should also be overlaid by current and future population demographics.

Recognizing our leadership and constitutional arrangements in water management:

It is essential to respect that Australia is a Federation and acknowledging the authority of the states and territories in managing and planning water resources. Whilst the Australian Government can set the national frameworks, such as the NWI as a guide to water management, it is the state and territory governments which ultimately have responsibility. Any new NWI must therefore be a strong partnership recognizing the role and responsibilities of the states and territories.

Australia has a strong reputation in water management and established partnerships, as shown by the original NWI. Our country has a unique blend of hydrological, environmental, and Cultural heritage that sets us apart internationally. Therefore, any new national strategies regarding water should be tailored specifically to meet our own needs and not simply mimic those of other countries.



The NIC believes that any updated NWI should take international agreements into consideration but should not adopt them without first analyzing how they fit within the Australian landscape; our environment, Culture, society and our laws.

Conclusion

Thank you for the opportunity to provide this submission into your 2024 Inquiry into the Implementation of the NWI.

Given the PC's 2020 renewal advice and the fact the DCCEEW have initiated a parallel process to renew the NWI by 2025, we have provided a brief submission into this inquiry. This assumes that the focus of your advice will be on what a renewed NWI may include and the process for renewal, rather than progress from 2020.

It is imperative that any renewal of the NWI by governments is undertaken with industry and communities and not for them, and:

- Ensures key pillars of the 2004 agreement remain including:
 - Nationally consistent water management system that promotes and maintains efficient and effective economic use of water, allowing Australia to prosper.
 - Nationally consistent water market that enables fair and reasonable use and can be used for new owners and purposes, whilst entitlements maintain the existing characters such as First Nations ownership and use for Cultural use.
 - Sharing of risk with consideration to a broader sharing arrangement.
- Recognizes there are aspects of the 2004 agreement that have been fully implemented and how, those aspects that have been met such as achieving sustainable levels of take should be monitored.
- Enables a management framework that delivers quadruple bottom line outcomes – social, economic, environmental, and where known, including the values of First Nations water users.
- Recognizes there are different values to water across a changing population and the different needs and values between urban, regional and remote communities will need to be considered.
- Enables community lead decision making, despite being a national commitment.
- Enables flexibility for new options to manage changes to water availability and that climate change brings both risk and opportunity.
- Recognizes the role and responsibility of state and territory governments when it comes to water management, planning and regulation.

We are open to further feedback and discussions on this submission.

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National Irrigators' Council

Attachment A: Table 1. Productivity Commission 2020 advice on NWI Renewal amended to include NIC Comments enclosed.



Attachment A

Table 1: Productivity Commission 2020 advice on NWI Renewal amended to include NIC Comments

A refreshed intent	NIC COMMENT
<ul style="list-style-type: none"> • Modernise the National Water Initiative (NWI) goal by including references to climate change and Traditional Owners. (3.1) • Increase emphasis on water service provision, provide more detail for water resource management and refer to cultural outcomes in NWI objectives. (3.2, 3.3) • Embed six overarching principles in all policy areas. (3.4) • Develop new elements covering Aboriginal and Torres Strait Islander people’s interests in water, and infrastructure development. Significantly enhance the environmental management and water accounting (system integrity) elements. (3.5) • Update references to interactions between the NWI and other key initiatives. (3.6) 	<ul style="list-style-type: none"> • Agree to a modernisation and renewal, not a rewrite. • Ensure objective reflect the intent of the foundational NWI. • Ensure objectives are specific, achievable, measurable, repeatable. • Highlight what has been achieved such as ESLT.
Governance of the agreement	NIC COMMENT
<ul style="list-style-type: none"> • Water ministers should convene periodically to oversee development of a renewed NWI. (4.1) • The renewed NWI should clearly link desired outcomes to objectives and limit prescriptive actions, instead setting out principles for best-practice, fit-for-purpose policy approaches. (4.1) • Jurisdictions should prepare 3-year rolling work programs, with progress independently assessed on a triennial basis. (4.1) • There should be a comprehensive review of national water policy every 10 years. (4.1) • The National Water Reform Committee should provide transparent on-going oversight of the agreement. (4.1) 	<ul style="list-style-type: none"> • Agree, that a process for reporting and measurement of outcomes is needed. • Community input is required. • Australia is a Federation therefore the states and territories have the responsibility.
A framework for water resource management	NIC COMMENT
<ul style="list-style-type: none"> • Embed the concept of fit-for-purpose water resource management in a new NWI. (5.1) 	<ul style="list-style-type: none"> • Enable options for locally specific solutions.
Water entitlements and planning	NIC COMMENT
<ul style="list-style-type: none"> • Recommit to the key outcomes and actions related to water access entitlements, and ensure entitlements and access rights frameworks are fit for purpose. Remove the special provision for mineral and petroleum industries; consider exemptions on the basis of context, not industry or user; establish a process to determine whether alternative water sources can be incorporated into 	<ul style="list-style-type: none"> • Maintain the intent of initial objectives. • Ensure completion of remaining tasks. • Recognise current entitlement and allocation framework burdens water users with risk of changes in availability.



<p>water access entitlements frameworks; and adopt a risk-based approach to managing significant interception activities. (6.1)</p> <ul style="list-style-type: none"> Enhance water planning provisions to better reflect current best practice and embed processes to better account for climate change including in relation to: dealing with extreme scenarios; water quality issues; rebalancing; modelling climate; and provisions for allocating risk. (6.2) 	<ul style="list-style-type: none"> Ensure scoping of new options to improve water security. Enable locally driven solutions and decision making. Recognize the different needs in urban versus agriculture landscapes.
<p>Trading and markets</p>	<p>NIC COMMENT</p>
<ul style="list-style-type: none"> Emphasise that the purpose of water trading and markets is as a tool within a water resource management framework to increase efficiency. Market arrangements need to be fit-for-purpose. (7.1) Recommit to the NWI water trading and market principles. Reshape principles covering governance, regulatory and operational arrangements for water trading and markets to provide leading practice foundations for developing markets. (7.2) Provide information to support efficient water markets. (7.3) 	<ul style="list-style-type: none"> Recognise intent and value in original objectives and managing risk to water availability. Recognise markets provide opportunity for new entrants and purposes of water such as environmental or Cultural water uses. Maintain the exiting characteristics of entitlements. Continue to ensure consistency of information.
<p>Environmental management</p>	<p>NIC COMMENT</p>
<ul style="list-style-type: none"> Adopt best-practice development of environmental objectives and agreed environmental outcomes. (8.1) Integrate management of environmental water and complementary natural resource management. (8.2) Where not in place, establish a formal institutional oversight responsibility for wetland and waterway management. (8.3) Establish clear processes for reviewing progress on environmental outcomes. (8.4) Embed criteria for prioritising environmental watering, and objectives for environmental watering under different climate scenarios. (8.5) Ensure environmental water holders' trade strategies are in place and transparent. (8.6) Environmental water holders should pursue innovative market approaches. (8.7) Enable environmental water holders to vary their entitlement portfolio over time. (8.8) Actively pursue public benefit outcomes where they do not compromise environmental outcomes. (8.9) Independently audit the adequacy and use of environmental water entitlements every three years. (8.10) 	<ul style="list-style-type: none"> Enable integrated programs for complementary measures. Recognise the volume of water available to be used for environmental purposes and ensure it is efficient and effective in its use. Enable improved reporting of progress. Enable locally driven solutions. Have regard to International Agreements, not requirements.



<ul style="list-style-type: none"> • Obligate system managers to use their best endeavours to achieve agreed outcomes. (8.11) • Commit to adaptive management. (8.12) 	
Aboriginal and Torres Strait Islander people's interests in water	NIC COMMENT
<ul style="list-style-type: none"> • Co-design a new NWI element dedicated to Aboriginal and Torres Strait Islander people's interests in water and involvement in water management. (9.1) • Improve cultural outcomes using existing frameworks. (9.2) • Improve access to water for economic development. (9.3) 	<ul style="list-style-type: none"> • Opportunity to utilise the existing frameworks; entitlement and allocation system for Cultural water objectives.
System integrity	NIC COMMENT
<ul style="list-style-type: none"> • Build system integrity through a renewed element. (10.1) • Ensure system integrity through fit-for-purpose metering and measurement, registers and effective compliance and enforcement systems. (10.2) • Ensure the integrity of water system management via effective information provision. (10.3) • Ensure information on the broader water context aligns with users' needs. (10.4) 	<ul style="list-style-type: none"> • Recognise differing values to water. • Enhance consistency in regulation and recognise the intent of original objectives.
Pricing and institutional arrangements	
<ul style="list-style-type: none"> • Maintain core principle of cost-reflective, consumption-based pricing with full cost recovery. Maintain institutional separation of water resource management, standard setting and regulatory enforcement from service delivery. (11.1) • Adopt principles for best-practice independent economic regulation. Commit to light touch economic oversight for small regional and remote urban water providers and a framework for applying different models where the benefits exceed the costs. (11.2, 11.3) • Maintain water service provider performance monitoring and reporting. (11.4) 	<ul style="list-style-type: none"> • Consider changing values on water and determine beneficiary versus impactor pays system is the future. • Ensure objectives enable efficient and effective infrastructure for a changing population needs.
Urban water services	NIC COMMENT
<ul style="list-style-type: none"> • Update the <i>National Water Urban Planning Principles</i> and embed them in the NWI. (12.1) • Update and recommit to the <i>NWI Pricing Principles</i>. (12.2) • Subject all urban water service providers to performance monitoring and reporting. (12.3) • Commit to ensuring affordable access to a basic level of water services for all Australians. At a minimum, these would include safe and reliable drinking water. Where subsidies are needed, they should be provided as transparent community service obligation payments. (12.4) 	<ul style="list-style-type: none"> • Enable efficient and effective infrastructure to meet changing needs. • Explore alternative sources of water. • Recognise the different needs for urban and agriculture, and ensure consistency of share for agriculture to continue with certainty.



<ul style="list-style-type: none"> • Include principles for governance of regional and remote water services where local governments retain ownership of utilities. (12.5) • Monitor and report on water quality and service outcomes in remote Aboriginal and Torres Strait Islander communities. (12.6) 	
Infrastructure development	NIC COMMENT
<ul style="list-style-type: none"> • Develop an element to guide investment in water infrastructure. Restate the high-level requirement for all infrastructure to be assessed as economically viable and ecologically sustainable prior to the commitment of funding, with cost recovery from users the norm. Add a further requirement that infrastructure development processes are culturally responsive to Traditional Owners' interests to ensure deep engagement and, at a minimum, protection of cultural assets. (14.1) • Agree to criteria on how major projects can demonstrate adherence to the NWI requirements for infrastructure. (14.2) • Clarify institutional roles and responsibilities underpinning government investment. (14.3) 	<ul style="list-style-type: none"> • Enable efficient and effective infrastructure to meet changing needs. • Ensure complementary measures considered in design. • Recognise different values in water – regional versus urban, and reflect flexible costs and benefit assessments.
Community engagement, and adjustment	NIC COMMENT
<ul style="list-style-type: none"> • Include guiding principles clarifying how governments can respond to any significant community adjustment pressures resulting from policy-induced reductions in water availability. (13.1) • Recommit to best-practice, cost-effective engagement with communities on all water matters. (15.1) 	<ul style="list-style-type: none"> • Ensure inclusiveness of communities in decision making. • Enable local decision-making frameworks.
Knowledge, capacity and capability building	NIC COMMENT
<ul style="list-style-type: none"> • Commit to a culture of evidence-based decision making, innovation and continuous improvement to underpin successful implementation. (16.1) 	<ul style="list-style-type: none"> • Ensure objectives are specific, measurable, realistic, repeatable and time limited to enable monitoring and review.

