



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Final Submission to Productivity Commission's Murray–Darling Basin Plan Five-year Assessment 2023

NOVEMBER 2023



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Acknowledgement of Country

Our department recognises the First Peoples of this nation and their ongoing connection to culture and country. We acknowledge First Nations Peoples as the Traditional Owners, Custodians and Lore Keepers of the world's oldest living culture and pay our respects to their Elders past, present and emerging.

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Summary

The Department of Climate Change, Energy, the Environment and Water welcomes the Productivity Commission's interim report and the opportunity to respond.

This submission reflects the views of the department, noting that all findings and recommendations are interim. Final findings and recommendations will be considered by the department after the PC's final report is provided to the Australian Government by 19 December 2023.

Noting the limited timeframe to consider the interim report and develop this submission, the department has focused on providing further information to support the finalisation of the report and responding to some interim findings and recommendations.

The PC's interim findings highlight that while positive reforms have occurred around acceptance of the *Murray–Darling Basin Plan 2012* (Cth), the provision of environmental water, governance and reporting and Water Resource Plans (WRPs), resetting the balance to is not complete and significant challenges remain.

Acknowledging the obstacles ahead, the Australian Government remains firmly committed to safeguarding the Basin for future generations through the implementation of the Basin Plan. Key developments in Basin Plan reform since we provided our first submission to this inquiry are highlighted below.

The current Basin Plan implementation commitments are scheduled to conclude in 2024.

Progress on implementing the Basin Plan since the department's first submission.

In July 2023, the Murray–Darling Basin Authority advised the Minister for the Environment and Water, the Hon Tanya Plibersek MP, that full implementation of the Basin Plan would not be possible by 30 June 2024, as currently required.

Basin Ministers' Agreement August 2023

In August 2023, the Australian, New South Wales, Queensland, South Australian, and the Australian Capital Territory governments agreed to support amendments to the *Water Act 2007* (Cth) and the Basin Plan to deliver the Plan in full, including 450 gigalitres of water for the environment. This historic agreement sets a new pathway to achieving full Basin Plan implementation. The agreement is available at [Agreement of Murray-Darling Basin Ministers](#).

As part of their commitment to deliver the Basin Plan in full, Basin Ministers agreed to support:

- more time to deliver Sustainable Diversion Limit Adjustment Mechanism (SDLAM) supply and constraints projects
- more flexibility for Basin states to bring forward new supply projects
- more options to deliver the 450 GL of water for enhanced environmental outcomes
- more time to finish Northern Basin Toolkit measures to complement environmental outcomes in the northern Basin

- More accountability measures for all Basin governments, including the Australian Government, to deliver on their obligations.

While Victoria is the only Basin government not currently part of this agreement, the opportunity to be part of the agreement remains. Department officials continue to work with colleagues from all Basin governments to progress full implementation of the Basin Plan.

Restoring Our Rivers Bill 2023

On 6 September 2023, the Minister for the Environment and Water, the Hon Tanya Plibersek MP, introduced the [Water Amendment \(Restoring Our Rivers\) Bill 2023 \(Cth\)](#) into Parliament. The Bill proposes changes to the Water Act and Basin Plan to support the implementation of the Plan in full and improve transparency and integrity of water markets in the Basin.

The proposed reforms aim to introduce flexibility and remove barriers to Basin Plan delivery by:

- removing the statutory cap on buybacks
- supporting delivery of viable SDLAM projects by moving reconciliation to 31 December 2026, extending the deadline for delivery of SDLAM projects
- broadening the 450 GL program to include a range of new measures and enabling the Water for the Environment Special Account (WESA) to fund these measures
- moving the Water Act review to follow the Basin Plan review to ensure it is informed by the latest science and research.

Many of the proposed changes in the Bill address the PC's interim findings and recommendations (as outlined in this submission).

The Bill passed the House of Representatives on 18 October 2023 with crossbench and government amendments. The changes agreed to by the House of Representatives focus on strengthening accountability. The Bill was introduced in the Senate on 19 October 2023.

Senate Committee inquiry into the Bill

On 7 September 2023, the Senate referred the Bill to the Environment and Communications Legislation Committee for inquiry and report by 10 November 2023.

The committee received 121 written submissions and heard from more than 100 witnesses, which informed the committee's findings and 15 recommendations. The committee recommended passage of the Bill by the end of 2023, with suggested amendments. The government is considering the report findings and recommendations. The report is available at [Water Amendment \(Restoring Our Rivers\) Bill 2023](#).

Strategic Tender to Bridge the Gap

The government's voluntary water purchasing open tender received about 250 responses across the Basin, offering in total more than double the amount of water as the tender called for.

Offers have been accepted in the Condamine–Balonne in Qld, and in the Barwon–Darling, NSW Border Rivers, Namoi, Lachlan and NSW Murray catchments in NSW. Each offer has been reviewed

carefully to ensure they stack up environmentally and deliver value for money. To ensure transparency, the outcomes of the tender, when completed, will be published on AusTender (see [Strategic water purchasing – Bridging the Gap 2023](#)).

Comments on the PC's interim findings

Resetting the balance

Interim finding 2.1 – Resetting the balance has slowed because of weak governance in a changing water market.

In the department's view, policy decisions over the past decade have been primarily responsible for slowing progress of water recovery including:

- the shift away from water purchase towards water infrastructure investment (2014)
- the 1,500 GL legislated cap on surface water purchases (2015)
- agreement to the socio-economic criteria for efficiency measures projects by the Murray–Darling Basin Ministerial Council (2018)
- a focus on off-farm irrigation efficiency, through the Off-farm Efficiency Program, rather than on-farm (2021).

The Bill provides:

- more options and more time to achieve water recovery and make progress, including removing the statutory cap on buybacks
- an enabling framework to recover water to meet the 450 GL target through a broader range of water recovery options
- increased reporting, transparency and accountability in delivering the Basin Plan targets
- more funding to deliver the remaining water, and to support communities where voluntary water purchasing has flow-on impacts.

The government recommenced water purchasing recently to complete bridging the gap. A value for money assessment was done for all tender responses to the 2023 voluntary strategic water purchasing open tender. The department began accepting offers across catchments in August and has now made offers in all relevant catchments. The process is still underway.

The Commonwealth is working with states to agree mechanisms for better assurance and accountability on the delivery of SDLAM supply measures. These mechanisms include improving access to project information, and processes for assessing funding proposals and variations. The additional accountability mechanisms are expected to provide better transparency on delays and cost implications.

While most supply measures are being progressed in their notified form, in 2021, NSW acknowledged that it could not deliver the Menindee Lakes Water Saving Project and the Murrumbidgee Yanco Creek offtake project in their original forms and rescoped them. It is working through what elements of these can be delivered.

Under current settings, the states have until 31 December 2023 to amend or withdraw measures. The Bill extends this date to 30 June 2025, and the date for completion to 31 December 2026.

2.2 – Past program design has not suited the complexity of constraints-easing projects

Delays in constraints relaxation are well documented. In response, the Bill introduces a requirement for the MDBA to prepare a Constraints Relaxation Implementation Roadmap, to be completed by 31 December 2024. The roadmap will assist the Commonwealth and Basin states to identify measures to relax constraints and develop and implement them in a way that maximises environmental outcomes. Where possible, it will inform a common approach across river systems and jurisdictions. The Commonwealth will engage an independent constraints facilitator to work with the states and communities to coordinate the roadmap and to ensure that better community and landholder consultation is undertaken.

The department is of the view that constraints measures should continue to be supply measures until 2026, as they have the potential to make a significant contribution to environmental outcomes and, through SDLAM, offset water recovery.

2.3 – Slow progress on the northern Basin toolkit reflects unclear accountability for delivering program outcomes

The department acknowledges that although some toolkit measures have been operating since 2018, the delivery of toolkit projects has been slower than expected.

The government has taken the time to ensure that investment is targeted for projects that can achieve the best environmental outcomes across the northern Basin. Identifying projects has involved consultation with a range of stakeholders, including scientists and technical experts as well as communities. It is noted that COVID-19 restrictions, and severe weather events, have delayed on-ground work, particularly as most sites are located in waterways and floodplains.

Toolkit projects are funded through Federal Finance Agreements (FFAs) that provide milestones for project delivery and clear accountability. This has included a milestone for proponents to develop and implement a Monitoring, Evaluation and Reporting (MER) plan to determine project effectiveness in delivering environmental outcomes, and monitor risks and ecological dis-benefits.

The Commonwealth is working with Basin states to develop measures to give effect to approved accountability and assurance for toolkit projects, and collectively monitor the environmental outcomes of the six toolkit measures.

The Commonwealth also publishes regular updates on progress in delivering the six toolkit measures at [Northern Basin Toolkit progress](#).

The values of First Nations people

5.1 - Limited progress made on the Aboriginal Water Entitlements Program

The department has heard the frustrations of First Nations people in the Basin and acknowledges that the delivery of the \$40 million Aboriginal Water Entitlements Program (AWEP) has taken too long.

The government is committed to ensuring that the delivery of the AWEPP supports self-determination of First Nations peoples and is working through mechanisms to achieve this.

The department is taking the following steps to deliver the AWEPP by 2024:

- *July – November 2023*: Develop purchasing principles and interim governance arrangements with Basin First Nations peoples including support from the Committee on Aboriginal and Torres Strait Islander Water Interests (CAWI), for water entitlements in the Basin.
- *November 2023*: The department will convene a Basin-wide First Nations Gathering. This will include the presentation of options for water entitlement portfolios and interim governance arrangements to Basin First Nation representatives.
- *January – June 2024*: Implement the purchasing framework and commence the purchasing phase of the AWEPP. Continue to consult on permanent holding governance arrangements.

Governance and engagement

9.1 – Information about Basin Plan funding, processes and outcomes can be difficult to access

To provide a greater level of transparency and increase public confidence and trust around Commonwealth funding in the Basin, the department has published the following information:

- Water reform funding in the Basin, categorising work by activity in 4 areas. For further information, see [Water reform funding in the Murray–Darling Basin](#).
- Table of water reform funding in the Murray–Darling Basin, listing program funding details within those four areas. See [Table of water reform funding in the Murray–Darling Basin](#).

9.2 – Engagement by government agencies on Basin Plan matters is not well coordinated

The department is working across Commonwealth water portfolio agencies to streamline and coordinate engagement with communities. We note the importance of effective engagement.

In 2022, the government brought most Commonwealth water policy and program functions together under the Climate Change, Energy, the Environment and Water Portfolio to improve the health of rivers and wetlands and enhance the sustainable, efficient and productive use of Australia’s water resources. Responsibility for water policy, water reform, water infrastructure and investment, and environmental water and aquatic ecosystems have been consolidated under the leadership of one deputy secretary, to support more coordinated and coherent stakeholder engagement.

9.3 – Well defined local outreach can be an effective engagement approach

The Regional Engagement Officer (REO) network provides an effective mechanism to engage with, listen to and seek the views of communities. They have contributed positively to policy development, such as preparing and ongoing engagement on how we can implement measures of the Bill.

The REOs provide a trusted link with, and between, communities, that has resulted in a two-way flow of information using credible local knowledge. This increased source of regular, trusted regional

information is improving our ability to achieve meaningful and sustained engagement with regional communities.

Comments on the PC's interim recommendations

Resetting the balance

2.1 – The Australian Government should be more transparent, and have greater authority, over decisions for supply, constraints-easing and northern Basin toolkit measures

The August 2023 Basin Ministers' agreement committed to improve transparency and accountability. The Bill includes amendments to provide more accountability and transparency for all Basin governments to deliver on their Basin Plan obligations. This includes requiring an annual progress report relating to water recovery targets to be prepared and tabled in Parliament, strengthening the role of the IGWC and adding a third independent review of the WESA of delivery of the 450GL. In addition, the MDBA must prepare a constraints relaxation implementation roadmap by the end of 2024 following public consultation, and the Minister will have an obligation to table the IGWC's annual report in Parliament.

The Commonwealth is continuing to work with Basin states to develop measures that give effect to improved accountability and assurance, as well as more frequent public reporting.

2.2 – Reset and extend implementation of constraints-easing projects

In August 2023, Basin Ministers agreed to extend the time to deliver constraints projects until 31 December 2026 (reflected in the Bill). As noted above, the Bill includes a requirement for the MDBA to prepare a Constraints Relaxation Implementation Roadmap, in consultation with the Basin states, to identify measures to relax constraints, and develop and implement them in a way that maximises environmental outcomes and provides a common approach across river systems and jurisdictions.

It is important to retain southern Basin constraints-easing projects in the supply measures package, as they have the potential to significantly improve environmental outcomes and contribute to the 605 GL Sustainable Diversion Limit (SDL) offset in the MDBA's 2026 reconciliation. Retention of the projects in the SDLAM program also provides a strong incentive for states to deliver against their constraints relaxation commitments and a suite of associated accountability measures.

With respect to prioritising sequencing of constraints-easing in major tributaries, the department prefers that some River Murray activities continue in parallel, including improved engagement; implementation of no-regrets infrastructure solutions; and a reach-by-reach review of the suitability of other constraints-easing options beyond the flow easement approaches investigated by states to date.

2.3 – Implement an assurance mechanism for the northern Basin toolkit

The department supports the implementation of a monitoring framework for the 6 toolkit measures, noting that a number of assurance and reporting mechanisms are underway or proposed.

- Each toolkit project has a Monitoring, Evaluation, Reporting and Improvement (MERI) plan in place.

- Public reporting occurs on northern Basin toolkit projects regularly to provide the public with clear information about progress ([Northern Basin Toolkit progress](#)).
- Schedule 3 of the [Intergovernmental Agreement on Implementing Water Reform in the Murray Darling Basin](#) requires twice yearly reporting on the progress of toolkit projects to the Murray–Darling Basin Ministerial Council and Basin Officials Committee.
- As part of the 2025 Basin Plan Evaluation, and the 2026 Basin Plan review, the MDBA will assess the environmental outcomes being achieved across the northern Basin by toolkit implementation. This will assess the level of completion of the toolkit measures against their original proposals.
- The Water Act enables the IGWC to monitor and provide independent oversight of government agency commitments in intergovernmental agreements, including the toolkit measures.
- The Bill now includes a requirement for an annual progress report relating to water recovery targets to be prepared and tabled in Parliament, which can include progress on toolkit measures.

The department does not support a SDLAM-type reconciliation associated with toolkit measures, as the 2026 Basin Plan review will consider sustainable levels of take Basin-wide.

2.4 - Develop a renewed approach to water recovery

The government is committed to deliver the Basin Plan in full. This includes bridging the gap to SDLs and recovery of 450 GL of additional environmental water. The department supports the 450 GL target to be recovered to enhance environmental outcomes, by:

- protecting and restoring the environmental assets of the Murray-Darling Basin
- protecting biodiversity dependent on the Basin water resources.

The Bill measures are designed to provide more time, more options, more funding and more accountability to deliver on both Basin Plan water recovery targets.

The Bill extends the deadline for SDLAM supply measures until December 2026 and provides for Basin states to bring forward new projects. This was agreed with Basin states and supported by stakeholders in public consultation. The department notes the PC considers these measures are unlikely to address the shortfall. The Bill provides Basin states with opportunity.

The MDBA will undertake reconciliation in December 2026. The department does not support water recovery of the shortfall until there is certainty of the volume required. Should the Bill pass, recovery of the shortfall now would require either water recovery to the 450 GL to be delayed, or for the department to deliver parallel water recovery programs. The department supports decisions being taken to recover the shortfall when there is certainty of the volume that will be required.

The Bill provides for more options to recover water to the 450 GL target. Efficiency measures can continue to be supported, along with other options that contract a water access entitlement for the environment by December 2027. These may include land and water purchases, rule changes, voluntary water purchase, or counting of existing recoveries in excess of SDLs. The department has been undertaking extensive consultation with Basin state officials and peak stakeholder groups on

these options, draft principles for community adjustment assistance, and potential programs to support them.

The Bill provides for more time to recover water to the 450 GL target. Water recovery for the 450 GL must be contracted by December 2027. The department supports voluntary water purchase to be undertaken gradually to avoid water market impacts and minimise socio-economic impacts. Should the Bill pass this year, this would provide over four years to recover this water. This is also supported by deferring a decision on recovery of any shortfall from SDLAM supply measures until there is certainty about what can be achieved under the extended timeframes.

The department supports clear and public information on water recovery processes and targets to support full transparency for the community. Should the Bill pass, further information on proposed water recovery and community adjustment programs will be published.

Environmental water planning and management

3.4 – Delivering shared benefits from the use of environmental water

The department is committed to improving participation by First Nations peoples in decision-making and water management.

The MDBA, CEWH and Basin states partner with First Nations peoples to plan and deliver environmental water in the Basin. In the May 2023 Budget, the CEWH received \$3.5m to establish a First Nations Environmental Water Partnerships Pilot Program.

The department supports opportunities to improve First Nations peoples' engagement in environmental water management to ensure that traditional knowledge is appropriately reflected to get the best ecological and cultural outcomes.

Water Resource Plans

4.1 – Simplify requirements for water resource plans; 4.2 – A risk-based approach to amending water resource plans

The August 2023 Basin Ministers' agreement committed to ongoing sustainable diversion limit compliance and water management, through WRPs.

Since 1 July 2023, 4 NSW WRPs have been accredited, bringing the total accredited NSW WRPs to 9 out of 20. The MDBA is assessing 8 NSW WRPs and 3 remain with NSW.

The 2026 Basin Plan and 2027 Water Act reviews will provide the opportunity to consider WRP requirements and amendment processes.

The values of First Nations people

5.1 - Strengthen the roles of Aboriginal and Torres Strait Islander people in the Basin Plan

First Nations outcomes are critical to the Basin Plan. The Australian Government is committed to improving participation by First Nations peoples in Basin water reform and is supportive of opportunities to strengthen this participation in a meaningful way.

The department has several initiatives that seek to improve First Nations water outcomes, including:

- a First Nations Water Holding Mechanism to hold water for the benefit of First Nations peoples nationally
- the AWEF to increase First Nations peoples' ownership of water in the Basin
- AWEF Gatherings hosted by DCCEEW with First Nations delegates of the Basin over July-August 2023
- First Nations land and water roundtables to support better engagement on increasing First Nations land and water ownership, management, and inclusion in decision making
- support for the CAWI – consisting of up to 14 First Nations water experts from across Australia that provides advice on Aboriginal and Torres Strait Islander peoples' water rights and interests.

There is also an opportunity to consider First Nations' water ownership and input into decision making as part of the government's commitment to renew the National Water Initiative and the 2027 Water Act review.

Bringing new knowledge into the Basin Plan framework

6.1 – Specific measures or targets for evaluating climate change resilience

The department agrees that incorporating advancements in science into evaluation methods is important to ensure the Basin Plan delivers on its water management objectives to adapt to climate change. The ability to integrate such information will be subject to the availability of science and data, noting that capacity to obtain and report on this information may vary between Basin jurisdictions.

This is an issue that goes beyond the Basin and is relevant to water policy and planning across the country. It is for that reason that the department has engaged Professor Mary O'Kane AC to conduct a review to advise and make recommendations that will enable the Commonwealth to ensure water science and research investments are strategically aligned, and appropriate to water policy; and how Australia can position itself as an international leader in water science and research, including national leadership and coordination. The review is in draft (not yet public) and is expected to be complete following further stakeholder consultation, including all States and Territories by the end of the first quarter of 2024.

The government, through the October 2022-23 Budget, invested an additional \$22.9 million for the most up-to-date science so we can better understand and plan for the impacts of climate change in the Basin. This includes making sure the latest science and information is available to inform the 2026 review of the Basin Plan.

This builds on previous and ongoing investments to support Basin science, including:

- The MDBA's Murray-Darling Water and Environment Research Program (\$20 million) and Integrated River Modelling Uplift Program (\$66 million); and
- The Commonwealth's \$50 million investment in the One Basin Cooperative Research Centre.

6.3 – Strategic coordination of knowledge generation and sharing activities

The government is committed to updating the science and research base that underpins water planning and management in the Basin.

Since the Basin Plan was established in 2012, climate change science, knowledge, and modelling have progressed significantly – globally and in Australia. This includes the capability to project future conditions with higher resolution and confidence, and a greater understanding of impacts and adaptation options.

8.1 – A comprehensive review of trading rules in the Basin Plan

The Australian Competition and Consumer Commission’s 2021 [Murray-Darling Basin water markets inquiry](#) and the [Water market reform final roadmap report](#) provided two comprehensive review processes of water trading in the Basin. Implementing the roadmap recommendations will improve community confidence in water markets, develop new integrity safeguards, and support investment in new data and systems capabilities that will improve trade and transaction transparency.

The Bill addresses these recommendations by:

- elevating and expanding the scope of price reporting and insider trading prohibitions from the water trading rules to the Water Act
- removing the grandfathered tag exemption.

Governance and Engagement

9.1 – Extending oversight of intergovernmental funding agreements relevant to Basin Plan implementation

As part of a commitment to strengthen water compliance in the Basin, the government is undertaking an [Independent Review of the Inspector-General of Water Compliance](#) to ensure it has the relevant powers to carry out its functions. The department will consider the outcomes of this review.

9.2 – Improving the transparency of Basin Officials Committee

There are existing mechanisms for transparency, integrity, conflict management and accountability within the governance of the Basin Plan.

[Communiques](#) are issued after every meeting to convey BOC meeting outcomes, and information on BOC functions, governance arrangements and committees is publicly available.

Work on BOC strategic priorities and associated reporting, including through [BOC Communiques](#) (see [Basin Officials Committee Communiqué – 14 June 2023](#)), is underway to improve accountability, transparency and outcomes. The BOC has already led a significant 18-month reform of the governance framework underpinning Basin Plan delivery. This follows previous reviews (including by the PC and the 2019 governance review).

The department does not support the proposed appointment of an independent chair, as the existing process has built in mechanisms for ensuring independence, transparency, integrity, and inclusion.

The BOC is a committee of senior government officials that reports and provides advice to a Ministerial Council. It is appropriate, as for many other government officials' committees providing advice to joint ministers, for the Commonwealth to continue to chair these meetings to ensure the strategic priorities of government are addressed.

9.3 – Strengthening the community voice in Basin decision-making

The department supports opportunities to improve the way communities are engaged in Basin decision-making processes.

The BOC has recently reviewed a proposed Joint Government Transparency Plan, which sets out a series of short and long-term initiatives to support joint government decision making.

There are existing processes for BOC to involve and engage the Basin Community Committee and other stakeholders and seek input and advice from a community perspective.

The department regularly engages with the BCC on program design and to seek better and different ways to engage with Basin communities.

Any decision around the BCC's regular involvement in BOC is a decision of the joint governments and would need to be carefully considered to ensure the integrity of government decision-making processes are not comprised.

Comments on the PC's information request

Resetting the balance

2.1 – The PC is considering the merits of establishing a new corporate Commonwealth entity to address the anticipated water recovery shortfall.

1. What are the likely strengths and weaknesses of a government-owned corporate entity compared to current arrangements?

The government is open to considering all possible options to implement the Basin Plan and deliver much needed outcomes for the environment and communities.

The department does not support the PC's suggestion to consider establishing a new corporate Commonwealth entity to address any water recovery shortfall as current reforms aim to address existing barriers around water recovery delivery and accountability.

The Bill amendments provide more time and more options to deliver Basin Plan water recovery targets. In addition, a range of commercial mechanisms may now be used to deliver water targets, for example lease-back options and entering into agreements with third parties to deliver water. The department has also re-established a water purchasing function.

The department has identified the following potential weaknesses with the proposal.

- There are many Commonwealth and state agencies involved in Basin water management. Establishing a new entity would add further complexity to the division of responsibilities.
- Significant costs will be involved in setting up and running a new entity, which would reduce the investment available for delivering the Basin Plan.
- Establishing a new entity is unlikely to improve program delivery (given this is within the states' remit), or accountability (given the MBDA's regulatory role in the implementation of the Basin Plan and annual assurance reporting).
- It is not clear what barriers this recommendation would address.

2. What could be the role of the Ministerial Council in providing high-level direction to the entity?

Any independent body would need to focus on delivery and not be hampered by political or other influence once policy direction is set. It would remain the role of the Ministerial Council to provide direction through coordinated and strategic multi-jurisdictional water reform policy. Support from the Ministerial Council could be provided from the proposed funding contributions from each of the Basin jurisdictions.

3. What could be the scope of its functions, including whether it should have a role implementing supply, constraints-easing and toolkit measures?

The entity could fund the states to undertake supply and constraints-easing measures. Toolkit measures should not be within scope as they do not contribute to the SDL offset.

If such an entity were focused on addressing the anticipated water recovery shortfall, it may need to include a water purchasing function to avoid fragmentation of responsibilities across agencies.

It is important to note that states are responsible for all aspects of project design, development, community engagement and delivery, given state responsibilities for land and water management. State delivery is subject to state water ministers' direction. These arrangements should be considered in the context of the proposed entity's functions.

4. What could be the entity's guiding principles, such as ensuring value for money and minimising community impacts from water recovery?

Guiding principles could include:

- Value for money considerations for supply and constraints measures include potential contributions to SDL adjustment offset and Basin Plan environmental outcomes.
- Funding decisions must consider broader Basin Plan policy, especially decisions not to fund projects, given potential to affect Basin Plan outcomes and interjurisdictional cooperation.
- In delivering SDLAM projects, states are responsible for assessing community, environmental and First Nations impacts from projects.
- Water recovery through purchase should also be based on an overall assessment of value for money, informed by environmental utility, and water market price, and the ability to consider socio-economic considerations in program design.

Water Resource Plans

4.1 – Reporting on compliance and other arrangements

The PC invites comments on whether Basin state governments should continue to be required to report on compliance with their WRPs (Murray–Darling Basin Plan, Schedule 12, Matter 19), and on any other ways the reporting arrangements for WRPs should be improved.

The department is of view that states should continue to be required to report on compliance with their WRPs.

Currently, the SDL compliance framework lacks clarity. The Bill includes new accountability mechanisms in relation to the SDLs by strengthening the IGWC's role where a state has not complied with SDL rules. The IGWC will also have a new power to engage an auditor to examine the MDBA's SDL calculations.

The Basin Plan contains a monitoring, reporting and evaluation framework. The Basin Plan review will provide an opportunity to consider this framework, including the requirements for WRPs.

Bringing new knowledge into the Basin Plan framework

6.1 – Embedding climate change science into the Basin Plan framework

The PC is considering whether the Water Act places sufficient emphasis on the application of climate change science to the development and implementation of the Basin Plan. For example, should section 21 of the Water Act, which is about the general basis on which the Plan is made and updated, be amended to make clear and explicit that the best available science about the impact of climate change on water availability, including climate projections, is part of the scientific knowledge on which the Plan should be based?

As noted at recommendation 6.1, the government, through the October 2022-23 Budget, invested an additional \$22.9 million for the most up-to-date science so we can better understand and plan for the impacts of climate change in the Basin. This includes making sure the latest science and information is available to inform the 2026 review of the Basin Plan.

This builds on previous and ongoing investments to support Basin science, including:

- The MDBA's Murray-Darling Water and Environment Research Program (\$20 million) and Integrated River Modelling Uplift Program (\$66 million); and
- The Commonwealth's \$50 million investment in the One Basin Cooperative Research Centre.

The department has engaged Professor Mary O'Kane AC to conduct a review to advise and make recommendations that will enable the Commonwealth to ensure water science and research investments are strategically aligned, and appropriate to water policy; and how Australia can position itself as an international leader in water science and research, including through national leadership and coordination.

The review draft (not yet public) makes recommendations in this regard that the reviewer believes will enhance and deliver this objective to inform robust evidence-based water policy, planning, decision making and investment, including in the Basin.

The review recommends key principles that should be part of responses to the review recommendations:

- reflect federation and the joint ownership of the problems and solutions, including with stakeholders beyond governments
- facilitate a brokering capability for water research and science advice that separates the commissioning and quality assurance of scientific advice and research from water planning and policy making, and decision making
- strongly linked to stakeholders and end users to foster joint ownership and accountability, trust and confidence
- commitment to transparency, open data, research training & research infrastructure.

The review is expected to be completed and delivered to the government in the first quarter of 2024.

At a national level, the government is working with states and territories to develop a new National Water Initiative that better accounts for climate change in water planning and management, recognises and elevates First Nations water interests and drives water security for the environment, communities and industries.

The review's recommendations will be considered by the Commonwealth in discussions with States and Territories regarding a new National Water Initiative.

Water quality and critical human water needs

7.1 – Options to improve water quality and availability in the northern Basin

The PC invites participants to comment on whether the Basin Plan should do more to improve water quality and ensure critical human water needs are met in the northern Basin. What options should be considered by the MDBA in the 2026 Basin Plan Review?

Water Quality

The current Basin Plan approach to water quality is largely focused on salinity management, with some consideration of Dissolved oxygen (DO). Section 9.02 of the Basin Plan identifies 9 types of water quality degradation, but targets are only set for salinity and DO.

The root causes of many of the water quality problems that have impacted the northern and southern Basin generally relate to water quality issues that are not related to salinity or DO – though low DO can be a consequence of elevated levels of nutrients and/or water temperatures.

There is a need for the next review of the Basin Plan to consider what additional measures should be included within the Basin Plan to address the continued decline in water quality, especially given that reduced flows and elevated temperatures are expected due to climate change. Non-flow measures will be needed for water quality to be maintained under these circumstances.

Critical human water needs

There is an opportunity for the Basin Plan review 2026 to consider if the current critical human water needs provisions can be improved to provide certainty across a range of climate change scenarios.

In particular, the suitability of current WRPs to set aside sufficient volumes of water under severe drought conditions to meet conveyance needs for consumptive uses; to maintain town water supply deliverability; and to prevent catastrophic environmental damage to in-stream biota should be reviewed against climate change risks.

Opportunities to align water recovery, including through irrigation efficiency programs, to augment water available for conveyance requirements during extreme drought, are worth investigation. Existing water entitlement products are potentially inadequate or unsuited to drought conveyance augmentation and new Planned Environmental Water approaches may prove superior for this purpose to existing Held Environmental Water policy approaches.

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