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## Australian Government – Productivity Commission (PC)

### *National Water Reform 2024: Call for Submissions*

#### RGA Submission – February 2024

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##### **Introduction:**

Thank you for the opportunity to provide a submission into your current inquiry into National Water Reform. We understand that the PC's inquiry will help inform a refresh of the 2004 *Intergovernmental Agreement on a National Water Initiative*<sup>1</sup> (NWI). On this basis, following an overview of our industry and its importance in regional Australia, our comments in this submission are grouped by topic – in accordance with what we believe should feature heavily in a refreshed NWI.

##### **Good Water Management and Australia's Rice Industry:**

Virtually all rice grown in Australia is concentrated in the Murray and Murrumbidgee Valleys of southern NSW. We use 50% less water to grow one kilo of rice, when compared to the world average.<sup>2</sup> We've also set ourselves the ambitious target of further boosting our efficiency to 1.5 tonnes of rice per megalitre (ML) by 2026.<sup>3</sup>

Like most irrigated agriculture, rice offers a dependable source of high-paid employment in the Basin's regional and remote areas. Our rice production supports a well-trained and productive workforce across the Riverina – boosting incomes and living standards, and creating opportunities for those communities that rely heavily upon our success. These are all well-publicised employment outcomes for the current Federal Government.<sup>4</sup>

Our success depends on reliable water access; however, 'reliable access' is not just tied to rainfall. The quality of state and national water policy is fundamental as well.

Rice is an annual crop, that typically switches 'on' or 'off' depending on water availability. There's a strong correlation between our expected access to water and the total area harvested in any given year.<sup>5</sup> Notwithstanding the challenges, rice has done an excellent job of establishing itself in the highly variable climate of south-eastern Australia.

To illustrate, between 2008-2009 and 2018-2019, an average of 629,000 tonnes of rice was grown each year. Over this time – annually – we've contributed \$400 million into rice-growing communities, and provided 400 jobs across the Riverina.<sup>6</sup> We've also been recognised as one of the Riverina's major enterprises and key economic drivers, which – along with dairy in the Murray and horticulture in the Murrumbidgee – has traditionally made-up around 75% - 90% of farm businesses.<sup>7,8</sup>

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<sup>1</sup> [Intergovernmental Agreement on a National Water Initiative \(pc.gov.au\)](http://pc.gov.au)

<sup>2</sup> [Rice-and-Water-2014\\_Web.pdf \(rga.org.au\)](http://rga.org.au) – We use approx 12 ML/hectare; world av is 15-20 ML, getting as high as 50 ML.

<sup>3</sup> [New structure announced to accelerate rice breeding in Australia | AgriFutures Australia](http://AgriFutures Australia) – we currently av 1 tonne of rice per ML.

<sup>4</sup> [Employment White Paper - Consultation | Treasury.gov.au](http://Treasury.gov.au)

<sup>5</sup> [Rice farms in the Murray-Darling Basin - DAFF \(agriculture.gov.au\)](http://agriculture.gov.au).

<sup>6</sup> SunRice, internal commercial data. The figure of '400 jobs' is direct employment; it doesn't reflect secondary employment.

<sup>7</sup> [AppendixC\\_Murrumbidgee\\_community\\_profile.pdf \(mdba.gov.au\)](http://mdba.gov.au), p. 899.

<sup>8</sup> [AppendixC NSW Central Murray community profile.pdf \(mdba.gov.au\)](http://mdba.gov.au), p. 964.

## Our Priorities for a Refreshed NWI:

As noted by our sub-heading, a whole-scale re-write of the NWI isn't necessary. In fact, it risks the omission of key components that were negotiated for a specific purpose in 2004, and as such these components must be allowed to continue to receive national attention.

All of the objectives listed under paragraph 23 of the NWI<sup>9</sup> will continue to have strong relevance in Australia's water reform future – and it's critical that they all be carried forward into the next iteration.

As we look to the future, we must emphasise that southern NSW has done all the heavy lifting when it comes to environmental water recovery. Within this context, we note that in the order of 4000 GL has been recovered for the environment over the past 20 years.<sup>10</sup>

As such, at this stage of Australia's water reform journey, we must move beyond the outmoded concept of permanent licence transfer to an isolated environmental water holder, resulting in continued permanent shrinking of markets and the consumptive pool.

Under an increasingly variable climate, all forms of water-use will need to become more opportunistic – making the most of their water access when the resource is available, and responding as intelligently as possible when times are dry.

Flexible, rapidly responsive water management tools are the only way to achieve this outcome. Across the board, this will require a rethink of our relationship to drought, and our appetite for risk when water is more freely available.

The only appropriate place to do this is in a national setting, where all of Australia's Governments can agree to the terms and conditions that best suit them. Some specific examples of what we mean – supported by verifiable data-sets – are provided below.

## Australia's Water Markets:

We note with interest that one of the key objectives of the NWI is to: *facilitate the broadening and deepening of the water market.*<sup>11</sup> For the Murray-Darling Basin (MDB), over the last 10 years in particular, the opposite has happened – with this outcome predicted to get worse between now and the end of 2027.

As at the end of the 2022-2023 water year, 'the environment' held just over 25% of the MDB entitlements on issue.<sup>12</sup> Based on the very severe restrictions placed on the trade of environmental entitlements, this water is almost exclusively no longer available to consumptive users. Under new Commonwealth plans, this will get even worse.<sup>13</sup>

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<sup>9</sup> [Call for submissions - National Water Reform 2024 \(pc.gov.au\)](#), p. 6.

<sup>10</sup> **2,107 GL** has been recovered under the Basin Plan ([Progress on water recovery | Murray-Darling Basin Authority \(mdba.gov.au\)](#)). The Commonwealth estimates pre-Plan recovery at **875 GL** ([Pre 2009 water recovery table \(mdba.gov.au\)](#)); however this omits the **700 GL** Barmah-Millewa Environmental Water Allowance (<https://www.environment.nsw.gov.au/-/media/OEH/Corporate-Site/Documents/Water/Water-for-the-environment/annual-environmental-watering-priorities-2020-21-murray-lower-darling-200340.pdf>). This high-level snap-shot gives us a total of **3,682 GL**, to which we must now add the current Federal Government's additional commitment of **450 GL** – which gives us a total of **4,132 GL**.

<sup>11</sup> [Call for submissions - National Water Reform 2024 \(pc.gov.au\)](#), p. 6, 5<sup>th</sup> bullet point.

<sup>12</sup> [2022-23-Water-Markets-Report.pdf \(aither.com.au\)](#), p. 31.

<sup>13</sup> [Restoring Our Rivers: Delivering the Basin Plan 2012 Draft framework for delivering the 450 GL of additional environmental water \(storage.googleapis.com\)](#) – could increase the % of 'unavailable' water from 25% to at least 31%.

When the NWI commenced, and water markets were established as a: *tool within a water resource management framework to increase efficiency*<sup>14</sup> - the potential of this tool was 25% greater, and environmental water holders didn't exist at all.

The continual shrinking of water markets runs counter to this very important objective of the NWI – one that's especially critical in remaining adaptive and responsive to drought. Governments must urgently re-consider how environmental water holders are allowed to commercially manage their portfolios, and allow for trade that supports commercial use.

The outmoded approach of permanent removal of water from the market for the environment must also cease immediately. Instead, alternative recovery options must be promoted by governments, to ensure existing markets don't collapse completely.

To ensure the above occurs, and is designed in a way that best fits all existing and emerging water markets, national oversight of market development and operation must remain a key feature of the NWI in whatever iteration it may exist next.

### **Adequate and Timely Information Provision:**

Related to our comments on the evolution of market operation, we further note that appropriate information provision has been recognised as fundamental for 20 years<sup>15</sup>, and is a given for ensuring communities have trust and confidence in how water is managed.

There are many areas where information provision requires improvement – and the need for fast and reliable information access will continue to grow in importance under an increasingly volatile climate.

To illustrate, between 19 October 2023 and 15 January 2024, the Commonwealth 'procured' around \$55 million of water from the market.<sup>16</sup> To date, no information has been made available about where the water was purchased from<sup>17</sup>, the volumes that were procured under each purchase, or the price that was paid per megalitre. All of this information is critical for effective market operation – especially for those for whom the market was initially developed, being irrigators who manage their access in real-time.

### **Processes to Better Account for Climate Change:**

We remain deeply concerned by government fixation on droughts being the biggest risk under an increasingly variable climate. While reduced, overall water availability may be a result of climate change – what we're experiencing in real-time is that significant volumes of that reduced availability are likely to hit us in one go.

To illustrate, in the 11 years between 2012 and 2022, rainfall for NSW was<sup>18</sup>:

- Average, or close to average in only 2 of the 11 years.
- Below average in 5 of the 11 years.
- Above average, 'very wet' or 'exceptionally wet' in 4 of the 11 years.

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<sup>14</sup> [Call for submissions - National Water Reform 2024 \(pc.gov.au\)](#), p. 9.

<sup>15</sup> [Call for submissions - National Water Reform 2024 \(pc.gov.au\)](#), p. 6, 7<sup>th</sup> bullet point.

<sup>16</sup> [Contract Notice List: AusTender \(tenders.gov.au\)](#)

<sup>17</sup> A general location is provided for the seller – which bears no relation to any particular trading zone.

<sup>18</sup> [Climate summaries archive \(bom.gov.au\)](#)

To date, our water management systems are responding much better to dry circumstances than they are to wet. For example, in the NSW Murrumbidgee system, General Security licences didn't reach full allocation until 1 February 2024.<sup>19</sup> This is despite storages across the southern Murray-Darling Basin sitting at close to 90%.<sup>20</sup> Water was not being allocated because Murrumbidgee storages were too full, not too empty.

If we're to truly thrive under climate change, better adaptation in our water management systems is required as a matter of urgency. Processes that hoard water, and don't take full advantage of the roughly 50% of 'above average' rainfall years we may get in the future will do no more than set us all up for failure. The next NWI iteration must require states and territories to address this issue as a matter of urgency.

### **There's Been an 'Over-Correction' in Environmental Water Recovery:**

Related to the above, future successful water management is likely to be strongly categorised by how well users take advantage of their full, legal access. Unfortunately, what we're seeing at present is policies that have 'over-corrected' in their policing of water use, resulting in high-levels of conservatism when it comes to production.

Currently, in the MDB, we have a significant under-use problem - as opposed to one of perceived over-use. To illustrate, in the first year of SDL<sup>21</sup> compliance - 2019-2020 - actual surface-water use was 2,175 GL below the annual permitted take. In the second year, this volume increased to 3,848 GL.<sup>22</sup>

Regulatory approaches that have emerged as a result of the NWI were never expected to be framed to deal with this critical issue. There must be a specific focus within the next iteration, aimed at resolving this specific complex problem, and embedding into future water planning an expectation that use will be encouraged up to legal limits.

### **Increased Community Focus:**

We note that all communities - especially those who live in rural and remote areas - seem to have been relegated to the back-seat as implementation of the NWI has rolled-out. This must be corrected in the NWI's next iteration.

While in 2004, governments were understandably focused on 'adjustment'<sup>23</sup> as all remaining overallocation was dealt with - as we've demonstrated in this submission, our needs and attention must move on.

The RGA retains its strong view that no further water recovery is required in the southern Murray-Darling Basin. Where governments are adamant they want more water, purchase isn't necessary.

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<sup>19</sup> [Water Allocation Statement - 1 February 2024 \(nsw.gov.au\)](#)

<sup>20</sup> [Water Allocation Statement - 1 February 2024 \(nsw.gov.au\)](#)

<sup>21</sup> SDL = sustainable diversion limit - the new, enforceable limit on extraction under the *Murray-Darling Basin Plan*.

<sup>22</sup> [Annual Water Take Report 2020-2021 \(mdba.gov.au\)](#), p. 21.

<sup>23</sup> [Call for submissions - National Water Reform 2024 \(pc.gov.au\)](#), p. 6, 9<sup>th</sup> bullet point.

What we are seeing, however, is a language shift from the Commonwealth towards the need for co-design<sup>24</sup>, which is an approach that places communities right at the centre of how their resources are managed. We welcome this approach, and intend to hold the Commonwealth to it as Basin Plan implementation is finalised.

Lessons from this process could inform new content for a refreshed NWI, that effectively places all communities at the heart of things – which is arguably where they should be.

#### **Future of the Commonwealth Water Act:**

In closing, we also note the PC is seeking feedback on: *how the Australian Government can better utilise the Water Act 2007 (Cth) as a framework for guiding national water reform policy.*<sup>25</sup>

In short, we don't believe that it can; and given it no longer has Federal bipartisan support<sup>26</sup>, we don't believe that it should.

Since its passage in 2007, the *Water Act* (the Act), has morphed into an unwieldy behemoth. It's been exposed to 'tinkering' by successive Federal governments<sup>27</sup>, with state and territories rarely having any capacity to seriously influence what legislative amendments are agreed to – or how.

For example, significant changes were made to the Act in late 2023, which didn't have the support of jurisdictions where those changes would apply. The changes will also result in at least another 450 GL of water being removed from irrigation communities in the Murray-Darling Basin – with no formal requirement for the Federal Water Minister to take into account the anticipated impacts.

For national reform to be truly successful, it must be underpinned by policy certainty. In particular, this is critical for allowing all communities and industries dependent on water to securely plan for their futures.

Given its strong susceptibility to political whims, and the strong unilateral power it provides the Commonwealth, the Act is a highly unsuitable vehicle for supporting any collective national water reform effort.

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<sup>24</sup> [Restoring Our Rivers: Delivering the Basin Plan 2012 Draft framework for delivering the 450 GL of additional environmental water \(storage.googleapis.com\)](#)

<sup>25</sup> [Call for submissions - National Water Reform 2024 \(pc.gov.au\)](#), p. 4.

<sup>26</sup> [Water Amendment \(Restoring Our Rivers\) Bill 2023 – Parliament of Australia \(aph.gov.au\)](#)

<sup>27</sup> [Federal Register of Legislation - Water Act 2007](#), 28 versions have been created between 2007 and 2023.