Jim Pruss, HIPCo CEO

Queensland, 4821

25 January 2024

Joanne Chong, Commissioner
National Water Reform 2024
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

NWI submission from Hughenden Irrigation Project Corporation (HIPCo) Pty Ltd

Dear commissioner,

Please find enclosed a submission in relation to the Terms of Reference (ToR) for the National Water Reform 2024 from the Hughenden Irrigation Project Company. For clarity we have referenced the
"Call for Submissions" paper where relevant without seeking to restate the ToR or the recommendations from the 2020 review which are well articulated in the paper and many of which are not relevant for the purposes of the HIPCo submission. Our comments are mostly restricted to NWI Objectives and HIPCo's experiences with the frameworks and are all aimed at helping to implement the next version of the NWI objectives and procedures.

The main thrust of our submission is to point out the issues we have faced during our journey working within the Statutory Planning frameworks in Queensland over the last five (5) years that are in place as a result of the NWI initiatives. In terms of credibility and relevance, HIPCo is a professionally run organisation with a qualified Board and independent directors and professional management team and an Owners Engineer with decades of experience at all levels of water management in multiple states of Australia.

Our experiences are very relevant as we have sought to work within the frameworks as established to construct and operate an irrigated agriculture scheme around Hughenden in North Queensland in accordance with the laws, policies, statutory planning instruments and with a long term focus on sustainability and social license.

By necessity, given the short time frame for response, the response will largely be unsupported by research documents however many of these issues have been tabled and recorded with both the Queensland Government and the Federal Government, and the Preliminary Business Case (PBC) and Detailed Business Case (DBC) for HIPCo's Hughenden Irrigation Project are matters of public record. Again because of the short time frame, the comments will be brief and summarised at an objective level as opposed to a detailed outcome level or a direct response to the 2020 review findings.

Kind regards

Jim Pruss

Introduction

The Hughenden Irrigation Project (HIP) herein referred to as the HIPCo project or simply 'The Project' was initiated in 2018 by a group of concerned and interested locals of Hughenden who were seeking to increase economic stimulus and productivity to the region around the headwaters of the Flinders River through an irrigated agriculture scheme. The Statutory water planning instrument for the purposes of this submission is the Gulf Water Plan 2007 and particularly the Flinders River catchment outlined in yellow in Figure 1. The location of the proposed irrigated agriculture project is outlined by a red box between Hughenden and Richmond. The DBC for the project can be found at the following web address Hughenden-Irrigation-Project-DBC-v87-Final-with-Departmental-Statement2-28-April-2022.pdf (hipco.com.au)

The project commenced under the previous Federal LNP government along with other projects in the region such as Big Rocks Weir, Hells Gate Dam, Urannah Dam and even the review of the revised Bradfield Scheme. These projects were funded and supported for investigation as a direct consequence of the Abbott Government's initiatives to develop the North of Australia across six key areas, one of which was developing the regions water resources. A great deal of time and effort and expectation has been sunk into these studies by numerous proponents, however only the Big Rocks Weir (BRW) has progressed past Business Case stage and it is the smallest and least difficult to deal with, but is still progressing through the approvals process before it can move past preconstruction. Some of these projects have been stopped for good and valid reasons, but others are in limbo, stalled somewhere in the machinery of government or due to uncertainties and inconsistencies in the planning frameworks. The path for all these projects has been unclear, difficult , even tortuous as the entities have been given inconsistent and sometimes conflicting advice.

The funding logic for all these large water projects was to provide government grant funding if they 'stacked up' according to the various planning instruments and expectations. The assessment framework was the Building Queensland Business Case Development Framework (BCDF) . In HIPCo's case as the relevant studies progressed and the Preliminary Business Case (PBC) was completed by the HIPCo Board, the Project morphed into a vision or Blue Print for irrigated agriculture in this part of Queensland, focusing on sustainability with key focuses on environmental outcomes, indigenous welfare and opportunities, carbon neutrality, integrated energy management and overall compliance with every framework or piece of legislation in place. Many of these assessment frameworks were established as part of the NWI initiatives and are directly relevant to the ToR.

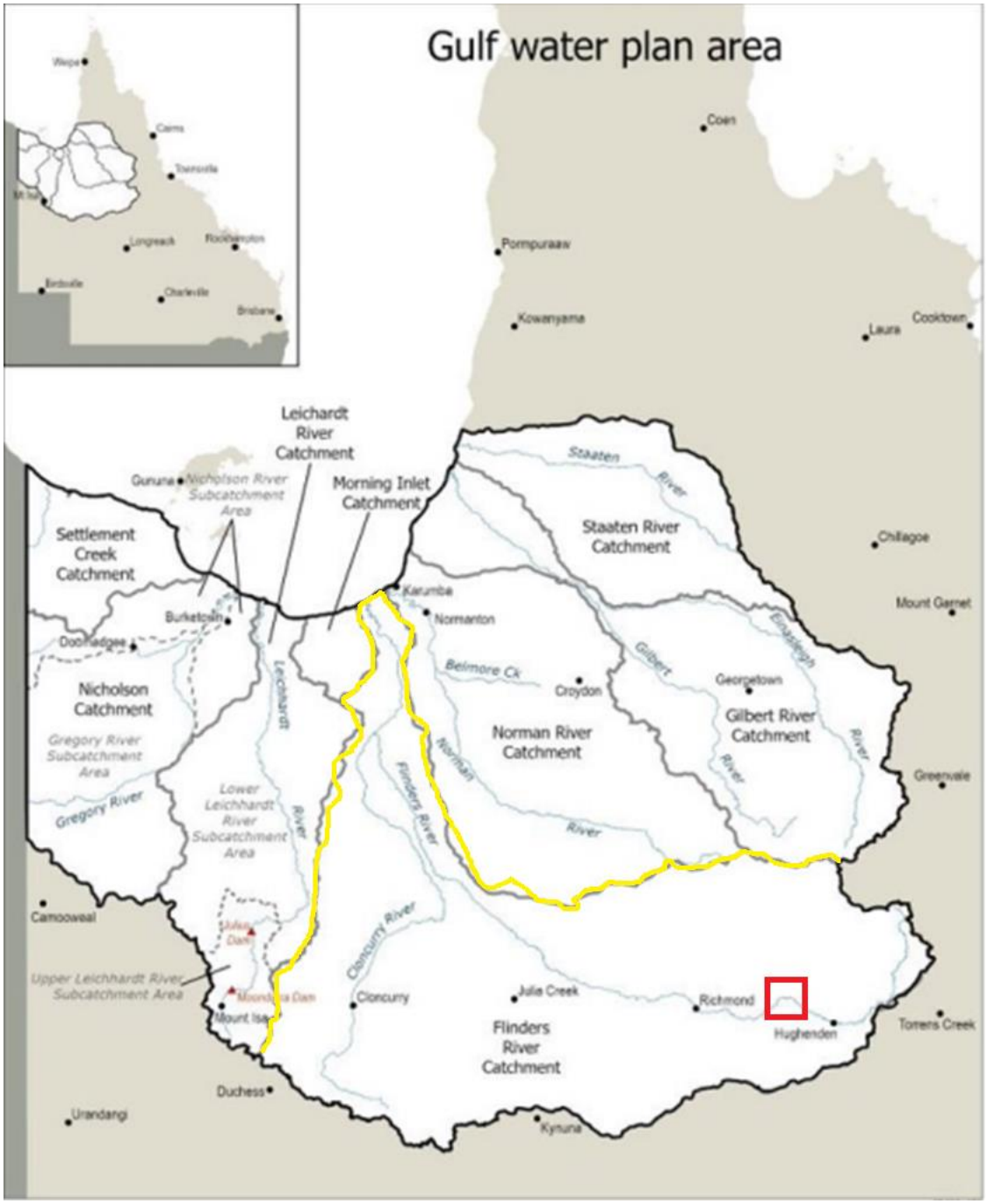

Figure 1 Gulf Plan Area and Hughenden Project

The strength of HIPCo's PBC led the Federal Government to fund a Detailed Business Case (DBC) to address the issues raised in the PBC and determine if the project was feasible on environmental, indigenous, economic, agronomic, engineering assessment and constructability, hydrological reliability, climate change, market and social benefit grounds. The DBC was heavily dependent on the statutory based water planning tools, such as the Gulf Water Plan and the hydrological models set up as part of the NWI initiatives.

The DBC, after multiple independent assessments of the key elements, showed the Project was feasible on all grounds providing the capital cost was substantially gifted as a combined effort between the Federal and State Governments, but importantly with around 20% private sector buy in. While this may be seen as inconsistent with best practice pricing and project economics of a user pays approach, the Federal Government understood that unlocking the development potential of Northern Australia required mobilisation of capital and providing it as a grant and/or subsidised loan. The Federal government also indicated an openness to more innovative approaches to economic evaluations, apart from the strictly applied economic criteria as set out in the Building Queensland BCDF and the Infrastructure Australia Guidelines. The DBC and subsequent funding proposals have been submitted on this basis.

RESPONSE TO CALL FOR SUBMISSIONS: Relevance of the HIPCo Experience to the NWI Objectives and suggested improvements.

This section includes some generalised comments regarding the objectives of the NWI and HIPCo's experience in how well these objectives have been able to be met by the statutory planning instruments in place.

Objectives of the NWI

1. Clear and nationally-compatible characteristics for secure water access entitlements

Agree with the objective- as long as an adaptive approach is utilised and rules that don't work in one catchment are not enforced in other catchments. Each catchment or water management area will have some unique characteristics that may be seen to be inconsistent if not incompatible. Given the effects of things like climate change, indigenous needs, environmental concerns, and other industrial needs such as mining and even dewatering in some areas of Australia will be different to other areas, the needs and solutions will be different. Our experience has shown little to no adaptation even though the solutions presented have been innovative and well received.

2. transparent, statutory-based water planning

Agree with the objective – Arguably this is the case now in Queensland and NSW, Victoria and Western Australia (although HIPCo is only casually aware of the other jurisdictions). However, in our case this has not resulted in a clear or even playing field, more because of the state of the decision making tools as opposed to a clear framework. We have been given conflicting advice from the State Departments, the hydrological models are of poor quality and have not been kept up to date, particularly with approved extraction points and volumes, inappropriate environmental flow objectives and measuring sites, insufficient gauging points etc all stifle good decision making. The State Government purports to make decisions with 0.1% accuracy using the models, on downstream effects and this is clearly not possible with the level of error currently in the models.

The decision making processes may not support the objectives of the Plans. In HIPCo's case one of the stated objectives of the Gulf Water Plan is to facilitate the adoption of supplemented water products as these are seen as more efficient ways to utilise water than unsupplemented products. HIPCo has been given conflicting advice on this, but when submissions were made we were actively prevented from pursuing the adoption of supplemented water products by the State Government even though it is one of the stated objectives in the Plan.

3. statutory provision for environmental and other public benefit outcomes, and improved environmental management practices

Agree with the objective – however this objective was not of prime importance in the recent unallocated water release tender process in the Finders River catchment where a simple $/ML bid price was the prime criteria for selecting and shortlisting tenderers. Projects with very high environmental and public benefit outcomes could be easily excluded if a single commercial tender was even $1/ML higher at the initial bid. HIPCo strongly objected to the ToR when it was first released given the inconsistency with the Gulf Plan objectives and the NWI principles. HIPCo immediately argued for a change of process requiring a multicriteria analysis primarily weighted to social/environmental and economic outcomes for the region rather than a bid price alone. This request was not granted, however, in recent developments the Minister has released a Performance Report for the Gulf Plan which clearly states the plan is not working, as only between 0.4% to 5.5% of the allocated water is actually used. The Minister has therefore flagged the Plan is to be updated prior to the Statutory review period. The fate of the tender is unknown however it has been open for two years and multiple parties have spent time and money on the tender, all for a Plan that is not functioning.

4. complete the return of all currently overallocated or overused systems to environmentally sustainable levels of extraction

Agree with the objective – however this objective should include the opposite condition where underallocated and/or underutilised systems should be prioritised for investment where justifiable. As stated above, the Flinders River catchment is chronically underutilised with only between 0.4 - 5.5% of the allocated water being used on a year to years basis in the recent assessment period and this is not because of water availability The adjacent Gilbert River catchment is similar with only 0.4 to 2.9% of the allocated water being used as intended in the same period (refer to Minister's report seen at Water Plan (Gulf) 2007 : Minister's performance assessment report. (nla.gov.au)). The recent unallocated water release tender was reportedly heavily oversubscribed (i.e. bids outweighed the available water by a substantial margin).

5. progressive removal of barriers to trade in water and meeting other requirements to facilitate the broadening and deepening of the water market, with an open trading market to be in place

Agree with the objective – HIPCo's experience in accessing the market has been a failure. Apart from requesting water from the unallocated water General Reserve, HIPCo approached all licence/allocation holders with water allocations as part of the assessment process. Almost none were willing to participate in the market and those that were only offered small volumes at above market prices. These water entitlements are currently held on corporate balance sheets, but have not been brought into productive schemes or made available for other environmental or socially justifiable projects. Ideally, the NWI should mandate some form of water recovery mechanisms if existing water entitlements are not used for their intended purpose.

HIPCo also sought to engage the Traditional Owners (TOs) to develop a means for using the water held in the Indigenous Reserve for socioeconomic outcomes solely for the benefit of the TOs. This endeavour was also stifled for a number of reasons, one of which was the Government advised the processes are not in place to access the water. Therefore, the objective while valid, cannot be implemeted given there is no mechanism to access the unallocated water in the Indigenous Reserve even for its intended purpose. The 2020 review seems to have covered this in its recommendations.

6. clarity around the assignment of risk arising from future changes in the availability of water for the consumptive pool

Agree with the objective – the Water Plans need to incorporate this adaptive framework into their decision processes. Some independent expertise and governance included in the decision making process would be highly desirable. The tendency of government decision makers is to make highly conservative decisions that are seen to lack credibility, particularly if the science is very uncertain. These decisions may well be valid, but without the updated science and without independent expertise these decisions will always be conservative, not risk based, which are two very different things, and will lack credibility . While not a criticism per se, if the other strategic planning documents needed to support the water based decisions were in place and accepted risk based decision making tools were implemented, decision making would be easier and more consistent.

7. water accounting which is able to meet the information needs of different water systems in respect to planning, monitoring, trading, environmental management and on-farm management

Agree with objective - although water accounting is an enabler not an objective in itself– no further comment apart from the fact the proponents and schemes should be held to "Best Management Practices" and "State of the Art" sustainability outcomes in the use of the water, not just the accounting mechanisms required to measure usage. HIPCo has repeatedly advised the Government the proposed Project would adopt BMPs for all relevant activities, including measurement and management, and adopt approved industry standards and "Best Management Practices" where relevant. HIPCo submits that water accounting in and of itself is not the primary requirement, as its merely a tool to good management.

8. policy settings which facilitate water use efficiency and innovation in urban and rural areas

Agree with objective – Our experience is the Water Planning instruments can't do this alone . Part of the problem faced by HIPCo is unclear catchment priorities and the lack of a quantified risk based approach that would allow justifiable allocation decisions based on probabilistic assessments (or at least semi quantified assessment criteria) of risk. The frameworks are currently loosely and conservatively qualitative without the rigour to support the decisions. HIPCo has advocated repeatedly for a Regional Water Supply Strategy to clearly outline the catchment or regional priorities and for these to be brought into the Water Plans to give clarity to proponents. Ideally HIPCo would like to see NWI recommendations for the Statutory planning instruments to be integrated into the broader planning frameworks. In practice this would clearly show the catchment priorities including TO and environmental requirements, but also other industry factors including mining and critical minerals, power and other types of infrastructure. This would allow proponents to plan based on a clear understanding of the boundary conditions and available water.

9. addressing future adjustment issues that may impact on water users and communities

Agree with the objective - in principle however not sure how this would work, but the objective supports the adaptive management approach as outlined. Governments should have some ability to correct past mistakes, if the science dictates it is required. Just as what's happening now in the Murray Darling system where water is being bought back to protect environmental and social outcomes, the same applies in other catchments if water is not being used for 'highest and best' purpose or needs to be repurposed based on other issues. This is difficult in practice, as shown by the experiences in MDB, however an adaptive approach is required for a resilient future.

10. recognition of the connectivity between surface and groundwater resources and connected systems managed as a single resource

Agree with the objective – HIPCo, along with Flinders Shire Council, have advocated for studies to ensure surface and groundwater resources and their connectivities are sufficiently defined and for the resource to be managed in a wholistic way. Neither HIPCo nor the Council have been successful in obtaining funding for a substantial study, yet the results of which are fundamental to implement the NWI objectives and for sustainable development.

SUMMARY

1. Fully support a review and revamp of NWI and for that matter the reintroduction of the National Water Commission (NWC) however a well articulated NWI is the first priority.

2. Case studies from users of the frameworks, such as from HIPCo and others, should be used as test cases by NWI and the State Governments to improve and remove the inconsistencies and confusing application of the frameworks. Nothing will happen, with regard to water being brought into sustainable production, where the science, models and decision making frameworks are not in agreement or not fit for purpose. Conservatism and extreme caution will dominate in these circumstances.

3. NWI can't provide all the tools itself although it can require an integration of the tools into the broader government frameworks. Governments need to advise catchment priorities which include emerging issues and environmental degradation and First nations outcomes. Governments also need to establish ongoing professional water entities with the capability and capacity to implement both NWI and state Government frameworks.

4. Governance structures need to be in place that allow for truly risk based, not ultra conservative, decision making with independent expertise and advice.

5. Proponents are seeking a framework that prevents both overextraction and underextraction while still enabling water to be used for economic and social benefit.