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National Water Reform inquiry
Productivity Commission
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ACT 2601

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Submission to the National Water Reform Inquiry

Dear Sir or Madam,

WWF-Australia welcomes the opportunity to provide the following comments and recommendations regarding the Productivity Commissions inquiry into National Water Reform. Please note this submission is predominantly focused on our views and experience regarding the implementation of the National Water Initiative (NWI) in Queensland.

Key issues include:

- The ease with which decades of water reform can be quickly rolled-back without sufficient oversight at the Federal level.
- The need for substantive reforms for water quality objectives to be pursued at a similar level of ambition as for water allocation.
- The current drive for new dam infrastructure in ways which are contrary to the NWI objectives, including the use of cost-benefits assessment with poor transparency and rigour.

1. Realised benefits

Implementation of the NWI in Queensland has provided a wide range of benefits, which includes:

- **Improved ecological outcomes**, which have been achieved through the inclusion of environmental flow objectives (EFOs) in statutory water plans, which ensures the different flow regimes required to sustain flow dependent species and ecosystems are maintained
- **Increased socioeconomic benefits**, which have been achieved by:
 - Including water allocation security objectives (WASOs) in statutory water plans, which provides increased certainty that water users are able to access their entitlements

- Defining the volume of unallocated water that can be made available in a water plan area for future commercial uses without comprising existing water user's entitlements or environmental values, and
- Market reforms (including separate water title, cost-reflective pricing and trading) which has driven water efficiency and allowed water to drive economic growth through going to its highest value use.

It should be noted that many NWI reforms were rapidly rolled back by the previous Queensland Government – even fundamental objectives such as sustainable management. These regressive reforms have been overturned. It does highlight however the fragility of decades of reform without proper Federal oversight and means to secure reforms. Tying Commonwealth funding to implementation and maintenance of reforms should be re-instated (as occurred under the National Competition Policy).

2. Unfinished business

Recommendations in the National Water Commissions (NWC) 2014 assessment of national water reform progress that remain outstanding in Queensland includes:

2.1 Urban water reform (recommendation 5)

While South East Queensland's urban water sector was significantly reformed in response to the Millennium Drought, the reforms needed to further drive increased efficiencies and innovation in Queensland's urban water sector has effectively stalled since the Millennium Drought ended. As urban water reform has stalled, the water supply for South East Queensland and other urban areas across the nation are becoming increasingly vulnerable due to the effects of climate change and increased demand fuelled by population growth.

2.2 Integration of water quality objectives (recommendation 6)

Although the purpose of the *Water Act 2000* (QLD) requires that the quality of water needed for particular circumstances (including release into the environment) must be considered when planning and allocating water resources, the Act does not contain adequate mechanisms to enable water quality impacts that occur from taking and, in particular, using water resources for consumptive purposes to be avoided and mitigated.

2.3 Apply NWI principles to extractive industries (recommendation 9)

As it is a statutory right in Queensland, the NWI does not apply to the take of groundwater that is associated with producing coal seam and other types of gas or the dewatering of mine sites.

3. Future reform priorities

In addition to the preliminary framework (table 1), other water reforms that need to be implemented include:

3.1 Introducing mechanisms to achieve water quality objectives

Specific mechanisms must be included in Queensland and national water planning frameworks to achieve water quality objectives contained in other planning frameworks such as the Reef 2050 Long Term Sustainability Plan.

Recommendation

Include specific mechanisms in state and national water resource planning frameworks to achieve water quality objectives in particular that water use is managed to protect water quality.

3.2 Consideration of climate change

As it will potentially reduce the availability of water for consumptive purposes, the effect of climate change on the reliability of the nation's water resources must be fully considered under state and national water resource planning frameworks.

Recommendation

The effects of climate change on the nation's water resources must be considered in state and national water resource planning frameworks.

3.3 Addressing impacts to marine receiving waters

In Queensland, adverse impacts to marine receiving waters caused by taking and using water for consumptive purposes are not adequately addressed under the state's water planning framework. To deliver the Queensland and Australian Government commitments under the Reef 2050 Long Term Sustainability Plan, Queensland and national water planning frameworks must be reformed to include mechanisms to address adverse impacts caused to the Great Barrier Reef and other marine receiving waters by taking and using water resources for consumptive purposes.

Recommendation

Mechanisms to avoid and mitigate adverse impacts that occur to marine receiving waters from taking and using water for consumptive purposes must be included in state and national water resource planning frameworks.

3.4 Urban water

As experienced recently in South East Queensland, reduced water availability due to climate change is an increasing risk to the reliability of traditional urban water supplies across Australia. To ensure the nations urban water supplies are resilient to climate change, urban water reform must be immediately accelerated to drive greater uptake of innovative urban water supply options and practices such as:

- Reducing demand by introducing per capita water use reduction targets,
- Adopting stormwater harvesting and water sensitive urban design (WSUD) for all greenfield urban development,
- Introducing water use efficiency standards for new residential and commercial buildings,

- Introducing wastewater recycling in all major urban areas and,
- Increased public education and awareness programs

Recommendation

Accelerate urban water reform to drive increased uptake of climate resilient and innovative urban water supply options and practices.

3.5 Traditional Owner values

While some progress has been made in Queensland in providing water to support Traditional Owners economic aspirations, little progress has been made to ensure that sufficient water is provided under a water plan to protect Indigenous cultural values attached to flow dependent species and ecosystems. To address this discrepancy, state and national water planning frameworks must be reformed to ensure that sufficient water is provided under a water plan to:

- Protect Indigenous cultural values attached to flow dependent species and ecosystems and,
- Support Indigenous economic aspirations

Recommendation

Ensure that water plans protect Indigenous cultural values and support Traditional Owner's economic aspirations.

3.6 Apply NWI to resource sector

In Queensland, the NWI applies to the take of groundwater by primary producers, local governments and other underground water users, but does not apply to the take of groundwater associated with producing gas or dewatering mine sites by the resource sector. To address this discrepancy and to provide consistency, Queensland and national water resource planning frameworks must be reformed to ensure the NWI is applied equally to all sectors and water users.

Recommendation

Reform state and national water resource planning frameworks to ensure the NWI is applied equally to all sectors and water users.

4. Environmental management

NWI environmental objectives are achieved in Queensland through a rules based approach under the state's water allocation and planning framework. While Queensland's rules based approach to delivering NWI environmental objectives has generally been effective, matters that need to be addressed to further improve environmental outcomes under Queensland's water planning and allocation framework include:

- Integration of mechanism in water plans to achieve water quality objectives,
- Consideration of the effect of climate change on the long-term availability of surface and underground water resources,
- Consideration of the effects on the Great Barrier Reef and other marine receiving environments from taking and using water resources for commercial purposes and,

- Increased integration of water planning with other NRM policies and plans to achieve integrated catchment management outcomes

5. Rural water services and infrastructure

While the NWI has been robustly applied to Queensland's water resource planning and allocation framework, NWI principles and objectives have not been effectively applied to assessment and decision making associated with proposed water storage infrastructure projects in Queensland. Key issues include:

5.1 Poor cost-benefit analyses

Cost-benefit analyses of proposed water infrastructure projects in Queensland has not been robust, which has led to several dams that have been constructed in recent years not meeting financial and environmental performance requirements. For example, Paradise Dam on the Burnett River was constructed on the basis that thousands of jobs would be created in new industries and increased primary production which would be supported by water from the dam.

Despite its apparent solidness, the business case for the dam had collapsed by when the dam was operationalised in 2005 due to a range of factors that reduced the economic viability of the proposed new industries and primary production. As very little of the water stored in Paradise Dam has been sold to date, the dam has been operating at financial loss since 2005.

Along with not generating any financial return, a substantial amount of public money has been spent on the dam over recent years to repair damage caused by repeated flooding. A further \$420m of public money needs to be spent on the dam to improve the existing spillway and construct a secondary spillway to increase the structural integrity of the dam wall.

As it's highly unlikely that Paradise Dam will ever generate a financial return due to low water sales and the maintenance costs that have been incurred since it was operationalised, the ongoing costs associated with maintaining Paradise Dam are likely to be shouldered by Queensland's tax payers well into the future.

Due to its role as both the proponent and approver of the dam, the Queensland Government had a vested interest in the dam being built, which may have influenced its decision to rely on what has now proven to have been a poor cost-benefit analyses of the project. To avoid the occurrence of similar situations, cost-benefit analyses of proposed water infrastructure projects must be conducted by an independent third party and not by the proponents of proposed projects.

Recommendation

Cost-benefit analyses of proposed water infrastructure projects must be conducted by an independent third party and comply with rigorous national standards.

5.2 Failure to use checks and balances

Along with other processes, community consultation and engagement in the development of water infrastructure projects is an effective check and balance that can prevent unviable and questionable projects from proceeding. In addition, increasing the community's participation in the development of water resource policies, plans and infrastructure proposals is a key objective of the NWI.

While Queensland's public consultation and engagement processes associated with the development of water plans, policies and infrastructure proposals complies with NWI objectives, the Australian Government has failed to apply NWI principles to the proposed water infrastructure projects which it is progressing across the country under the National Water Infrastructure Development Fund (NWIDF).

For example, the community has been excluded from participating in the development of the feasibility studies for proposed water infrastructure projects in Queensland that are funded under the feasibility component of the NWIDF. As the check and balance provided by community engagement has been excluded, there is a significant risk that the outcomes of the feasibility studies for the proposed water infrastructure in Queensland will be biased towards the proponents desired outcomes, which may potentially result in unviable and unsustainable projects proceeding.

Recommendation

Community engagement and other NWI principles and objectives must apply to water infrastructure projects that receive funding under the National Water Infrastructure Development Fund.

6. Achieving reform

The proposed water reforms shown in Table 1 of the Issues Paper and that we have outlined in this submission should be pursued and given impetus through:

- Updating and expanding the current National Water Initiative,
- Establishing an independent agency similar to the National Water Commission, which is given legislative powers to drive national water reform,
- Re-establishing national water reform as a priority COAG issue and,
- Reintroducing financial incentives similar to payments made to states and territories for achieving water reform milestones under the former National Competition Policy (NCP), which operated from 1995 to 2005

Please do not hesitate to contact me should you require any further information or clarification regarding the matters raised in this submission.

Regards,

Sean Hoobin
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WWF-Australia