

# National Water Reform 2020, Draft Report

Submission to the Productivity Commission by Pierre LOUYS

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## The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

## About the author

Pierre LOUYS is a senior Australian citizen (now retired) and a resident of the MidCoast region of NSW. He has been in his professional life and as a consultant involved in irrigation and water management systems, he has also been (through Landcare) and continue to be (through koala habitat protection and 'cultural burning') involved in regional NRM.

## Introduction

Everywhere in the world communities and nations organise themselves in relation to water. We divert water from rivers, lakes, and aquifers to our homes, workplaces, irrigation canals, and hydro-generating stations. We use it for bathing, swimming, recreation, and it functions as a symbol of purity in ritual performances. In order to facilitate and manage our relationship with water, we develop institutions, technologies, and cultural practices entirely devoted to its appropriation and distribution, and through these institutions we construct relations of class, gender, ethnicity, and nationality.

In Australia and other countries, the effects of climate change and drought on available water resources will vary dramatically depending on the poverty and vulnerability of the affected communities (urban or rural) since these natural phenomenon do not challenge the economic structures and legislative framework that have created these inequality and vulnerability at the first place. Trade policies (including free trade and water entitlements) for example, have already globally impacted farmers livelihood and food distribution systems, and also have a direct impact on the supply and demand of water and on the relationship between a specific community and water on which its very existence may depend.

Relying on first-hand research, the Productivity Commission has within our national context and boundaries examined the social life of water in diverse settings and explore the impacts of commodification, urbanisation, and technology on the availability and quality of water supplies. Each case study speaks to a local set of issues, but the overall perspective is global, like the forces influencing our economy and our climate.

Climate change is not a future problem. The last drought and the next one are not business as usual. For farmers, climate change is here now. And our politicians need a long-term plan to deal with it, for the sake of National Security.

Under the National Water Initiative, state and territory water plans were to be verified through water accounting to ensure “adequate measurement, monitoring and reporting systems” across the country. **This vision has not been realised.** Instead, a narrow view now dominates the political discourse in which water is valuable only when extracted and quantified in dollar-terms, and in which water reform is mostly about subsidising water infrastructure such as dams, to enable this extraction.

A commitment to stopping new coal and gas mines is warranted in order to ensure a better use of water resources that farmers and communities desperately need, as well as mitigate the impact of climate change on the global scale.

Governments (State and Federal) have failed to do the work required to even begin to formulate policies relevant to the modern era.

There are no analyses or reports of what farmers have been doing to become more drought proof, not even where and how some champions have been doing it.

What is on offer is a series of ad hoc state and federal welfare measures and subsidies but there is no long-term view.

### [The National Water Reform 2020](#)

Scientists, administrators, communities and farmers don't have all the answers on how to create a sustainable, equitable water future. No-one does. But in any national conversation, as a minimum fundamental questions must be asked, let us see how the report answered them.

Who is responsible for water governance?

*The governance arrangements established for the NWI were key to progress in the early years of the agreement, but have been significantly eroded over recent years. The relevant Ministerial Council has been disbanded, the National Water Commission has been closed and states no longer prepare rolling implementation plans.*

How do decisions and actions of one group affect access and availability of water for others? What volumes of water are extracted from surface and groundwater systems? Where, when, by whom and for what?

*The fundamental components of the NWI framework are largely in place. However, water entitlement frameworks need to consider all key water uses, including mineral and petroleum industries and interception activities (for example, farm dams and bores, floodplain harvesting and plantation forestry), and all water sources, including alternatives such as stormwater and recycled water.*

What can we predict about a future climate and other long-term drivers of change?

*Water planning processes need to be upgraded to best practice. And they need to have a strong focus on dealing with climate change. This should include provisions in water plans to deal with water scarcity arising from drought, incorporating priorities for water sharing and actions relating to meeting critical human and environmental needs. In relatively undeveloped and developing water systems, there is an opportunity to set consumptive and environmental shares in ways that manage the risk of future resource reductions.*

How can we better understand and measure the multiple values that water holds for communities and society?

*Water trading and markets will become increasingly important in enabling entitlement holders to adapt to seasonal variability and climate change. The addition of principles that support best-practice governance, regulatory, operational and informational arrangements through NWI renewal would build on the 30 years of trading experience in the MDB, providing stronger foundations for developing markets elsewhere in Australia.*

What principles, protocols and processes will help deliver the water reform needed?

*In achieving the objectives outlined in previous advice, governments agree to the following principles and seek to apply them across all key areas of water resource management and water service provision:*

- 1. Capacity to contend with droughts, floods and shocks, and to adapt to a changing climate, is strong.*
- 2. Management effort and regulation are fit for purpose.*
- 3. Decisions are based on the best available information.*
- 4. Innovation and continuous improvement are encouraged and adaptive management is required.*
- 5. Communities are engaged effectively in all aspects of water resource management and water service provision.*
- 6. Communities have sufficient water literacy to engage effectively.*

How do existing rules and institutions constrain, or enable, efforts to achieve a shared vision of a sustainable water future?

*Drawing on the OECD Principles on Water Governance (OECD 2015) the Commission has identified the following as desirable characteristics for governance of a renewed National Water Initiative:*

- oversight and policy leadership commensurate with the complexity of the water policy challenges inherent in climate change, population growth and more frequent extreme events*
- clear assignment of roles and responsibilities for implementation and progress*
- arrangements for inter-jurisdictional coordination and cooperation*
- mechanisms to monitor and evaluate the policy context and enable adaptation of the agreement as conditions change*
- frameworks and mechanisms that hold parties to the agreement accountable including:
  - periodic independent assessment of implementation*
  - implementation actions and outcomes to be described in rolling work plans*
  - transparent performance reporting**
- promotion of informed and outcome-oriented stakeholder engagement.*

What 'restitution' is needed in relation to water and Country for Aboriginal and Torres Strait Islanders?

*A new NWI element should be developed by the recently formed Committee on Aboriginal Water Interests. To give issues associated with Aboriginal and Torres Strait Islander people's interests in water the status in policy making implied by the National Agreement on Closing the Gap, the committee should report directly to water ministers overseeing the development of the renewed NWI. The new element should include advice on water management measures to achieve cultural and economic outcomes for Aboriginal and*

*Torres Strait Islander people and the inland waters and service delivery targets in the 2020 National Agreement on Closing the Gap.*

What economic sectors and processes would be better suited to a water-scarce future, and how might we foster them?

*The uncertainty in the extent to which the future climate will be drier, and the potential for significant changes in how water is used in Australia, point to the need for robust water planning and management processes to ensure systems can adapt effectively as baselines shift with climate change.*

*Experiences from 30 years in the MDB provide valuable lessons for reform renewal to better underpin market development in other parts of the country and avoid the potential downsides of trade, including risks of delivery shortfalls, unintended unseasonal flows and erosion.*

Looking at the PC draft report and its responses to fundamental questions, there is some hope that the National Water Reform 2020 will have the desired corrective effect on the decline of Australia's water resources and on the failed policies and institutions which have governed over this decline.

However there are a number of problems, some of them not directly related to water, that if not addressed, will minimise or hinder the potential benefits of the National Water Reform now and in the future.

#### Non-water related problems

##### 1) National environment standards as described in the EPBC Act recent review

The EPBC Act is ineffective. It does not enable the Commonwealth to effectively protect environmental matters that are important for the nation. It is not fit to address current or future environmental challenges.

The EPBC Act has no comprehensive mechanism to describe the environmental outcomes it is seeking to achieve or to ensure decisions are made in a way that contributes to them. Legally enforceable National Environmental Standards should be made as the centrepiece of effective planning, regulation and investment. This will ensure that all decisions clearly track towards improved environmental and heritage outcomes.

National Environmental Standards should be a set of binding and enforceable Regulations. They should be one set of rules that apply nationwide. The Commonwealth should make the Standards, and a formal process for doing so should be set out in the EPBC Act. This should include consultation with Indigenous Australians; science, environmental and business stakeholders; and the broader community.

##### 2) Human development goals

Human development is defined today as the process of enlarging people's freedoms and opportunities and improving their well-being. Human development is about the real freedom ordinary people have to decide who to be, what to do, and how to live. The human development concept was developed by economist Mahbub ul Haq.

A human development approach to the water “crisis” explores the application of the entitlements approach (EA) and capabilities approach (CA) to water. EA goes beyond volumetric or per capita measurements of water scarcity and directs attention to the structural and institutional issues concerning water inequalities. CA focuses on links between water and wellbeing. Both strengthen the case for the human right to water and break down false distinctions between water for domestic and productive purposes. A human development approach to water helps question the sector’s traditional focus on utilitarianism and efficiency. It also directs attention to equity and to the needs and interests of the marginalised and excluded.

In 1793, the Marquis de Condorcet, a great Enlightenment radical wrote, under the shadow of the guillotine, his final work, *Outlines of an Historical View of the Progress of the Human Mind*. “Our hopes for the future state of mankind,” he observed, “come down to three points: the destruction of the inequality among nations, advances in equality within individual nations and the real improvement of mankind.”

### 3) Decentralisation and regional initiatives

The proposed National Water Reform is largely advocating a centralised approach. However history shows that such centralisation is often perceived as authoritarian and cumbersome with inevitable consequences on its effectiveness and efficiency.

Decentralised approaches are associated with these attributes:

- Localised to particular natural conditions and community driven
- Respecting of resources and reducing waste
- Enhancing human relationships and mental health

A (decentralised) national plan on farming and climate change – which is a matter of National Security – may address these aspects:

- Comprehensive research on the direct and indirect risks climate change poses to Australian agri-food systems, including risks to primary production, biosecurity, food processing, food safety, farmer health, key infrastructure, equity, animal welfare, export markets, and farm inputs;
- **Short-, medium-, and long-term targets for adapting regional farming to climate change including a ‘just transition’ for regions that will no longer be viable for agriculture;**
- Support for farmers to transition to ‘climate-smart’ agricultural practices that build resilience and reduce emissions, including funding for research, development, education, training and extension in this area;
- **A long-term plan to promote clean energy in farming communities, including community-owned renewables projects that can provide sustainable, alternative income for farmers during drought;**

## Conclusion

In the summer of 1970, an international team of researchers at the Massachusetts Institute of Technology began a study of the implications of continued worldwide growth. They examined the five basic factors that determine and, in their inter- actions, ultimately limit

growth on this planet-population increase, agricultural production, nonrenewable resource depletion, industrial output, and pollution generation.

The MIT team fed data on these five factors into a global computer model and then tested the behaviour of the model under several sets of assumptions to determine alternative patterns for mankind's future. THE LIMITS TO GROWTH is the nontechnical report of their findings.

The report (like the National Water Reform's draft report) contained a message of hope, as well:

*Man can create a society in which he can live indefinitely on earth if he imposes limits on himself and his production of material goods to achieve a state of global equilibrium with population and production in carefully selected balance.*