

**Queensland Department of Environment and Resource Management**  
**on behalf of the Queensland Government**

**Submission to the Productivity Commission**

regarding

**Market Mechanisms for recovering water in the Murray-Darling Basin**

September 2009

## **Integration with the Basin Planning Process**

The Restoring the Balance (RTB) program aims to alter the balance between the consumptive and environmental shares of the water resource in the Murray-Darling Basin to improve environmental outcomes.

The Murray-Darling Basin Plan will set sustainable diversions limits which, when implemented progressively through state water resource plans from 2014, may reduce the consumptive share of the Basin water resource. The RTB program has been described as being intended to lessen the need for any reduction in the consumptive share, and to attain environmental outcomes in advance of the completion of the Basin Plan in 2014.

A disadvantage of operating the Restoring the Balance program in advance of the Basin Plan is the risk of inconsistency between the Restoring the Balance program and the Basin Plan in the identification of key environmental assets and environmental objectives. This may result in purchases under the Restoring the Balance program that are ultimately found to be less than optimal.

**It is recommended that every opportunity be taken to integrate the Restoring the Balance program with the Basin planning process.**

## **Market Instruments in Unregulated Rivers**

The Southern Murray-Darling Basin is interconnected by regulating infrastructure such as dams and weirs. In contrast, the majority of water diversions in the Queensland portion of the Murray-Darling Basin are not supplemented by regulating infrastructure.

Therefore, most water entitlements in the Queensland portion of the Basin are entitlements to take natural flows as they occur. Once taken, the water is stored in private off-stream storages for later use. The water entitlements include access conditions that set river flow levels when specified rates of extraction can occur. It is through these access conditions that the required environmental flows are protected. This arrangement is often referred to as a 'rules based' provision for the environment.

If a water entitlement of this type is purchased for environmental purposes, the only management option available is to 'not take' the water when it could otherwise be taken under the access conditions of the water entitlements, thus enabling the water to flow to environmental assets. As a result, the approach of holding water entitlements for active management to deliver water to specific environmental assets will be less relevant to achieving environmental outcomes in the Queensland portion of the Basin than in the southern interconnected Basin.

In the Queensland portion of the Basin greater environmental benefits could be achieved if the Restoring the Balance program were broadened to include other

instruments in addition to ownership of water entitlements. Inclusion of a wider range of instruments would enable the purchase of a commitment to alter or restrict access conditions in a way that achieves targeted environmental outcomes. For example, natural flows to a target wetland could be improved by arranging for water entitlement holders to not exercise access rights during critical events. This could be achieved by the purchase of options or an agreement to register a covenant on the water entitlement, or by changing the access conditions of the water entitlement itself.

The difference between the regulated flow regime in the southern interconnected Basin and the mostly unregulated flow regime in the Queensland portion of the Basin, is a significant factor in considering the types of instruments used in the Restoring the Balance program.

**It is recommended that the range of instruments for recovering water be broadened to provide opportunity for greater environmental benefits, particularly in the unregulated systems in the Queensland portion of the Basin.**

### **Group Proposals**

The current arrangements under the Restoring the Balance program are based primarily on tenders submitted by individual water entitlement holders. The arrangements provide for group proposals relating to shared off-farm infrastructure. However, scope could be provided for group proposals that do not involve shared infrastructure.

Unlike the southern interconnected Basin, the Queensland portion of the Basin is dominated by unregulated flow systems. Individual entitlement holders operate individual off-stream storage infrastructure. If the arrangements were broadened to enable consideration of group proposals, opportunity for achieving environmental outcomes could be increased.

It was noted earlier that adjusting access conditions should be a focus when seeking to improve environmental flow in the unregulated flow systems, rather than just the purchase of water entitlements. If the range of instruments were broadened in this way, then outcomes could be further improved if arrangements allowed for and facilitated the negotiation of group proposals. A group proposal could maximise environmental outcomes while minimising impacts on entitlement holders and communities. It could also simplify shepherding issues associated with achieving the environmental outcome sought.

**It is recommended that greater flexibility in group proposals be considered, particularly in unsupplemented schemes, along with a broadening of the market instruments used.**