



6 December 2019

WESA Review Panel
C/- Department of Agriculture
GPO Box 858
Canberra ACT 2601

Dear WESA Review Panel

RE: NFF submission to review of the Water for the Environment Special Account

The National Farmers' Federation (NFF) welcomes the invitation to make a submission to the Independent Review of the Water for the Environment Special Account (WESA).

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. On matters related to water, the NFF is the only national body that brings a 100 per cent farmer-focused viewpoint and represent the interests of farmers that are affected by water management decisions including irrigators, riparian and floodplain landholders and stock and domestic users.

The NFF acknowledges the recovery of 450 GL 'up water' efficiency measures additional to the 2,750 GL Murray-Darling Basin Plan (Plan) which was agreed to in 2012 provided there would be neutral or positive socio-economic impacts. At the December 2018 Murray-Darling Basin Ministerial Council meeting, Ministers agreed to the additional socio-economic criteria for potential efficiency measure projects.

The NFF contributed to the development of this criteria to reflect broader community impacts associated with further water recovery and thus, supports the additional criteria. In the context of efficiency measures, the NFF's Murray-Darling Basin Plan policy is that:

- Acquisition of water towards the 450 GL should prioritise off-farm sources to ensure the consumptive pool is not reduced, and should be linked to progress on relaxing constraints to enable the water to be delivered, consistent with the Productivity Commission recommendation.
- The recovery of the additional 450 GL can only proceed if there are no negative socio-economic outcomes, consistent with criteria developed at the December 2018 Basin Ministerial Council.

Overall, it appears unlikely recovery of the 450 GL will be achieved on budget, and by 2024 for a number of reasons outlined below.

How likely is it that the volume outcome of 450 GL can be achieved?

It appears unlikely the volume outcome of 450 GL can be achieved. While the NFF supports the additional socio-economic criteria, its strictness will necessarily constrain viable on-farm projects. The Productivity Commission reflects these concerns and notes that a more comprehensive program design should be developed that could mitigate impacts.

The Department's Commonwealth On-Farm Further Irrigation Efficiency Program (COFFIE) in South Australia and the Water Efficiency Program has been established to meet the 450 GL recovery target. COFFIE only recovered 1.9 GL at a cost of \$12 million. The NFF understands that uptake of the Water Efficiency Program has been slow and it appears unlikely there'll be sufficient projects to meet the 450 GL water recovery target.

Furthermore, EY also estimated potential savings from off-farm sources to be between 26 – 280 GL.

Overall it does not seem likely that 450 GL will be recovered.

How likely is it that the volume outcome can be achieved by 30 June 2024?

Enhanced environmental outcomes intended under the efficiency measures will be dependent on easing constraints in the southern basin involving the following key focus areas:

- Hume to Yarrawonga;
- Yarrawonga to Wakool;
- Lower Darling;
- Murrumbidgee;
- Goulburn; and
- River Murray in SA.

Easing constraints intends to deliver high flow events which requires considering potential flooding and third party impacts from the release of environmental of water. These are complex issues. Governments will need to work closely with communities and landholders to mitigate third party impacts of which there does not appear to be any cost estimates.

At this point, all projects remain at a 'concept design' stage. The Productivity Commission suggests it would be a highly ambitious undertaking to implement constraints by 2024, noting that previous negotiations to release 25 000 ML/day from Hume Dam in the early 2000s involved negotiating legal easements with 103 landholders and took almost eight years to complete. With the constraints measures affecting a significantly greater number of landholders and with four years until 2024, the NFF agrees it will be a challenge to meet the target without a significant increase in resources.

The NFF notes the Constraints Measures Coordinating Work Plan agreed at Ministerial Council in December 2018. While there appears to be an agreed plan, the NFF has seen little progress in its implementation, except for Menindee Lakes which is already proving difficult on-ground. At the August 2019 Ministerial Council meeting, NSW and Victoria Ministers agreed to review modelling of constraints flows to assess whether existing modelling undertaken for the constraints program is sufficient to give communities confidence that it is practical to deliver the targeted flow rates and determine recommendations to inform implementation. While a welcome step, the longer it takes to commence implementation, the more difficult it will be to meet the designated 2024 timeline.

For these reasons, the NFF believes it will be unlikely to reach the volume outcome by 30 June 2024.

How likely is that the \$1.575 billion can pay for projects to achieve the volume outcome?

The cost and design of efficiency measures will influence participation and depend on a number of factors including:

- Market prices – recovering water at a market multiple of 1.75, using current prices for high reliability water entitlements, would far exceed the budgeted \$1.575 billion funding available for WESA.

- Market multiple – there have been suggestions that a market multiple of 1.75 is too low to encourage program participation, and is less than multiples offered in previous Government programs.
- Off-farm cost – EY, in their analysis of efficiency measures identified that off-farm efficiencies would be more expensive than on-farm efficiencies.

Overall, it appears unlikely the allocated funding will be sufficient to achieve 450 GL water recovery.

What factors affect the likelihood of achieving the volume outcome within the available time and budget?

As above.

Should you seek further advice or information please contact the undersigned or NFF's General Manager, NRM on wragg@nff.org.au or 0262695666.

Yours sincerely



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