



**National
Farmers
Federation**

Murray-Darling Basin Plan Policy

Policy Position

The NFF supports a healthy Murray-Darling Basin that truly balances the economic, social, and environmental objectives our nation enjoys from our largest river system. The NFF favours the implementation of a Plan, that gives equal weight to environmental, social, and economic outcomes. The NFF believes that there are a number of improvements which need to be made to make it fairer and more workable. Governments must ensure that all future actions to achieve additional environmental outcomes must not create additional social and economic costs from the actions.

Issue

It is critical that governments adopt a pathway that balances environmental, economic, and social objectives when considering all future Basin Plan actions.

The Plan has fundamentally changed the trajectory of irrigated agribusinesses and the communities depending on them. Water recovery for the environment, mostly under the Plan but also earlier programs such as The Living Murray, has already reduced the pool of water available for irrigation by almost 30 per cent. At the same time, water market reforms accelerated under the Plan have changed the volume and location of demand in the Basin, with implications for all water users.

The evidence to date is that the clear majority of valleys have not exceeded their sustainable yield threshold in any of the last three reporting years. The Murray Darling Basin Authority (MDBA) has reported positive environmental outcomes. This has aligned with an extraordinarily dry period and then a substantive wet period. The additional environmental outcomes from taking water from the consumptive pool has shown it will cost the southern basin alone up to \$800 million per year.

Genuine economic and social investment in communities adversely affected by water reforms must be a priority for governments. Investments should aim to deliver economic activity that at least offsets social and economic impacts for Basin communities where water has been removed. Corroborating evidence on how investments can drive economic activity should be a key consideration. This is particularly the case for buybacks, which have had significant localised social and economic impacts and left some regions bearing a disproportionate burden of adjustment. In some river valleys, too much water has been recovered, with recovery now above the agreed limits.

It is time to reflect on what has been achieved to date. Over the decade of operation of the plan substantial water has been recovered for the environment and has been delivered by the Commonwealth Environmental Water Holder (CEWH) to address a high number of landscape priorities. Reflection on what outcomes have been delivered, and what might remain is now important. Once that real world (not modelled) assessment has been undertaken then a much more informed debate can occur.

A key issue is the ability of the CEWH to effectively manage its water portfolio and to deliver water to the environment efficiently without flooding private land and infrastructure. Communities that live along the river are concerned that Government are not listening to or addressing these issues adequately. Continued recognition that environmental and consumptive water share entitlement and allocation characteristics is important. It is also critical that works are implemented to use water efficiently and balance social and economic impacts.

Recovering more water from the consumptive pool, whether through buybacks or on-farm efficiency projects, inevitably means less supply to meet existing demand. Climate change will compound both water scarcity and demand as crops and pasture use more water in warmer, drier conditions. These drivers will continue to put upward pressure on water prices on the permanent and temporary markets. Given irrigators and the environment must manage with less water because of climate change, irrigators cannot lose more water to protect the environment from the effects of climate change.

The impacts of severe drought on water allocations leads to pressure on individual farmers and their communities as well as influencing market behaviour and exacerbating physical delivery of water. The substantive case for further buybacks has not been made. Any discussion should commence with a focus on providing positive socio-economic outcomes and for avoiding adverse cumulative impacts.

Changes in climate condition will be a continual challenge for the Basin whether it be on the landscape/riverine environment or agriculture and the communities that surround them. The aim is to ensure that the overall environment can persist through highly variable climate conditions typical of the Australian landscape.

In May 2022, the Federal Labor Government committed to hold jurisdictions to their commitment to deliver 605GL of equivalent environmental outcomes via the Sustainable Diversion Limit Adjustment Mechanism (SDLAM) process. The timeframe to fully implement the 605GL is too short and does not allow sufficient time for industries, farmers and communities to engage, nor to get quality and community-supported mechanisms in place. Governments should explore flexible pathways to allow new, improved or replacement projects over time and ensure greater engagement and acceptance. This must be supported by public assurance from the MDBA that while this work is taking place, it won't propose any reconciliation adjustment to the 605GL.

Background

The Plan was adopted in 2012 with a legislated goal to recover water entitlements equal to an annual average yield of 2,750GL. The Commonwealth owns these

entitlements, which are managed by the CEWH for the benefit of the environment; \$13 billion was allocated to implement the Plan.

Water recovery goals were originally divided with the northern Basin to deliver 390GL and the southern Basin to deliver 2,360GL. The northern Basin target was subsequently reduced to 320GL in 2016 on review, on the basis of toolkit measures coming into effect. The effective Plan recovery target is now 2,680GL.

The Plan includes the SDLAM, allowing the original 2,750GL target to be reduced by up to 650GL (called supply measures) through projects delivering similar environmental benefits but with less water. This would reduce volume of water entitlements that had to be recovered for the environment.

The SDLAM also allows an additional 450GL in entitlement equivalents (called efficiency measures) to be recovered above the 2,750GL, through projects with positive or neutral socioeconomic impacts. The total volume of water recovered in entitlement equivalents could be 3,200GL.

Various contemporary, independent reports have agreed that the acquisition of 450GL from the consumptive pool are not likely to be achievable without significant and deleterious impact on irrigators, riparian landholders and communities. There are potentially other pathways to achieve environmental outcomes. These are areas that should be considered and pursued in an inclusive, considered and consultative manner.

In 2017, the modelling by the MDBA found that water recovery through environmental offsets at 605GL rather than the 650GL as originally intended was the most appropriate outcome to pursue. The Commonwealth Water Act and Plan also set the long-term average use across the entire Basin at 10,873GL, which could only be adjusted under the SDLAM by a maximum $\pm 5\%$ or 543GL. This means in effect a minimum 2,207GL in entitlement equivalents must be recovered, to deliver the environmental outcomes assumed under a 2,750GL Plan, in conjunction with supply measures. The Australian Government says at least 62GL needs to be recovered through efficiency measures projects to meet the SDLAM minimum recovery threshold.

Under the first decade (2012-2022) of the Plan, water for the environment has increased from 19,177GL to 21,927GL expanding the environment's share from 58% to 67% of the annual average surface flows. Out of a total annual average take of 32,800 GL this a substantial component.

A plethora of inquiries continue to be held into various components of the Plan. The most independent and comprehensive has been the Productivity Commission's five-year assessment of the Murray-Darling Basin Plan. This report maps a pathway to resolve key implementation and other issues in the Plan.

What the industry needs

A cohesive, community-wide approach to implementing a Plan that can work despite its imperfections.

To minimise the social and economic impacts of implementing the Plan, we need:

Commitment to implement Productivity Commission findings

The NFF, among others, are still awaiting these measures to be met after the Basin States and Commonwealth committed to implement in full the recommendations of the 2018 Productivity Commission Inquiry into the Murray-Darling Basin Plan.

- The following recommendations need to be implemented with appropriate haste, prioritising:
 - Extending the timelines to implement the Sustainable Diversion Limits, particularly the SDLAM projects, consistent with the Productivity Commission's recommendations;
 - Action to address deliverability issues and third party impacts;
 - Measures to address over-recovered water; and
 - Resolving governance and funding issues for supply measures.

Sustainable Diversion Limit Adjustment Mechanism

Enabled connectivity of the river system and reducing of pest species should be able to be offset through SDLAM (supply) and/or 450 projects (efficiency). There is currently infrastructure within the system that could be removed/upgraded or added too that allows better conductivity throughout the system e.g. currently existing fish ladders that are ineffective due to engineering or operational issues. Likewise control for feral fish (carp) and animals (pigs, foxes, deer) would improve water quality and enable better fauna and flora outcomes.

Supply Measures

- An urgent, coordinated and concerted approach to deliver the supply measures program to reduce the potential for further water recovery from the consumptive pool;
- The supply measure projects should include an adaptive component to allow for the incorporation of new science and risk management in their implementation;
- Governments to explore flexible pathways to allow new, improved or replacement SDLAM projects and ensure greater participation and communication, and be open to fully replacing projects that have low prospect of success (in preference to commencing buybacks); and
- Fully implement well-designed and appropriately consulted projects to achieve at least 605GL.

Efficiency Measures

- Ensuring the 605GL must be the primary focus, noting that 62GL of the 450GL is a pre-requisite;
- The NFF considers that the 450GL cannot come from the consumptive pool, nor be delivered through current river operations, and is therefore not supported;
- Any projects must meet the current socio-economic test, and have no deliverability impacts;
- NFF supports a more robust, outcomes based, approach including from innovative projects that achieve environmental outcomes equivalent to 450GL;
- Benchmarking of current achievement against environmental performance metrics should be assessed;

- Government must seek and fund alternative measures that are outcomes focussed; and
- NFF, including through its members, will remain engaged on projects suitable for further study as proposed by the jurisdictions or other parties.

General issues

- Appropriate reforms to the water market that provide greater confidence and transparency in water trading, should be implemented expeditiously;
- Genuine economic and social investment in communities adversely affected by water reforms must be a priority for governments;
- A clear, proper process for over-recovered water to be addressed, including exploring the option to return water to the consumptive pool, informed by meaningful consultation with communities in affected valleys;
- Cultural water is highly respected by the agriculture sector. Cultural water for contemporary economic use must be purchased on the market with the same characteristics as other entitlements, whilst non-economic cultural water must not be sourced from the consumptive pool similar to other non-economic water holders;
- We should always look for opportunities to use parcels of water to generate multiple outcomes;
- Complementary measures can have a positive effect on both supply and efficiency measures and should be considered in the context of both; and
- A greater commitment to adopting complementary measures, that go beyond the existing requirements of the Plan, so as to optimise environmental outcomes.

November 2022