



GVIA

Gwydir Valley Irrigators Association Inc.

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making every drop count

29 November 2019

Director
Murray-Darling Basin Inquiry
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601
waterinquiry@accc.gov.au

Lodged Electronically

Re: ACCC inquiry into markets for tradeable water rights relating to water in the Murray-Darling Basin

Dear Director,

The Gwydir Valley Irrigators Association (GVIA) is writing on behalf of our members to provide input into the Australian Competition and Consumer Commission (ACCC) inquiry into markets for tradeable water rights relating to water in the Murray-Darling Basin (the inquiry).

The GVIA represents more than 450 water entitlement holders in the Gwydir Valley, centred around the town of Moree in North-West New South Wales. Our mission is to build a secure future for its members, the environment and the Gwydir Valley community through irrigated agriculture.

This document aims to represent the concerns, views and experiences of our members, not as individuals but as a local industry. Each member reserves the right to express their own opinion and is entitled to make their own submission.

Every member of the GVIA is also a member of the NSW Irrigators Council and National Irrigators Council and as such we endorse their submission unless clearly outlined otherwise.

We declare that our organisation provides a water trading services for member to member allocation trades for a set fee. We provide all financial members the opportunity as well as providing market analysis using the publicly available databases throughout the season to support this service.

We welcome the opportunity to provide feedback to the ACCC as part of their inquiry through this submission and our attendance at the public forum in Narrabri, NSW.

Introduction

Water markets were created by Governments with the aim of allowing water resources to move to the agricultural uses that produced the best return as encouraged by the reforms driven by the National Water Initiative (NWI) in 2004.

A key aspect of this reform and subsequent market development was the creation of a water right through the separation of land and water; allowing an owner exclusivity to that water and the choice to use or sell those entitlements and allocations on a market. The greatest benefit in our region has seen the facilitation of water to those most willing and able to use it, ensuring that water is being used to support businesses that need it, while providing the seller with financial remuneration. The opportunity of the water market has helped sustain the ephemeral nature of our northern systems and buffer the impacts of low water availability in times of dry. The disaggregation had initial impacts as assets values were removed from land to water, the benefits have outweighed these short-term impacts.

The NWI sought to deliver the following market and trade outcomes:

- (a) facilitate the operation of efficient water markets and the opportunities for trading, within and between States and Territories, where water systems are physically shared or hydrologic connections and water supply considerations will permit water trading;
- (b) minimise transaction costs on water trades, including through good information flows in the market and compatible entitlement, registry, regulatory and other arrangements across jurisdictions;
- (c) enable the appropriate mix of water products to develop based on access entitlements which can be traded either in whole or in part, and either temporarily or permanently, or through lease arrangements or other trading options that may evolve over time;
- (d) recognise and protect the needs of the environment; and
- (e) provide appropriate protection of third-party interests.

The opportunity that this inquiry presents, is an updated review of these objectives and their outcomes and if the water market is enabling the efficient use of a precious and limited resource.

If reform is required, it is paramount that the principle of water as a property right is upheld. A water right is no different to that of a home owner who owns the right to their property; who can choose to live in that the home, or rent or lease to another, they can borrow against it and they can use it as they decide, choosing to maintain it, renovate it or upgrade it, or use it for a different purpose than before - provided it is within the bounds of the law. Recognising that a property right like owning a home, is no different to that of a water right, is critical to this inquiry in understanding what feasible in-terms of government regulation and control. Society wouldn't support Governments taking back their homes, limiting ownership and dictating how they should maintain or operate them and the same is said for water.

A key realisation is that we have a market that is maturing well in most developed systems but that the benefits and impacts are uneven across the Basin. Rather than look to remove that system, we should focus on how we can improve it to benefit the majority.

With that in mind, we encourage this inquiry to explore ways for strengthening the market through enhanced transparency, better regulation, and improved efficiency. But recognise that the markets are constrained in some regions, like the Gwydir and functioning rather well as they mature and this must be reflected in any consideration of market reform.

The Gwydir Valley

The Gwydir is a highly developed irrigation valley with a regulated system that has a low reliability for most entitlement products that is supplemented through highly reliability but relatively, low volume groundwater available for use. For more information see www.gvia.org.au/the-gwydir-valley/water-available-for-irrigation/.

The major irrigated crop is cotton, as it can be grown annually in response to changes in water availability and it currently yields the highest return per megalitre of water applied. Although Lucerne, sorghum and wheat is also irrigated along with turf. The region has the soils and climate to support a range of permanent crops, although the area is limited by the availability of highly reliable water entitlements and as such we currently have 1,500Ha planted with largely pecans, as well as Valencia oranges and olives. For more information see www.gvia.org.au/the-gwydir-valley/industry-profiles/.

Individuals can manage their own business risk through owning a portfolio of entitlement types (which is common) as well as, managing water availability across years, using carryover provisions with continuous accounting rules. The water market provides another tool for businesses to manage the risk of water availability.

The water market in the Gwydir Valley is naturally constrained in terms of the reliability of water but also the limited connectivity of both the regulated river downstream and groundwater systems, meaning that all trades are intra-valley and intra-source.

A number of limitations also exist within water sharing plans to manage third party impacts, including limiting the total number of shares to be traded on a system, where channel constraints and high delivery losses are problematic and trade restrictions where local impacts in groundwater aquifers are evidenced.

While there is investment in water and land by corporations and investment companies (both Australian and foreign owned), we have no evidence locally that the different ownership structures result in different behaviours or impacts, compared with other category of owners of water entitlement. In any market situation changes in supply and demand, is likely to result in price fluctuations that can create winners and losers, depending if you are the buyer or the seller and if you were well-informed of the risks and opportunities.

The local water market allows the movement of water to those who want (and need it), regardless of owner. In particular greater investment in water from outside the region, has allowed those with limited capital to acquire water themselves, to either temporarily or on longer-term lease arrangement, without the capital investment of large entitlements.

Our experiences locally are a function of the abovementioned trade constraints both physical and regulatory but also the relatively high utilisation of water; meaning water is readily used within individual businesses risk, when it is made available.

Market Trends and Drivers

We've assessed a general market upward trend, since the inception of the major water sharing plans in our region (2004 onwards). We note that there are two major drivers for this trend; low availability (being the Millennium drought and this current one) and reduction in supply, through water reform including recovery for the Murray Darling Basin Plan. We note that Commonwealth and State Governments collectively own 28.5% of High Security entitlements, 29% of General Security entitlements (including the Environmental Contingency Allowance) and 13% of Supplementary water entitlements in our valley. See www.gvia.org.au/water-policy/environmental-water-and-management/ and www.gvia.org.au/water-policy/water-management-framework/a-history-of-water-reform/.

This recovery was largely through buy-backs, with limited infrastructure which removed not only a large volume of water from production but also much of the opportunistically traded water which was once freely traded to others.

These reductions were in addition to 55% reductions in groundwater for Achieving Sustainable Yield program in 2004, which over time, removed more than half of the regions most reliable source of water from production.

There are also seasonal fluctuations, generally consistent with cotton water requirements whereby price peaks are experienced when the marginal benefits are the highest i.e. when additional yield potential can be maximised through more water.

Market Transparency and Information

As a service to our members we provide regular market updates and analysis.

We are proficient in being able to access the appropriate Government databases for this information being either the water register for trading outputs or usage information.

However, the timeliness of this information and the quality of the records is sometimes in question. This is particularly relevant for trades within the peak of the cotton growing season whereby, a two-day to more than a week-long-approval process results in a lag in trading information. For groundwater, this approval process can be weeks. Meaning only those actively in the market are able to be across the relevant price fluctuations.

The approvals process must be expediated or a process considered, that informs the market of pending trade applications and their price per megalitre.

We do not support the disclosure of individuals water account details. The valley information on usage by category (entitlements) and user types (productive, environmental, essential supplies) is enough. Information freely provided at any finer scale is an invasion of an individual's property right.

Regulation and Institutional Settings

We note there is significant change in the NSW regulatory settings with the transition of water sharing plans that were due for their 10-year review, to water resource plans. This has created significant uncertainty for the irrigation sector and our communities, at a challenging time. Notwithstanding this disruption and a number of unresolved and complex issues, our water sharing plans did successfully provide a stable and predictive framework

for the sharing of water. This framework enabled individuals to manage their own risk and the water market to develop, allowing water to move to higher values but more importantly, to active users of it. We see, the benefits of having such structures in place for a period of time and allow them to run their full course, assess and analyse their benefits, rather than overlaying new reforms as with the Basin Plan coming into fruition towards the end of the water sharing plan period.

We see opportunity to broaden the trading framework to enable more efficient trade in the unregulated systems, to allow water user to realise the value of this resource.

We would also welcome the ability to consider real-time trading of supplementary allocation into the future.

We welcome consideration of more regulation of water brokers to ensure the market remains open and transparent.

For further information relating to the Gwydir Valley or this submission, please do not hesitate to contact myself.

Regards

A handwritten signature in black ink, appearing to read 'Zara Lowien', written in a cursive style.

Zara Lowien
Executive Officer
Gwydir Valley Irrigators Association