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23 March 2021

Jane Doolan, Commissioner
National Water Reform inquiry
Productivity Commission
Locked Bag 2
Collins Street East
MELBOURNE VIC 8003

By Email: water.reform.2020@pc.gov.au

Dear Dr Doolan

Re: Submission to the Draft Report of the Productivity Commission's National Water Reform 2020 Inquiry

Thank you for the opportunity to provide further comment on the draft report for the second National Water Reform Inquiry (the Inquiry). AgForce made a detailed submission to the Issues Paper and the Commission is also referred to that paper for our views.

AgForce is a peak organisation representing Queensland's cane, cattle, grain and sheep & wool producers. The cane, beef, grain, sheep & wool industries in Queensland generated around \$7.3 billion in on-farm value of production in 2018-19. AgForce's purpose is to advance sustainable agribusiness and strives to ensure the long-term growth, viability, competitiveness and profitability of these industries. Almost 5,400 farmers, individuals and businesses provide support to AgForce through membership. Queensland producers provide high-quality food and fibre to Australian and overseas consumers and contribute significantly to the social fabric of regional, rural and remote communities.

The National Water Initiative (NWI) is a key strategic guiding document for governments and stakeholders and it is timely that its principles are revisited. To instil the confidence needed for making significant financial and personal investments, agricultural water users must know that their rights of access to water are secure and that their share of the available water is certain.

AgForce is an active member of the National Farmers' Federation (NFF) and has contributed to and endorses its submission. However, should there be differences in the views expressed across the two submissions, the position of AgForce Queensland is as outlined in this submission. Within the NFF submission we would like to specifically emphasise the following points (in italics):

Overarching Principles

- *Water regulation and other activities should be guided by a risk-based approach, under a fit-for-purpose water planning framework*
- *The security of property rights and minimising third-party impacts should remain elements of a renewed NWI*
- *Inclusion of the protection of privacy and of a focus on cost-effectiveness, as key overarching principles that should apply across all areas of water resource management.*

ADVANCING SUSTAINABLE AGRIBUSINESS

Addressing Climate Change

- *All entitlement holders should bear the burden of climate risks, including the environment and urban users, not solely consumptive users.*

Further, as stated in our response to the Issues Paper, Queensland's water plans provide a framework within which periods of climate-related deficiency can be managed. The state government has recently formalised the consideration of climate change effects. AgForce supports that the impacts managed should be those experienced or expected within the life of a plan, rather than long-term modelled predictions which would represent an opportunity cost to consumptive uses. In the process of responding to changes in water availability, challenges should be resolved by varying announced allocations, not adjusting or redistributing entitlements, within the life of a water plan. AgForce does not support 'rebalancing'.

AgForce supports formal inclusion of climate change effects, noting that those impacts to be managed should be those expected within the life of a plan to avoid unnecessary opportunity costs.

Indigenous Interests

AgForce reiterates our endorsement of the following positions:

1. AgForce supports stakeholder consultation in water resource planning and management, including of Indigenous peoples
2. AgForce supports the provision of water for Indigenous use, but only where this does not result in third party impacts to existing entitlement holders, including the environment
3. AgForce supports the use of existing held and planned environmental water entitlements for the co-benefit of Indigenous cultural water use
4. AgForce supports the use of existing market mechanisms to acquire Indigenous water entitlements from willing sellers for contemporary economic use
5. Allocation of water within unallocated reserves (including strategic, general and Indigenous) should be equitable across stakeholder groups and with a consistent methodology that is applied across the state
6. AgForce acknowledges that the ownership framework for Indigenous water entitlements for contemporary economic use is a matter for governments and Indigenous peoples however, additional restrictions to Indigenous entitlements that unnecessarily constrain trading should be removed
7. If the above framework were adopted, the current hierarchy and security of water entitlements, as enshrined in state legislation, would be respected and therefore unaffected.

Water Entitlements and Planning Frameworks

- *Support the removal of exemptions for mineral and petroleum industries from the water access entitlement and planning arrangements to ensure transparency of use and management without compromising opportunity for agricultural uses*
- *Supports a risk-based approach to managing significant interception activities under water access entitlement frameworks*
- *Must commit to ensure that the security of property rights are maintained and not diminished and that third party impacts are minimised and mitigated*

Stock and Domestic Access

It is disappointing that in the draft report, the PC has not recognised the need to more clearly include and prioritise grazing livestock and domestic (S&D) uses. For clarity, stock purposes means watering stock of a number that would normally be grazed on the land on which the water is used. As such it has intrinsic volume limits related to land capability.

Water used for S&D purposes is negligible compared to Queensland's total water use and has generally been declining in volume over time.

The long-term mean (1911 to 2015) runoff in Queensland is 79 mm¹, equal to 136,190 GL in total across the state (1,723,936 km²). Queensland beef herd numbers totalled 11.2 million head in 2014/15 plus 2.2 million sheep and lambs, but are expected to be lower now following extended drought. Using annual Departmental stock water use allowances (20 and 4m³ respectively³), livestock use is in the order of 232 GL or **just 0.17%** of total runoff, accepting some level of uncertainty around this figure.

Given these relatively negligible volumes, water used for S&D purposes is a basic landholder right and should not be tradeable, metered (unless voluntarily), nor subject to water pricing regimes.

With its essential nature for occupation of land, take of water for S&D use should be prioritised over, and not compromised by, other competing consumptive uses in resource planning and management decisions. Providing a statutory right within the planning framework to extract water for grazing livestock uses should be considered by government, particularly for freehold land and pastoral leases, similar to the statutory rights provided by government to resource companies for use of associated water unavoidably taken in accessing energy and mineral resources. For example, if government approves the use of leased land specifically for livestock grazing purposes then a statutory right to the water needed to undertake that purpose is similarly appropriate.

Under current arrangements, licensing of S&D takes is only required where the resource becomes at risk of being overused, such as in peri-urban contexts and for bores in the Great Artesian Basin. Where water resources are at risk of over-use, non-livestock demands should be managed using targeted regulation to ensure access to the share of the available resource is protected.

Recommendations:

As an intrinsic landholder right of limited volume, stock and domestic uses need to be more explicitly included and prioritised in the NWI principles guiding water planning and management.

Stock water takes should be considered as a statutory right, given it is intrinsically needed for the use of land for grazing livestock and has intrinsic volume of take limitations.

Water use efficiency requirements should only be applied at release of water entitlements and not subsequently compulsorily applied to existing entitlements, to preserve holder confidence in their security. If applied, they should also be outcome-based and not prescriptive in how to achieve those desired outcomes.

Recommendation:

Water use efficiency requirements should only be applied at release of water entitlements and not applied subsequently to existing entitlements, to preserve holder confidence in their security.

Water Trading and Markets

- *Governments should consider how the water market is facilitating diverse agricultural economies, without adopting 'command and control' style approaches*
- *Do not support differential pricing of water by governments depending on end use eg, for horticulture*

Further, a key challenge that is not addressed by simply leaving consumptive water distribution to market forces and contestability is achieving depth of socio-economic resilience in regional communities. This resilience is supported by ensuring diversified economies can develop; an outcome that can be impeded if apportionment is left simply to who can pay most for water with the risk that a narrow-based economy will develop, more susceptible to boom and bust cycles. We have seen an example of an unforeseen global disruptor and consequences in COVID-19.

¹ Regional water information, http://www.bom.gov.au/water/rwi/#sf_tt/001/2016, accessed 21 June 2017

² 7121.0 - Agricultural Commodities, Australia, 2014-15, ABS

³ Stock or domestic allowance notification form, DNRM, 2016

Releasing a range of product types, suitable for a range of applications, is advisable and the Queensland government already does this to an extent through the system of Reserves (Strategic, General and, more recently, Indigenous Reserves) within catchments.

Recommendations:

NWI principles could more clearly include the supporting of diversified economies to grow socio-economic resilience, such as through promoting the use of a range of water product types, particularly at initial release of unallocated water.

Environmental Management

- *Support principles to maximise use and efficiency of use of environmental water to achieve agreed and clearly specified environmental objectives and outcomes*
- *Any move towards integration with wider catchment management be guided by clear objectives and best practice regulation, including avoiding costly duplication with other existing environmental and land use frameworks and unnecessary complexity*
- *Environmental water holders should have the same obligations as consumptive users, including as it relates to transparency and efficiency improvements.*

Further, greater integration between environmental water management and complementary waterway/NRM management activities should not come at the cost of inefficient, complex or contradictory regulatory duplication, as was seen under Queensland's now repealed Wild Rivers Act framework.

The state government already manages water quality outcomes and environmental values through the *Environmental Protection Act 1994* and Regulation, the Environmental Protection (Water and Wetland Biodiversity) Policy 2019, the *Water Act 2000* and the *Planning Act 2016* as well as non-legislative management plans, Best Management Practice programs to address diffuse emissions from rural lands, and catchment level report cards. Due to its sustained effectiveness and partnership approach, AgForce supports voluntary, incentive-based program, such as in Reef catchments and land use planning guidelines. The Commission is referred to AgForce's submissions on Reef regulations: <https://agforceqld.org.au/submissions>.

In some catchment plans, such as the recently developed Cape York Water Plan, required end of system flows for environmental purposes are well in excess of what CSIRO scientists have indicated are sustainable in similar catchments on Cape York⁴. Such a large buffer comes at a socio-economic opportunity cost to local residents.

Recommendations:

Greater integration between environmental water and complementary waterway/NRM management activities and any integration of water quality and water quantity management, should not come through inefficient and complex regulatory duplication, such as was imposed by the repealed Wild Rivers framework in Queensland, but preferably through voluntary, partnership programs.

Required end of system flows for environmental purposes, such as in Cape York, should reflect actual environmental needs and not impose significant socio-economic opportunity costs on local landholders through unnecessary restrictions on consumptive uses.

Integrity

- *Any regulatory system must be fit-for-purpose, risk-based, cost effective and proportionate – eg, AgForce does not support the metering of grazing livestock water use*

Further, while metering can provide objective, scientific information to guide water resource management decisions, the benefits of metering must be weighed up against the significant costs on water users of doing so.

⁴ <https://www.csiro.au/en/research/natural-environment/water/NAWRA/Mitchell-report>, accessed 20/3/2021

As noted by the PC in the supporting document, transparency towards the public should also not come at the cost of personal privacy or mandated release of individual commercial-in-confidence information. Reporting of use information held by governments into the public domain should only be done at an aggregated level where individuals cannot be identified.

As monitoring of water use contributes to public policy decisions and sustainable access for all users a contribution by government to monitoring costs is appropriate.

Water Reform in Rural Australia

- *A range of economic tools should be used on a case-by-case basis to support industry in rural Australia, in some cases involving industry assistance and subsidies*

Government Investment in Major Water Infrastructure

- *The PC should clarify what projects could actually qualify under the proposed principles, particularly in northern Australia*
- *Concerned about full-cost recovery principles*

Recommendations:

Future approaches to water pricing should address affordability challenges to irrigators, including considering the broader public benefits and further develop the rationale behind risk sharing around dam safety and how safety costs are apportioned between beneficiaries.

AgForce would like to see the wider and longer-term flow-on benefits of government investment in water infrastructure to be recognised and included in cost/benefit investment calculations

Community Engagement

- *Appropriate governance and frameworks must in place to acquire and integrate local knowledge into government's decision-making processes, including realistic timeframes*

Conclusion

AgForce would welcome a face to face or online meeting with the Commission to discuss our submission in more detail. For any questions on this submission please contact General Manager, Policy – Dr Dale Miller

Yours sincerely

Georgie Somerset
General President