



Australian Government

Department of the Environment

Dr Gordon de Brouwer
Secretary

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13 October 2014

Committee Secretary

Senate Standing Committees on Environment and Communications

PO Box 6100

Parliament House

Canberra ACT 2600

Via email: ec.sen@aph.gov.au

Dear Committee Secretary,

Re: Inquiry into the National Water Commission (Abolition) Bill 2014

The Department of the Environment welcomes the opportunity to provide a submission to the inquiry into the National Water Commission (Abolition) Bill 2014.

The National Water Commission has delivered an important function over the past 10 years in providing independent analysis of the progress of Australian governments in implementing agreed reforms as part of the National Water Initiative.

The Department has made good use of the National Water Commission's successive National Water Initiative assessments. These have provided an evidence base for policy work within the Department and assisted the Department in its ongoing liaison with the states and territories on implementation matters.

The Productivity Commission will provide high quality assessments of National Water Initiative implementation issues in the future, underpinned by its sound reputation for well-researched, thorough, balanced and independent analyses of a very wide range of public policy issues including on water reforms.

Similarly the Department is confident that the Productivity Commission's audits of Basin Plan implementation will benefit from its consistent practice of effective public engagement in its enquiries.

Several other functions currently undertaken by the National Water Commission will transfer to the Department. These are proposed to be handled as set out below.

Assessing the performance of the Basin states under the National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin

The parties to this National Partnership Agreement are the Commonwealth, New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory. As a condition of Commonwealth payments under the National Partnership Agreement, the head of the relevant State water agency is required to submit a Statement of Assurance to 'the Assessor' (currently the National Water Commission) each year stating which performance milestones have been achieved or not achieved (clause 19).

The performance milestones include the following matters:

- support for the Commonwealth in 'Bridging the Gap' under the Basin Plan;
- actions to remove or address constraints consistent with the measures agreed under the Basin Plan's Sustainable Diversion Limit Adjustment Mechanism; and
- co-operation in Basin Plan environmental watering.

The Assessor is required to use the Statements of Assurance and supporting documentation provided by the State water agency to conduct an assessment of each Basin State's performance against these milestones. The Assessor is required to indicate the extent to which the State has met the performance milestones and, if not, any steps and activities undertaken by the State to meet the milestone. The Assessor must provide its annual assessment report to the Commonwealth Minister by 31 October each year. The Minister then decides whether payment under the National Partnership Agreement should be made to the Basin State. The assessment report is then provided to the Basin State and published.

The Department has close ongoing involvement with states and territories in the implementation of the Basin Plan, and therefore sound prior knowledge of the overall progress with the issues that are the subject of assessment. The Department is also responsible for assessing milestone compliance by states under funding agreements for other water programmes. The Department is therefore well-placed to undertake this non-statutory function.

Advice to the Clean Energy Regulator under the *Carbon Credits (Carbon Farming Initiative) Regulations 2011*

Under Regulation 3.37(4) of the *Carbon Credits (Carbon Farming Initiative) Regulations 2011*, specified tree planting is ineligible to earn Australian carbon credit units unless the National Water Commission has determined that the relevant state has adequately implemented its commitments to manage water interception by plantations. It is proposed that following the closure of the National Water Commission, these regulations will be amended to provide for the Department to be responsible for providing advice to the Clean Energy Regulator in relation to whether States have adequately implemented their commitments to manage water interception by plantations. To discharge this responsibility, the Department will assess the adequacy of the state's water planning and management arrangements in addressing water consumption by plantations.

In accordance with normal practice for functions which transfer between agencies, staff from the National Water Commission currently responsible for undertaking the above functions will transfer to the Department along with the transfer of these functions.

Water markets reporting

The Department will also undertake the responsibility for monitoring water markets and producing an annual water markets report. The Department intends to commission the Australian Bureau of Agricultural and Resource Economics and Sciences (in the Department of Agriculture) to produce this report through a Service Level Agreement. The report will describe water market activity of the previous year in all states and territories, and provide commentary on trends and other developments that may be of interest to water market stakeholders, regulators and governments.

National water reform advice and support

The Department will continue to provide advice to the Government on any water related matters requested by the Minister, and to facilitate further national water reform work agreed through Commonwealth-State processes. The Department will continue to manage and chair Commonwealth-State processes that implement national water reform commitments.

NWC closure and legacy arrangements

The Department is assisting the National Water Commission with all elements of the closure process. The Department will table the annual report of the operations of the National Water Commission during the final reporting period (from 1 July 2014 to 31 December 2014). The Department will also receive and manage the National Water Commission's records and documents.

Consequential amendments to agreements

The National Water Commission is referred to in the Intergovernmental Agreement on a National Water Initiative, the National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin, the Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin, and the Intergovernmental Agreement on Murray-Darling Basin Reform.

The Department will work with other Commonwealth agencies and relevant state and territory agencies to prepare consequential amendments to these agreements for consideration by the parties.

In conclusion, the key functions currently performed by the National Water Commission will continue to be performed by the Productivity Commission, the Department and the Australian Bureau of Agricultural and Resource Economics and Sciences. These agencies have all the skills necessary to continue the legacy of water reform analysis and reporting that has been set by the National Water Commission.

Yours sincerely

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Gordon de Bruin