Australian Dairy Industry Council Inc.

25 February 2016

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA, ACT 2600

Dear Committee Secretary,

RE: WATER AMENDMENT (REVIEW IMPLEMENTATION AND OTHER MEASURES) BILL 2015 [PROVISIONS]

I write this letter on behalf of the Australian Dairy Industry Council (ADIC) following the Senate's referral of the Water Amendment (Review Implementation and Other Measures) Bill 2015 [Provisions] to the Rural and Regional Affairs and Transport Legislation committee for inquiry.

The ADIC engaged in the Water Act review process in 2014. We support the proposed amendments to the Water Act in the Bill.

In particular, we strongly support the amendments which confirm flexibility for the Commonwealth Environmental Water Holder in trading. We have long called for greater flexibility to trade environmental water.

Proceeds from environmental water trades should be able to be used on projects that bring improved environmental outcomes for the Murray Darling Basin in addition to purchase of water for environmental use. It is appropriate for the Act to provide more flexibility for environmental water to be temporarily traded regardless of whether it can be carried over the next season. These amendments provide for environmental outcomes through projects such as riparian management, pest control or support for state projects such as more efficient flood management. At the same time, water not needed for environmental flows can be returned to the irrigation pool for use by farmers.

We acknowledge that the current Bill reflects the limited number of legislative amendments recommended through the Water Act review. While we support these amendments, there is more to be done.

Many of our comments as part of the Water Act review process, and the report of the Independent Panel, related to aspects of implementation of the Act and the Basin Plan. We continue to endorse the need for improvements, noting that the key issues have been highlighted through our input to the current Senate Inquiry into the Murray Darling Basin Plan.

In summary, the dairy industry sees the need for the following actions for the Water Act and its implementation:

- Account for the full 650 GL in environmental offsets: The Basin Plan allows for the 2750 GL water recovery target to reduce by 650 GL in environmental offsets. However, the Water Act and the Plan limit any offsets to 5% of the 10,873 GL Sustainable Diversion Limit (SDL), which is only 544 GL, rather than 650 GL. The SDL adjustment mechanism in the Water Act and Basin Plan needs to allow +/-6% adjustment range to enable the full 650 GL in environmental offsets to be accounted for.

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- Delay the Sustainable Diversion Limit Adjustment Mechanism which is due to occur in June 2016: To allow time for the environmental and socio-economic outcomes of the water recovery and structural adjustment measures to become clear and be properly assessed for an informed review of the SDL. In particular, we are concerned about an early consideration of environmental offset projects and their ability to reach a 650GL target (as the Murray Darling Basin Authority's own website currently only identifies 200GL for environmental projects). We need certainty that environmental offset projects capable of delivering the full 650 GL are on the table before the SDL adjustment is made.
- Pause the recovery of the 450 GL upwater: The recovery of the 2750 GL, including 650 GL in offsets, must be achieved first, and the environmental, social and economic impacts fully evaluated, before any attempt to recover the additional 450 GL known as 'upwater'.
- Properly assess socio-economic effects of 450GL upwater: The Basin Plan says upwater can only be recovered if the socio-economic effects are neutral. But the Plan's neutrality test is flawed: a project is deemed neutral if a farmer participates or a State Government accepts the funding. The socio-economic effects of further reducing the pool available for productive agricultural use across the southern Basin are not taken into account The socio-economic neutrality test for the 450GL upwater must be changed so impacts are measured at regional level, not individual farm level.
- The Water Act and Basin Plan should be amended to indicate 'up to 450 GL', rather than requiring the full amount to be recovered as is now the case.
- Set a true cap on water purchase (buybacks): The Water Act limits Commonwealth water purchases to 1500 GL. To date the Commonwealth has purchased about 1160 GL; this means that under the Act, an additional 336 GL can be purchased. The 1500 GL is not a true cap as the 450 GL of upwater is exempt, so the Commonwealth could still purchase up to 786 GL of additional water. Alternately, the upwater can include entitlements given up by farmers in return for the Commonwealth funding on-farm upgrades. Either way, the result is more water removed from productive agricultural use.

We welcome the opportunity to discuss the matters raised in this submission. Please contact Irene Clarke, Senior Policy Manager (iclarke@australiandairyfarmers.com.au) for any further inquiries.

Yours sincerely,

Simone Jolliffe
Chair, Australian Dairy Industry Council