



Advancing Australian Cotton

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

22/2/2016

Dear Committee, Re: **Water Amendment (Review Implementation and Other Measures) Bill 2015 [Provisions]**

Cotton Australia, the peak body representing the Australia cotton industry, participated in the Water Act Review and welcomed the Federal Government's response.

Cotton Australia notes that the Selection of Bill Committee stated:

Primary concerns are with changes under Item 27 (Section 106) which allows trade revenue to be used for 'environmental activities' instead of being limited to buying more water for the Murray Darling Basin. There is also no clarity on how projects would be defined as an environmental activity and on what basis a decision is made to whether a project adheres to that classification.

Cotton Australia is supportive of the proposed changes to Section 106, believing that they would enhance the Commonwealth Environmental Water Holders (CEWH) ability to manage the water resources at the CEWH's disposal and maximise environmental outcomes.

Cotton Australia believes the Bill provides adequate safeguards to ensure the integrity of the Basin Plan, while providing the CEWH with needed flexibility for its successful implementation.

As the Act stands at present, the CEWH is extremely limited in the circumstances where trade can be initiated. In fact, a literal interpretation of the Act could well prevent the CEWH from ever trading allocation in a valley, such as those located in north-west New South Wales, where continuous accounting rules apply.

To provide an example highlighting the trade complications faced by the CEWH we point to a potential scenario in the Gwydir Valley. In the Gwydir Valley of NSW each general security entitlement has an account limit of 150%, and the rules allow this amount to be carried forward on an unlimited basis.



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Section 106 (1) (b) prevents the sale of Commonwealth water unless it can be demonstrated that it cannot be carried over into the next water year. This is at odds with other water users, where irrigators situated within the Gwydir Valley are continually reviewing and changing water management to deliver the best commercial outcomes.

For example in a wet year, when monthly resource allocations have been regular, a Gwydir irrigator with say 120% or 130% in their 'water account', might choose to either use or trade some of their water allocation to offset risk. This creates cash flow for the irrigator and lowers the balance of their 'water account' so that the irrigator does not exceed their cap in the event of future water allocations.

Under the current rules a literal reading of Section 106 (1) (b) suggests that water trade could not occur by the CEWH until the limit of 150% is exceeded. However, this cannot occur since 150% acts as a cap and water is reallocated to other 'water account holders' where the limit is reached.

The new bill means that the CEWH can effectively operate as other 'water account holders' within the Murray-Darling Basin, and trade water prior to reaching the cap. Cotton Australia believes that this change within the Bill provides the CEWH with the much needed flexibility to appropriately manage water resources.

Cotton Australia strongly believes that the CEWH should have the flexibility to determine how the proceeds of water allocations are used. It is noted that the Bill does not provide flexibility regarding the sale of water entitlements.

Cotton Australia believes that one of the real limitations of the Basin Plan is that it has almost solely focused on hydrology – "just add water and the problem will be solved".

The Bill, which would amend the Act, to allow the CEWH to invest in environmental activities is strongly deserving of support, as it will allow for a more holistic approach to the environmental management of the Basin.

Cotton Australia does not believe that the Bill should be overly prescriptive in defining what such environmental activities may entail, as this might unnecessarily restrict the CEWH. Activities that may not have even been thought of today, might offer significant environmental benefits in the future.

The CEWH should be able to determine the activities, and demonstrate that they are in keeping with outcomes sought through the appropriate environmental water plan.



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The following list is not exhaustive, but environmental activities could include the installation of multi-level overtakes or thermal curtains to manage cold water pollution from headwater storages, fish passages, feral animal control in riparian areas and weed control.

Cotton Australia believes that those who are concerned that these changes to Section 106 may somehow take away from the integrity of the Plan, should take comfort in the fact that the Bill provides significant safeguards. These include:

- protections that ensure the revenue from sale of Commonwealth Environmental Entitlements can only be used to purchase other entitlements,
- the revenue from sales of both entitlements and allocations cannot be used to pay fees and charges, and
- sales can only occur if the Long-Term Average Diversion Limit conditions have been met.

Cotton Australia would welcome an opportunity to provide further information on its position, and encourages the Parliament to pass this Bill.

For more information please contact Michael Murray, General Manager on 0427 707 868 or michaelm@cotton.org.au.

Yours sincerely,

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Cotton Australia