

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 126

Topic: Availability of Water

Hansard Page: E96-97 (03/06/2010)

Senator HEFFERNAN asked:

Senator HEFFERNAN—It is just a shame that it is going on all around the world. In Canada they are in severe reversal and wondering whether they should continue with a single desk arrangement, because the price of wheat has collapsed, the same as here. Could I take you to the Productivity Commission's view on water?

Mr Banks—I can handle it, or we could get back with you in a question on notice.

Senator HEFFERNAN—Your mission statement says, 'well-informed policy decision making and public understanding on matters relating to our productivity.' Do you take into account, on water, the actual vagary of the science for the future of water availability?

Mr Banks—Are you talking now about the buy-back regime?

Senator HEFFERNAN—I am talking about how much water will be available, if the science and a percentage of the science—all science has vagary—how much water will be available based on the science of the future rather than, I hope that the Productivity Commission does not take a snapshot of what happened back when granddad was around. Do you take into account what the science is saying is going to happen? If you do, you would know that, if the science is 40 per cent right, in most river systems in the lower Murray- Darling Basin will have zero allocation for general purpose water in most years. Do you give consideration to that in terms of the buy-back?

Mr Banks—We are not scientists. When we are doing an inquiry that requires an understanding of the science, as we did years ago when we looked at greenhouse—I think we did the first inquiry into that—we have people who know about that. I guess in broad terms, however, the point you make is quite valid. That is that you need a policy framework that is sustainable or robust—

Senator HEFFERNAN—And you need a framework that allows for the vagary of the science to be 10 per cent right, 20 per cent right, 50 per cent right. Somewhere between 3,500 gigs and 11,000 gigs is predicted to disappear from the runoff in the Murray-Darling Basin. The biggest impact is going to be 38 per cent of the runoff which comes from the two per cent of the landscape—

CHAIR—Senator Heffernan, if you have got a question you had better ask it now, because time is about to run out.

Senator HEFFERNAN—Can you come back to me on that, on notice?

Mr Banks—I will—

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Answer:

The *Water Act 2007 (Cwlth)* gives the Murray-Darling Basin Authority scope to deal with uncertainty surrounding water availability, including through:

- the flexibility to set sustainable diversion limits (SDLs) as a formula (rather than as a fixed volume or proportion of available water)
- reviewing and amending the Basin Plan over time (this could be done in a way that made use of improved scientific knowledge about inflows).

The Productivity Commission's recent report *Market Mechanisms for Recovering Water in the Murray-Darling Basin* took projections of lower water availability and the uncertainty of these projections into account in several ways. In particular, the report:

- finds that the prospect of climate change adds to the imperative to adjust the balance between environmental and consumptive uses of water in the Basin
- concludes that the buyback of water entitlements should have commenced only after the Basin Plan had been ratified, allowing (among other things) for the approach to variability and uncertainty of inflows embodied in the SDLs to guide purchasing under the buyback
- advocates adaptive management, that makes use of new information as it becomes available.