

**SUBMISSION TO THE PRODUCTIVITY COMMISSION
MURRAY-DARLING BASIN PLAN: FIVE-YEAR ASSESSMENT (DRAFT REPORT)**

Background and context

The Commonwealth Environmental Water Holder (CEWH) is responsible for the management of the Commonwealth environmental water holdings to protect and restore the environmental assets of Murray-Darling Basin. This function is governed by the *Water Act 2007* (Water Act), the Basin Plan 2012 (the Basin Plan) and the Basin-wide environmental watering strategy.

The CEWH manages the Commonwealth's water portfolio to ensure the effective, efficient and ethical use, consistent with the statutory obligations within the Water Act and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The Commonwealth environmental water holdings currently consist of entitlement with 1,860 gigalitres long-term average annual yield which has a current value of approximately \$3.3 billion.

As the CEWH, I make decisions on whether to use, carryover or trade environmental water throughout the Basin. In the future, I will also decide how the proceeds of trade of environmental water are used to fund environmental activities that are complementary to environmental watering.

I consult with other environmental water managers, river operators, land managers, scientists and local communities across all states in the Murray-Darling Basin (the Basin) in planning and undertaking watering actions. My decisions are informed by robust decision-making frameworks and comprehensive risk assessments, which are published on the Commonwealth Environmental Water Office (CEWO) website. Information used as the basis for these decisions on water use is continually improving through investment in monitoring, scientific research and local engagement.

The CEWO is celebrating 10 years of delivering water in the Basin. Water for the environment has achieved many great outcomes for our rivers, floodplains, plants and animals over the last decade. We have recently showcased some of these achievements on our website¹, demonstrating the importance of environmental water in contributing to the environmental objectives of the Basin Plan. The full conservation objectives of the Basin Plan will take decades to achieve and require the implementation of all components of the Plan.

The Murray-Darling Basin Plan: Five-year assessment (draft report)

Recovering water for the environment (Chapter 3)

Once water is transferred to the Commonwealth environmental water holdings, decisions on the management and disposal of the water rest with the CEWH. This includes decisions related to addressing any over-recovery if the water already sits with the CEWH. The management of water that is in the Commonwealth's portfolio is not subject to direction by Minister's or Basin States. The CEWO's trading activities are undertaken in a manner that ensures the statutory requirements of the Water Act and PGPA Act are met.

¹ <https://www.environment.gov.au/water/cewo/publications/decade-water-environment>

In this context **draft recommendation 3.1**, relating to the extent of over-recovery and agreement to a policy and timeframe to address it, may benefit from further consideration. We do not consider that it is possible to finally determine the extent of any over-recovery in June 2019. Rather, it would seem more appropriate for this issue to be considered in the context of the MDBA's SDL reconciliation in 2024. At this time, we will have a better sense of whether unimplemented policy measures are fully operational; modelled supply and efficiency contributions are implemented as expected; and the extent of constraints relaxation.

We would welcome ongoing engagement with Basin governments on this over-recovery issue, including the development of a framework for addressing it prior to 2024.

Environmental water planning and management (Chapter 11)

Environmental water management framework

The Basin Plan's Environmental Management Framework has provided an effective structure to date to support the CEWH's statutory function, but we agree there are opportunities to continue to refine and strengthen its application. The framework could be improved by providing more comprehensive and strategic guidance on regional, multi-year priorities that set a clear pathway towards achieving outcomes of the Basin-wide environmental watering strategy. Such guidance would ensure the long terms watering plans and operational plans could be targeted towards the achievement of the identified Basin-wide outcomes. The Black Box Management Framework (for managing black box eucalypts) developed by the CEWO, in collaboration with MDBA, state agencies and scientists, provides a method for conducting regional prioritisation based on the vulnerability of key ecosystem components to on-going degradation. The Black Box Management Framework is available on the CEWO website².

In this context, I broadly support the Commission's **draft recommendations 11.1 to 11.6**, which seek to lay the path for future priorities for reform that provide for the ongoing evolution of environmental water planning. The recommendations could be broadened to consider the role of the Basin-wide environmental watering strategy and associated priorities in guiding the function of river operators and resource managers in meeting their objectives and outcomes (refer to Basin Plan s8.42, 8.43). The Basin Plan requires a review of the Environmental Management Framework in 2020, and I would welcome the opportunity to consult with the Commission and relevant Commonwealth and state agencies to identify opportunities to strengthen the framework.

² <http://www.environment.gov.au/water/cewo/publications/black-box-management-framework>

Environmental water coordination

In relation to **draft finding and recommendation 11.4**, we agree that the Southern Connected Basin Environmental Watering Committee (SCBEWC) has been an effective and necessary advisory body to the MDBA. This body has brought together environmental water holders and river operators across jurisdictions to support the delivery of environmental water in the Southern Connected Basin and we believe it is now adding immense value. Given SCBEWC was constituted by the Murray-Darling Basin Ministerial Council, we don't see a need for further formalisation to recognise this as an important committee, but we agree that visibility could be improved by public reporting on the role and function of the committee. We think that this also applies to the MDBA's Water Liaison Working Group.

I am supportive of establishing a broader formalised northern Basin forum that encourages cross-valley collaboration in environmental water planning and delivery, similar in function to SCBEWC. This forum could bring together environmental water holders, river operators, storage managers, monitoring organisations and compliance agencies, within NSW and Qld. Communities in some areas of the northern Basin that are not covered by Environmental Water Advisory Groups are also keen to have a regular conversation on how rivers are being managed. The arrangements to constitute this committee, and its engagement with community, would need to be carefully considered and agreed by governments.

The 2017 northern connectivity environmental watering event owed its success to the close collaboration between the CEWO, the community, and multiple NSW state government agencies. This ensured the protection of environmental water through regulatory mechanisms, strong compliance activities, scientific monitoring, reporting and understanding of the event. A more enduring and formalised approach would be valuable for any future watering events of this nature. It is important to coordinate environmental watering in the northern Basin, especially in unregulated systems, to achieve the best results for water-dependent ecosystems.

The CEWO endeavours to consult widely with government agencies and communities in the planning and management of environmental water, using existing state-based forums where they exist. Consistent with the **draft recommendation 11.5**, I am happy to continue improving the visibility of the process for environmental water planning and coordination by further documenting these processes in the annual portfolio management plans (published on the CEWO website).

Achieving multiple outcomes

As the CEWH, I am required to have regard to Indigenous and local knowledge when planning for the delivery of environmental water, and the Government has expressed their commitment to enhancing the opportunities for Indigenous involvement in Basin Plan implementation.

The CEWO continues to support endeavours to improve the engagement of Traditional Owners and local communities in environmental water management, to achieve multiple benefits from environmental water use. However, I suggest that in relation to **draft recommendation 11.6** it would be appropriate to clarify that, specific to the use of Commonwealth held environmental water, environmental outcomes have primacy by law over social and cultural outcomes. This retains consistency with the CEWH's obligations under the Water Act.

Other findings and recommendations

The CEWH supports the overarching message from the Productivity Commission's draft report that all the elements of the Basin Plan are needed to support the plan's multiple environmental and socio-economic objectives. In this regard, I agree on the key tasks highlighted by the Commission as being critical to the success of the Basin Plan, including the effective use of Commonwealth environmental water, specifically:

- The implementation of all components of the Sustainable Diversion Limit Adjustment Mechanism including the implementation of supply and efficiency measures; relaxation of operational constraints; pre-requisite policy measures; and a reconciliation process for final SDL determination in 2024.
- The sustainable diversion limits are premised upon pre-requisite policy measures being *in effect* by 30 June 2019. The measures need to be implemented consistent with the policy objective of the SDL supply measures within Chapter 7 of the Basin Plan, providing for the efficient use of held environmental water.
- The timely implementation of the 'toolkit measures' agreed as an outcome of Northern Basin Review including the protection of environmental water in unregulated systems.
- Water resource planning is a key component of the Basin Plan that will set the rules for how all water, including the Commonwealth environmental water holdings, can be managed and delivered. Public assurance of the quality of the underlying data, modelling, planning assumptions and risk mitigation as the basis for the plans will be critical to their successful operation and in building community confidence.
- Water recovered for the environment through the combination of investments in water-saving infrastructure, water purchases and other means should have regard to advice provided by the CEWH on future acquisitions, with respect to entitlement characteristics that would provide a water portfolio with greatest utility for achieving the intended environmental outcomes.

The investment of adequate time and rigor in the implementation of the above tasks is considered critical to the success of the Basin Plan over the long-term. In this regard, the CEWH supports the Commission's **draft recommendation 4.5, draft recommendation 6.3, and draft recommendation 11.7**. I understand these recommendations are designed to increase transparency and provide public assurance in the delivery of the Basin Plan commitments in full.

Finally, I support **draft recommendation 10.1 and 10.2** which seek to provide transparency and openness in the water market. Maintaining consistent and equitable treatment of all entitlement holders across the Basin in decisions about water trading and river operations (such as channel capacity) is important to avoid impacts on any water holder, irrespective of the purpose for water use. Undertakings by the MDBA and respective state governments to address trade and operational issues is encouraged. However, it should be conducted in consultation with affected parties and aim to support the CEWH in its function to optimise the management of the Commonwealth's water portfolio for achieving the targeted environmental outcomes of the Basin Plan.