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Water Amendment (Restoring Our Rivers) Bill 2023

Introduction

Cotton Australia is the peak body representing Australia's 1,500 cotton growers, many of whom operate within the Murray-Darling Basin.

Within the Basin our industry's footprint extends from the New South Wales / Victorian border, along the Murray Valley, right up through NSW, and into Queensland, across the Border Rivers, Warrego, Moonie and Condamine Balonne Catchments.

While the industry's production varies enormously due to seasonal conditions, annual farm gate production of cotton lint and cotton seed can exceed \$4 billion. In addition, the industry estimates that at least 10,000 Australian's rely directly on the cotton industry for employment, with many more indirect jobs servicing the industry.

Irrigation plays a critical role in our production, with many irrigators selecting cotton as their crop of choice because of its relatively high return per megalitre, and because as an annual crop it can adjust readily to varying levels of water resource availability.

As an industry, our general philosophy on water resource management is that it is governments' responsibility to determine in any given season how much water an irrigator can access, and then it is up to the irrigator to be as efficient with that water as possible.

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As an industry we are very proud of our record in Water Use Efficiency. Today we use 52% less water to grow a bale of cotton than we did in 1997.

Cotton Australia welcomes the opportunity to provide this submission on the Water Amendment (Restoring Our Rivers) Bill 2023.

Cotton Australia is an active member of the National Farmers Federation (NFF), National Irrigators Council (NIC) New South Wales Irrigators Council (NSWIC), and Queensland Farmers Federation (QFF), and endorses the submissions made by these organisations.

However, it is likely that there may be some divergence of views on some specific issues, and for clarity, if there is conflict between the above submissions and ours, then the views expressed in this submission are the views of Cotton Australia.

Cotton Australia also has a very strong working relationship with many of the catchment-based irrigator groups that exist across the NSW and Qld parts of the Basin and urge the Inquiry to take their submissions in the highest regard, as they are very closely connected with their communities.

This submission will not address all elements of the Bill, and in particular will not provide any commentary on the water market section, except to say that our industry supports a mature, robust and transparent water market.

Key Issues

General Overview

“Basin Plan by the Number”

Much commentary about the Basin Plan focuses on the numbers – “2,750GI”, “605GI Downwater”, “450GI Upwater: “70GI Northern Basin Review”.

The Federal Government, and Minister Plibersek are publicly committed to completing the Basin Plan according to the numbers.

Eleven years after the Plan formally commenced it is time to take a step away from the numbers, and reconsider how the Basin Plan can be finalised in a manner that optimises environmental outcomes, while minimising the impact on irrigation communities. In thinking of those impacts on communities, the focus should not be on the larger communities, whose economies tend to have a life on their own, but on the smaller, truly dependent on irrigation communities such as Berri, Swan Hill, Finley, Wee Waa, Bourke, Dirranbandi and St George, just to name a few.

In discussing the Basin Plan, you can't escape the “numbers”, and indeed this submission will discuss the numbers, but the time is right to move away from the numbers, and to start to adopt a more holistic approach to managing the Basin in a manner that will ensure it is a healthy, productive and working Basin.

“Meeting the SDL’s”

The premise of the Murray-Darling Basin Plan is that it will deliver an extra 2,680GI (or its equivalent) of water to the environment each year.

It’s primary mechanism to do this is to set maximum Sustainable Diversion Limits (SDLs) for each catchment within the Basin. To assist in making this target, the Commonwealth Government has currently acquired over around 2107GI, both through “buyback” and efficiency measures.

However, as confirmed by both the Murray-Darling Basin Authority (MDBA) and the Murray-Darling Inspector-General, over the past three annual reporting periods, the actual total water take across the Basin has been significantly below the Allowed Annual Take as determined by the SDLs.

What this means is that the Murray-Darling Basin Plan is already achieving its full goal of reducing Diversions to a determined level, and increasing the pool of water for the environment, even though the full level of that acquisition has not occurred.

At the very least, this means that in a timing sense, completing the plan is not crucial, and if further water acquisition is deemed essential by government, then it should take as much time as is necessary to minimise the impacts on Basin Communities.

Cotton Australia strongly recommends that this Inquiry question both the Authority and the Inspector-General on the actual take vs the allowed take over the past three reporting seasons. Recognition that the Plan is already meeting its primary objective of managing water take at or below the Sustainable Diversion Limits is crucial.

“Just Add Water”

The single greatest failure of the Basin Plan has been its almost single-minded focus on hydrology – “just add water and all will be good”. Prior to the implementation of the Plan, the Federal Government completed two rounds of the Sustainable Rivers Audit. These audits measured the health of the river system across many sites in the basin, and reported against key metrics including – Hydrology, Fish, and Macro-Invertebrates.

Almost universally, the best score at each site was hydrology. That is not to say hydrology always scored well, but it almost always scored better than any other metric, yet the Basin Plan decided to rely on hydrology.

Cotton Australia strongly contends that at this point, the focus should move away from further water recovery, to investing in many activities and structures (collectively termed complementary measures) that would leverage far greater environmental gains from the existing pool of environmental water. It must be recognised that within the Basin, as either planned or adaptive environmental water, in excess of 70% of the Basin flows are already preserved for the environment.

Complementary measures are many and varied, but they include measures to mitigate cold water pollution, assist with fish passage, restore riparian vegetation, remove feral species and reduce fish entrainment.

Unfortunately, this Bill does little or nothing towards adopting a more holistic approach to the management of the Basin, and the completion of the Basin Plan, instead it perpetuates the “just add water approach”.

Specific Measures

Repealing the statutory 1,500GI Cap On-Buybacks

Cotton Australia is strongly opposed to “buybacks” as the primary pathway for water recovery. “Buybacks” are destructive to irrigation communities, as they take away the productive capacity of the water, without any offsetting from greater efficiency through on-farm or off-farm efficiency projects.

While the impacts will vary from commodity to commodity, in cotton the removal of each 700 megalitres of water (approximately 100ha’s of production) will reduce on-farm employment by one FTE. It is commonly recognised that for every lost on-farm job, there is a multiplier of 3-4 jobs lost along the overall supply chain.

Work done by the Murray-Darling Basin Authority as part of the Northern Basin review estimated that 390GI of water recovery would cost 710 jobs, and many considered that a gross under estimation.

This loss of jobs flows through to losses of services in areas such as health and education, as population in these irrigated communities’ decline. Eventually they enter a tipping point past the point of recovery as communities.

To be clear, Cotton Australia does support the irrigator’s property right, and therefore supports the right of irrigators to sell their entitlement to whoever they choose, but that does not mean that the Commonwealth should actively choose to buy water, when there are viable alternatives.

Ideally, instead of acquiring water, Government should now be switching its efforts to investing in complementary measures aimed at a wide variety of genuine environmental outcomes including

enhanced fish passage, improved riparian zones, reduced cold water pollution, fish screening of pump sites, and the eradication of European Carp.

These investments would leverage the existing pool of environmental water (Over 66% of all water in the Murray-Darling Basin is either held or planned environmental water) and would deliver clear and measurable environmental outcomes.

As a case in point, the two largest environmental disasters that have occurred in the Murray-Darling Basin in recent years were the mass fish death events in and around the Menindee Lakes in 2019 and 2023.

In 2019 the deaths occurred during one of the most impacting drought cycles in modern history, in 2023 the deaths occurred during one of the largest flood sequences in the past 50 years. There have been detailed reports done in to both these events, and the Inquiry may like to review them, but logic will say given the diversity of these two events, both resulting in an environmental disaster, that the cause is not just about water.

If the Government ignores the overwhelming case for investment in complementary measures, and insists on acquisition of entitlement then Cotton Australia strongly argues that this should be achieved through investment in on-farm and off-farm irrigation efficiency projects, where water saving projects are invested in and the savings are shared between the environmental water pool and proactive uses, providing long-term efficiency gains which will pay dividends to irrigators and their communities for years to come.

Therefore, Cotton Australia strongly argues that the existing 1,500GI “Cap” on “buybacks” must be maintained. The reality is that this still gives the government approximately 270GI to complete the Local Recovery Targets (Bridging the Gap – 49GI) leaving a further 220GI for “buyback” but would prevent the easy option of choosing “buybacks” as the mechanism for all remaining recovery.

Extending the Timeframes on the 605GI “Supply” Projects

Cotton Australia welcomes the Bill’s intent to provide greater flexibility and longer timeframes for the 605GI Supply Projects, and the opportunity to allow the introduction of new projects, such as, but not limited to, the project/s being proposed by Murray Irrigation Limited.

It is imperative that as a minimum, the full 605GI of equivalents are achieved. These projects, like complementary measures, leverage additional environmental gains, over and above a just “add water approach”, boost local economies, and do not have the negative social and economic costs associated with direct water buybacks.

The concern that Cotton Australia has in regards to this element of the Bill is that the two-year extension is simply not enough to ensure the full 605GI is achieved.

Cotton Australia recommends that the Inquiry hears directly from the Authority on the current status of each existing project and a realistic completion date.

It is completely unrealistic that any significant new projects could be conceptually developed, go through planning approvals, engineering and environmental assessments and be constructed by June 30, 2026.

Cotton Australia accepts that the progress on Supply projects has been too slow, but that has not been the fault of the irrigation communities of the Basin, so they should not have to pay the costs for governments collectively failing to deliver these supply projects. The cost would be the Commonwealth stepping in and acquiring any of the shortfall - currently estimated at approximately 300GI.

Cotton Australia recommends that this Inquiry recognises the absolute importance for environmental, social and economic reasons of delivering at a minimum the full 605GI of environmental equivalents, and timetables are adjustable accordingly to allow for this to be achieved. The actual timelines will have to be negotiated with the States responsible for delivery in projects, but it is clear that a blanket extension to mid-2026 (less than three years away) is completely inadequate,

450GI “Upwater”

The 450GI “Upwater” provisions in the Plan are probably the most hotly debated and contested provisions in the Plan.

As a starting point, Cotton Australia urges the Inquiry to obtain legal advice on the status of the 450GI “Upwater”. Cotton Australia understands that under the current Act the full achievement of the 450GI was never mandated, it was up to, and the only mandated provisions were around the five percent limit of change rules, which link back to the 605GI “Downwater”. If the full 605GI is achieved, then a minimum of 62GI must be acquired against the 450GI provisions. Further, any acquisition towards the 450GI had to pass a strict socio-economic test, to ensure there were no negative social or economic impacts on communities.

Further, Schedule 5 clearly shows that any water recovered under the 450GI provisions had to be recovered in the Southern Basin, to meet environmental outcomes in the Southern Basin, primarily in South Australia.

The provisions in this Bill would turn this section of the Act on its head.

They would:

- Mandate the acquisition of the full 450GI,
- Effectively do away with the socio-economic neutrality test by allowing direct “buybacks”.
- Open up water acquisition in the Northern Basin

The only possible conclusion that can be gained from these proposed amendments is that the Federal Minister and the Government are simply determined to complete the Plan “by the numbers”, with no real consideration to environmental outcomes or social and economic impacts.

2019 Productivity Commission Review

Cotton Australia wishes to draw the Inquiry's attention to the following recommendation from the 2019 Productivity Commission Review which is extremely pertinent to the debate around the 450GI "Upwater" and its associated Schedule 5.

RECOMMENDATION 5.4

The Australian Minister for Water should specify that the 2021 review of the Water for the Environment Special Account review the benefits, costs and impacts of pursuing the enhanced environmental outcomes in Schedule 5 on the basis of new and updated information. This should include:

- identifying which, if not all, of the Schedule 5 outcomes can be achieved, given progress in easing or removing constraints, and how much environmental water would be required to do so
- assessing the benefits and costs (and feasibility) of other approaches to achieving those environmental outcomes.

This review should be supported by modelling provided by the Murray-Darling Basin Authority (as the agent of governments) and any additional information from Basin States.

The Australian Government should use the outcome of this review to determine whether there is a need to amend the Schedule 5 outcomes, or adjust the water recovery strategy to pursue those outcomes efficiently and effectively.

It is very clear that the Productivity Commission held serious concerns around the 450GI elements of the Plan, and Cotton Australia wishes to highlight the following from above - *assessing the benefits and costs (and feasibility) of other approaches to achieving those environmental outcomes*.

Cotton Australia strongly agrees with the implication of the Commissions statement – there are better social, environmental and economic ways to achieve the outcomes that Schedule 5 is meant to achieve.

If Government is determined to acquire the full 450GI, Cotton Australia estimates that the total cost will be in the broad range of \$6B to \$12 Billion. There are better ways to achieve lasting environmental outcomes.

Structural Adjustment

Cotton Australia does note that the Bill is meant to allow for unknown/undescribed structural adjustment to communities if "buybacks" are used to acquire water towards the 450GI.

The history of structural adjustment programmes related to the Basin Plan are largely of dismal failures and have done little or nothing to offset the impacts of buybacks.

It is hard to think of one good example where investment by the Federal Government in projects has effectively offset the negative social and economic impact of the Plan.

- Direct investment in community social and economic structural adjustment has only ever represented a tiny fraction of the overall budget of the Basin Plan. It has been a tokenistic gesture at best.
- Early projects were particularly poorly targeted, with some communities receiving grants, even though while technically in the Basin, they had had no impacts from water recovery.
- Progress on some projects appears to be painfully slow.

If “buybacks” must once again become a part of the Basin Plan, although Cotton Australia argues that there would be a much better return for the environment by investing in complementary measures, then improvement could be made.

For example by providing a set “x%” of funding for structural adjustment for each dollar spent on water acquisition. This money would have to be spent in communities that can clearly demonstrate that they were impacted by a particular water acquisition.

If water was acquired close to Hay in NSW, then the funding should go to the Hay community, and not some community 100 km or more away. Further, the investment must be made in projects that produce and maintain jobs for the long-term, and not just add another lick of paint to the Town Hall.

Similarly, either as a mixed investment with structural adjustment or an alternative, the set investment could be made in complementary measures, that would provide real environmental outcomes in and around the local community impacted by the water acquisitions.

An approach that could help achieve “buyback” targets but minimise impacts on communities is the formal recognition of water purchased on the temporary market, as environmental water, towards the achievement of SDLs.

For example, the Commonwealth Environmental Water Holder (CEWH) has semi-regularly purchased additional water from irrigators across the Lower Balonne to complete bird breeding events in the Narran Lakes, but these purchases do not account towards the SDL’s.

It would not be too difficult to design a framework that could account for water acquired on the temporary market, to assist towards achieving SDL.

The major advantage of this approach is the water can move between environmental and productive uses, depending on seasonal conditions and other factors, but it does not result in a permanent removal from a community.

Northern Basin Contribution

The attempt by this Bill to open up the water recovery on the 450GI to include the Basin Plan, is the most blatant example of attempting to complete the Basin Plan “*by the numbers*”.

This should not be a Northern Basin vs the Southern Basin issue. As described above, Cotton Australia has grave concerns around the validity of the 450GI provisions, and certainly believes there are better ways of achieving environmental outcomes than water acquisition.

However, if Government is determined to complete the Plan, and the plan was designed to achieve certain environmental outcomes, then there is absolutely no justification to say it no longer matters which part of the Basin the water comes from.

Acquiring water in the Northern basin, will not improve environmental outcomes in the Southern Basin. The simple geography and hydrology of the long, flat system means only a fraction, less than 20%, of a megalitre that starts down from the top of a system, on an already flowing river, will make it to Menindee, not due to extraction but due to natural losses such as evaporation and seepage.

This already low number is dramatically reduced if the water is acquired in valleys with terminal wetlands, such as the Gwydir and Macquarie Valleys, where the water remains in these valley's wetlands, except for significant flow events.

It must be acknowledged that in the Northern Basin, water has been over-recovered against their local targets, most particularly in the Macquarie Valley and to a lesser extent in the Gwydir Valley.

It is of great concern to the communities in these valleys that this over-recovered water is seen by the Government as an easy target, to be transferred across to the 450GI "Upwater" account.

If this 43GI was simply transferred across it would be a blatant betrayal of these communities, and it would not provide one bit of benefit to the environment in South Australia.

This over-recovery occurred prior to the Basin Plan formally commencing in 2012, when then Federal Water Minister Senator Penny Wong embarked on a "water buying spree", on the basis of a "no regrets" policy.

She assured communities that while she was not waiting for the formal commencement of the plan, and final water recovery targets, she would commence recovery, and if by chance water was over-recovered it would be returned to the consumptive pool.

Cotton Australia draws the Inquiry's attention to the following recommendation from the 2019 Productivity Commission Review:

RECOMMENDATION 3.1

Once Water Resource Plans are accredited, the Murray-Darling Basin Authority (as Basin Plan Regulator) should assess which (if any) resource units are over-recovered against the Sustainable Diversion Limit.

As soon as practicable, the Commonwealth Environmental Water Holder, in co-operation with Basin Governments, should develop a process and an appropriate timeframe to return any identified over-recovery to consumptive uses in accordance with Sustainable Diversion Limits.

A failure by Government to fully implement this recommendation, and instead transfer this over-recovery to the 450GI ledger will be an unjustified attack on these communities who accepted Senator Wong's "no regrets" assurances but have now been waiting over a decade for action.

Conclusion

Cotton Australia appreciates the opportunity to make this submission and would be delighted to discuss any matters raised further as a witness to the Inquiry. You can contact Michael Murray, General Manager, Cotton Australia – 0427 707868 or michaelm@cotton.org.au .