



COTTON
AUSTRALIA



National Water Reform - 2026
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Australian Productivity Commission – National Water Reform 2026

Submission prepared by Michael Murray, General Manager,
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ABOUT COTTON AUSTRALIA

Cotton Australia is the peak body for Australia's cotton growers, representing up to 1,500 cotton farms mainly in New South Wales and Queensland but also in the Northern Territory and Western Australia. Cotton Australia works with growers and stakeholders to ensure the Australian cotton industry remains viable.

Cotton Australia supports the Australian cotton industry to be globally competitive, sustainable and valued by the community. It drives the industry's strategic direction, retains a strong focus on research and development, promotes strength of the industry, manages sustainability reporting and implements policy objectives.

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1. Executive summary

Cotton Australia is the peak body representing up to 1,500 cotton producers across Australia, the majority of whom are irrigators operating both within and outside the Murray–Darling Basin. For these growers, water policy and reform are not abstract concepts; they directly affect farm viability, regional communities, employment, and long-term business confidence.

Australian irrigators have experienced more than three decades of continuous and intensive water reform since the early 1990s. These reforms culminated in the Murray–Darling Basin Plan and its subsequent amendments and reviews. While these reforms have delivered important environmental outcomes and enabled the development of sophisticated water markets, they have also imposed significant social, economic and personal costs on irrigators and regional communities.

Cotton Australia submits that water reform fatigue is real. The ongoing pace of reform, review and policy adjustment has created uncertainty and undermined confidence for irrigation-dependent businesses. While long-term certainty in water policy may never be absolute, the time has come to moderate the pace of reform, allow existing arrangements to stabilise, and properly assess both the positive outcomes and the costs of reforms already implemented.

Australia now has a comprehensive national water policy framework in place, including secure and tradeable water entitlements, Sustainable Diversion Limits, established water markets, environmental water holdings, and pricing principles that ensure cost recovery. In Cotton Australia's view, the core architecture required to manage water sustainably has largely been completed.

One of the most significant achievements of national water reform has been the recognition of water as a property right and the use of market-based mechanisms to reallocate water between consumptive and environmental uses. Cotton Australia is therefore concerned by recent moves in some jurisdictions to rely on rules-based changes that bypass water markets, reduce entitlement reliability, and materially devalue water assets. Cotton Australia recommends that any reassignment of water rights occur through transparent, market-based mechanisms rather than rules-based interventions.

Going forward, Cotton Australia urges governments to prioritise consolidation and implementation over further structural reform. The focus should be on optimising outcomes from existing environmental water holdings, ensuring regulatory and compliance requirements are proportionate to market size and activity, and maintaining genuine stakeholder engagement. A period of stability is essential to restore confidence, support regional economies, and ensure the long-term success of Australia's water management framework.

2. Recommendations

Recommendation: *That the Australian Productivity Commission recommended that the default method to re-assign any rights to water be through the market rather than Rules Based Changes. This includes any changes that impact on either allocations or reliability.*

3. Submission response

Cotton Australia is the peak body that represents our nation's 1.500 cotton producers, the majority of whom are irrigators both within the Murray-Darling Basin and outside. Water policy and reform is not a theoretical discussion for them, it is critical to their families, their employees, their communities and their business.

It is crucial that this reality is recognised, because water users in Australia have been subjected to a minimum of 30 years of continuous and intensive water reform. It is extremely difficult, if not impossible, to identify another industry or sector that has been subjected to such unrelenting reform over such an extended period.

Water reform fatigue is real, and while long-term "certainty", might be a utopian pipe-dream, the time has come to take the "foot off the accelerator", allow irrigators and businesses that rely on irrigation to take stock and concentrate on other aspects of their businesses, and to allow time to fully see and appreciate both the long-term positive benefits of the reforms to date, and also to properly recognise the human and economic costs that these reforms have come at.

Cotton Australia is an active member of National Farmers Federation (NFF), National Irrigators Council (NIC), New South Wales Irrigators Council (NSWIC) and Queensland Farmers Federation (QFF) and has such have contributed to and endorse the submissions from these organisations. However, for the avoidance of doubt, if there is any discrepancy between the views in these submissions, and those in the Cotton Australia submission, then the position of Cotton Australia is that in this submission.

Due to the work of the above-mentioned organisations, Cotton Australia's submission will be brief.

3.1. REFORM FATIGUE

As touched on above, water reform fatigue is real, particularly for irrigators within the Murray-Darling Basin. While it is possible to go back longer, the following is a brief recap on the reform that irrigators and others intimately involved in water have faced from the early 1990's.

Timeline: Major Water Reform in Australia (1990–2026)

Early 1990s – Foundations for National Reform

1992 – Murray–Darling Basin Agreement

Established a cooperative, Basin-wide framework between the Commonwealth and Basin states, replacing earlier bilateral arrangements.

Created the **Murray–Darling Basin Ministerial Council** and **Commission** to coordinate water management across jurisdictions.

1992 – National Strategy for Ecologically Sustainable Development

COAG adopted national principles embedding environmental sustainability into natural resource and water management.

Mid-1990s – Market-Based Water Reform

1994 – COAG Water Reform Framework

Landmark national reform agenda introducing:

Separation of water access entitlements from land title

Water pricing based on full cost recovery

Provision of water for the environment

Water trading to improve economic efficiency

Established water reform as part of broader micro-economic reform.

1995 – National Competition Policy & Murray–Darling Basin Cap

States' reform progress assessed by the **National Competition Council**, with payments linked to compliance.

Basin Ministers agreed to cap surface water diversions at **1994 levels**, marking the first firm limit on water extraction for environmental protection.

Early 2000s – Consolidation and National Coordination

First generation water sharing plans introduced by States.

2004 – Intergovernmental Agreement on a National Water Initiative (NWI)

COAG agreed to a comprehensive national framework to:

Secure transparent, legally defined water entitlements

Expand permanent and temporary water trading

Improve water accounting and registers

Address over-allocation and stressed systems

Represented a step-change toward nationally consistent water markets and planning.

2005 – National Water Commission Established

Independent body created to assess progress and provide national leadership on water reform under the NWI.

Late 2000s – Federal Intervention and Basin-Scale Reform

2007 – Water Act 2007 (Cth)

Driven by the Millennium Drought, expanded Commonwealth powers over Basin water management.

Established the **Murray–Darling Basin Authority (MDBA)**.

Provided the legal foundation for a single, Basin-wide plan focused on sustainable diversion limits.

2010s – The Basin Plan Era

2012 – Murray–Darling Basin Plan Adopted

Set legally enforceable **Sustainable Diversion Limits (SDLs)** on surface and groundwater use.

Committed to recovering **2,750 GL** for the environment, with potential for an additional **450 GL** subject to conditions.

Required Basin states to prepare accredited Water Resource Plans.

2014–2019 – Implementation Phase

Introduction of water trading rules, environmental watering strategies, and long-term state environmental watering plans.

Initial environmental water recovery targets completed by 2019.

2020s – Review, Adjustment and Renewal

2020 – First Basin Plan Evaluation

Five-year statutory evaluation assessed effectiveness and identified implementation challenges.

2023 – Water Amendment (Restoring Our Rivers) Act 2023

Amended the Water Act and Basin Plan to:

Extend timeframes (to 2027)

Increase funding and recovery options

Re-prioritise voluntary water purchases

Reflected ongoing difficulty achieving targets within socio-economic constraints.

2024–2026 – Basin Plan Review & Future Framework

MDBA commenced the **first full 10-year statutory review** of the Basin Plan.

Reviews of environmental watering, water quality and salinity targets underway.

Completion of supply and efficiency measures scheduled for 2026, with recommendations to guide post-2027 water management.

2023–2025 – Transition from NWI to National Water Agreement (NWA)

Commonwealth and states began replacing the 2004 NWI with a **new National Water Agreement**, incorporating climate change and stronger First Nations involvement.

NWI remains in force until each jurisdiction signs the NWA.

While there have been many positives in these reforms, there have also been many negatives, and the pace and the adoption irrigations have had to face, and manage, within their lives and businesses has been unrelenting. It is time for a pause.

3.2. KEY REFORM CHALLENGES

3.2.1. The Property Right (Market vs Rules Based Changes)

One of the most significant positive changes from reform has been the gradual recognition of the water property rights and the associated development of the water market. This was really recognised at the outset of the Basin Plan implementation (even preceding the formal start of the Basin Plan in 2012) when the Federal Government announced that the water required for the environment to ensure the Basin Plan Sustainable Diversion Limits were met would be acquired through the market from willing sellers, or through the funding of market based water efficiency projects. This approach was built on the earlier Risk Assignment Framework, which only partially recognised the property right, and continued to place the entitlement holder at significant risk. While the Risk Assignment Framework remains in the National Water Initiative, and it is understood in the new National Water Agreement (yet to be signed by any State), it should be superseded by full recognition of the property right, and the water market should be embedded as the only way to change shares between the environment and extractive users.

Cotton Australia is extremely concerned that some States, in particular NSW, have started to revert to rules-based changes to amend their reliability, access or entitlements, by-passing the market, and significantly devaluing the water asset.

Recommendation: *That the Australian Productivity Commission recommended that the default method to re-assign any rights to water be through the market rather than Rules Based Changes. This includes any changes that impact on either allocations or reliability.*

Assessment: **Work in progress to be completed**

3.2.2. Sustainable Diversion Limits

Whether within the Murray-Darling Basin Plan or outside the MDA, the key jurisdictions that Cotton Australia engage with being the Commonwealth, New South Wales, Queensland, and to a lesser extent the Northern Territory and Western Australia all have processes and plans in place to ensure that there are sustainable limits on extractions. This is evidenced by the creation of water Sharing Plans and/or Water Resource Plans across these jurisdictions, which clearly dictate what total extractions are allowed, and the priority for allocating water to different needs. The process is in place, and there is no argument for any significant changes to the process.

Assessment: **Work largely completed**

3.2.3. Environmental Water Management

Through the actions of both the Federal and State Governments, governments now hold significant quantities of adaptive environmental water. The focus must now shift from the acquisition of further environmental water, to optimizing the environmental benefits from this water. It is unclear whether there are any significant regulatory barriers preventing the environmental water holders from doing that, or whether it is largely an issue of mindset. For example, the Commonwealth Environmental Water Holder should be able to be a nimble and active participant in the water market, able to trade water when it is appropriate (buy and sell) and either have the flexibility to invest proceeds in water or in environmental infrastructure projects. Cotton Australia is aware there are some complexities around accounting for and metering environmental water, and while in principle Cotton Australia believes the Environmental Water Holders should be subject to the same rules as other entitlement holders, there be some justification, on a case-by-case basis for variations.

Assessment: Work largely completed

3.2.4. Water Trading

Water trading is now a well-developed system across all jurisdictions, although the degree of market activity and therefore the fluidity of the market does vary enormously. For example, in the MDB Southern Basin, the market is large, sophisticated and largely nimble. There are significant market rules and reporting requirements, along with active market trading platforms. However, in the Northern part of the MDB, the market is a lot smaller, with far fewer trades, and a greater reliance on individual contacts rather than sophisticated market platforms. The northern Basin experience is reflected outside the MDB, where trading options and rules are largely in place, but market activity can be very light. The important thing to note is that compliance and the market frameworks should be commensurate with the size and activity of the market. There is no justification to apply the same rules and compliance burdens on the Northern MDB and outside the Basin, that operate in the Southern MDB.

Assessment: Work largely completed

3.2.5. WATER PRICING

National Water Reform has provided jurisdictions with clear pricing guidelines that ensure the recovery of efficient operating costs and the cost of renewals, while giving them flexibility to operate between Lower Bound and Upper Bound pricing principles. This is appropriate and no more significant work is required in this area. It should remain up to the States, in real consultation with stakeholders, as to whether they adopt Lower Bound or Higher Bound pricing.

Assessment: Work largely completed

4. Conclusion

Conclusion

Australia's national water reform agenda has been extensive, ambitious and enduring. Over more than three decades, governments and stakeholders have fundamentally reshaped how water is allocated, managed and valued, culminating in sophisticated water markets, enforceable limits on extraction, and substantial environmental water holdings. Cotton Australia acknowledges the significant environmental and economic gains that have flowed from this reform journey.

However, the cumulative burden of continuous reform, review and adjustment has come at a considerable cost to irrigators, regional communities and investor confidence. Water reform fatigue is now a genuine and pressing issue, particularly in irrigation-dependent regions. For many growers, ongoing policy change has translated into uncertainty, heightened business risk and a reduction in long-term planning confidence.

Cotton Australia submits that Australia now has the core architecture required to manage water sustainably. The priority should therefore shift from further structural reform to consolidation, stability and effective implementation of existing frameworks. This includes optimising the use of environmental water already held, ensuring regulatory and compliance settings are proportionate to market size and activity, and maintaining strong, genuine stakeholder engagement.

Central to restoring confidence must be the full recognition of water entitlements as property rights and the consistent use of transparent, market-based mechanisms to reassign water between consumptive and environmental uses. Rules-based interventions that materially alter reliability or allocations undermine asset values and erode trust in the water management system.

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