

WESA Review Panel,  
C/ Department of Agriculture,  
GPO Box 858,  
Canberra, ACT, 2601

11-11-2019

*Submission uploaded electronically:*  
<https://haveyoursay.agriculture.gov.au/wesa>

Dear Panel,

**RE: WESA Review**

Cotton Australia is the peak body that represents Australia's 1400 cotton growers, many of who are irrigators that operate across the Murray-Darling Basin.

In an average to good year cotton contributes some \$2 billion (farmgate) to the Australian economy, with the core production area stretching from the Central Highlands of Queensland to the New South Wales/Victorian border near Swan Hill.

Cotton Australia has been an active participant in the Murray-Darling Basin Plan debate, since the inception of the Plan in January 2007.

Cotton Australia, represented by General Manager Michael Murray, attended the WESA Stakeholder Roundtable Review in Canberra and November 8, 2019, and provides this submission to supplement the comments made at the Roundtable.

To be clear, Cotton Australia's policy on the Basin Plan, is that it accepts the Basin Plan as written in 2012 and re-agreed to at the December 2018 Ministerial Council meeting where amongst other things, a much more stringent socio-economic test was agreed to be applied to 450GI "Upwater" acquisition.

It is important to emphasise that the support is based on the 450GI being able to be acquired for \$1.5 billion, and the constraint issues satisfactorily resolved within the budget limit of \$200 million.

As is discussed below, those two assumptions appear highly improbable, and should trigger a thorough review of the applicability of the 450GI "Upwater" commitment, and willingness to consider alternate ways of achieving the desired environmental outcomes.

**Responses to Specific Questions**

*How likely is that the volume outcome can be achieved?*

As outlined in a response below, the amount currently allocated is patently inadequate. However, money aside, there are a number of factors that make achieving the recovery highly improbable under the current framework.

) *Socio-Economic Test*

Cotton Australia fully supports the revised socio-economic test, and does not advocate for any weakening of its provisions.

However, the reality is that the test will make it extremely unlikely for the majority of on-farm projects to qualify for funding.

) *On-Farm Projects*

Regardless of the restrictions placed on on-farm projects by the revised Social and Economic Test, there does appear to be only limited interest in on-farm projects by licence holders.

This could be due to a number of factors including:

- Earlier programmes have “soaked-up” the majority of projects that offered good water efficiency savings.
- The 1.75 multiple is less than what was generally offered by other projects. Entitlement holders already harboured concerns around the value of projects, even with the higher multiple, as evidenced by the relatively low take-up of Qld Healthy Headwater projects and NSW Sustaining the Basin projects.
- *Market movement.* While there had been strong uptake in on-farm projects across the Southern Basin in the earlier days of the plan, significant water entitlement price increases have left many participants wondering whether they had made the right decision. In hindsight they would have been better off funding any efficiency savings themselves, and fully retaining their water licences.
- *Community pressure not to participate.* Participation is seen as contributing to the negative impact of the Basin Plan on some communities

) *Limited Opportunities of Off-Farm Irrigation projects*

Cotton Australia suspects that there may still be some appetite for Irrigation Infrastructure Operators to participate in off-farms schemes; however the current multiple of 1.75 makes that unlikely. Cotton Australia also suspects that given earlier efficiency works, the potential yield from projects is likely to be limited. Despite the above comments, it is certainly worthwhile for the government to continue to engage with IIOs.

) *Urban Water Supply/Mining*

While Cotton Australia would like to see any water that needs to be recovered to come from improved efficiency from these sectors, it needs to be acknowledged that the available pool is small, and simply unable to provide the volumes sought, especially within the current thinking framework.

) *Opportunities*

If the government remains absolutely committed to achieving the 450GI, accepts the complete inadequacy of the current budget, and is prepared to “think outside the square”, then there are some possibilities that could lead to the target.

) *Large scale desalination*

The recent announcement by the Federal government to free up 100GL of water for fodder production by utilising the Adelaide desalination plant to meet some of the city's needs normally met from River Murray flows shows it technically feasible to meet some of this target through desalination.

While not specifically recommending any option Cotton Australia believes a large-scale, renewable energy desalination plant could be located at the Murray Mouth and used to meet some of the Lower Lakes Murray River water needs, or alternatively a desalination plant could be located up river, treating water drawn from some of the deep saline aquifers that for part of the Murray-Darling Basin and are currently drawn-on at levels well below their sustainable yields.

) Large scale urban water recycling

Cotton Australia believes it should no longer be acceptable for Australian cities to discharge there semi-treated waste water to sea, and this could provide an opportunity to redirect this waste water, as treated water into the Basin.

For example, Cotton Australia knows that it is technically feasible to re-direct at least 80GL of treated Brisbane waste water onto the Darling Downs, and therefore introduce new water into the Basin.

Details of a Feasibility and Pre-Business Case study funded by the Federal Government can be found here - <https://www.qff.org.au/projects/nuwater/>

Similar projects utilising Sydney and Melbourne waste water could also be considered.

*How likely is it that the volume outcome can be achieved by 30 June, 2024?*

For the reasons outline above, even if the budget was not a limitation, it is highly improbable that the 450GL can be achieved by 2024.

However, it is possible the target could be met, if some of the new water opportunities were taken up, and the deadline extended to allow for those major projects.

*How likely it is that \$1.575B can pay for projects to achieve the volume outcome?*

The budget does not come close to recognising the current state of the water market.

Let us assume that a megalitre of Murrumbidgee High Security represents .9 of a Long Term Average Annual Yield (LTAAY).

Murrumbidgee High Security has definitely traded for \$6,000 per megalitre, and there are currently buyers seeking \$9,000 megalitre.

Therefore is reasonable to assume that the price per LTAAY megalitre is somewhere between \$6,600 and \$9,300, on the open market.

Apply the multiple of 1.75, that has been assigned to this water recovery, and the price per megalitre is between \$11,550 and \$17,325.

Following this through, the recovery of 450,000 megalitres will cost (at today's prices) between \$5,197,500,000 and \$7,796,250,000.



*What factors affect the likelihood of achieving the volume outcome within the available time and budget?*

Discussed in detail above.

*How likely is it that \$200 million can pay for identified constraint projects by June 30, 2024?*

Cotton Australia has very little direct knowledge of the constraint projects. However, given the cost of even modest bridge/road projects, and the huge number of landholders that agreements will have to be entered into, the only logical assumption that can be drawn is that \$200 million will be completely inadequate.

### **Concluding Comments**

While recognising that some the following is outside the Terms of Reference for the Panel, Cotton Australia respectfully suggests the following:

- ) Achievement of the 450GI might be possible, if “big picture”, new water projects can be included.
- ) The current budget is patently inadequate, and at a bare minimum the planning budget must be increased to between \$5Band \$10B.

Given the above, it would be prudent for a full review of the value of 450GI of acquisition, as opposed to spending some or the entire budget on complementary measures.

Cotton Australia has always maintained that a major flaw of the Plan has been its almost sole focus on hydrology – “Just add water and all will be fixed”!

Cotton Australia contends that investment in complementary measures, be it snag replacement, fish passage, mitigation of thermal pollution, carp removal, riparian zone management, as examples, would leverage far greater environmental returns than simply rely on hydrological flows.

Cotton Australia hopes that this WESA Review will promote a wider review of the 450GI, its value, and alternatives to better meet the environmental outcomes required in the Basin.

For further information regarding this submission or the views of Cotton Australia please contact General Manager Michael Murray – [michaelm@cotton.org.au](mailto:michaelm@cotton.org.au) or 0427 707 868.

Yours sincerely,



Michael Murray,  
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Cotton Australia