



Murray-Darling Basin water markets inquiry public forum – Griffith

11 November 2019

This document is not a verbatim record of the forum but a summary of the issues raised by forum attendees.

The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised.

Monday 11 November 2019, 2.15 pm to 4.15 pm
Griffith Exies Club
6-12 Jondaryan Avenue, Griffith, NSW

Attendees

Australian Competition and Consumer Commission

Mick Keogh, Deputy Chair

Bruce Mikkelsen, Executive Director

Other ACCC staff.

Interested parties

Approximately 120 interested parties attended the forum.

Opening of forum

Deputy Chair Mick Keogh opened the forum by welcoming the attendees and providing an overview of the inquiry and the structure of the forum. Deputy Chair Keogh informed attendees that the ACCC would take notes of the matters discussed and publish a summary on its website, but that this summary would not identify or attribute comments to individuals.

Summary of issues

Attendees discussed the following issues during the forum:

Issue 1 – Trends in water markets and prices

Stakeholders shared a range of views about changes and trends in water markets. These included:

- The entrance of speculators and investors into the markets following the unbundling of water and land; some stakeholders expressed a view that water should be tied back to land
- An increase of permanent plantations with general or low rather than high security entitlements, or without permanent water entitlements altogether
- Increased use of carryover and emergence of new water products
- Changes in the type and diversity of production in the Murray-Darling Basin
- Concerns about the impact on local communities if regions only produce one or two crops, noting that the region around Griffith has a diverse range of crops
- Changes in patterns of consumptive water use
- Concerns about conveyance losses due to trading water downstream.

Issue 2 – Water market transparency

Stakeholders raised concerns with respect to:

- Availability of timely pricing information, particularly for temporary trades
- The ability to understand the depth of the market and availability of water when some parcels are listed with multiple brokers or exchanges at the same time; one stakeholder noted that there were 47 different exchanges operating in the Murray-Darling Basin, with another suggesting a single trading platform should be developed
- Lack of transparency regarding the identity of individuals and corporations trading in the market
- The difficulty of finding relevant information on state water registers; several stakeholders were unaware of the existence of the NSW Water Register, or had faced challenges trying to access information through the register
- The relevance of state register information for irrigators (for example, understanding \$0 trades, the type of trade, whether the trade is associated with the sale of land and whether trades are occurring between related parties)
- The slow processing of trades by some state water registries
- The need for more transparency and visibility of water market investors and speculators; one stakeholder expressed the view that participants are not clear on the role of speculators in the market.

Issue 3 – Water market regulation

Stakeholders shared a wide range of views about carryover:

- Some stakeholders said carryover had distorted the volume and security of allocations and that most carryover was not “real” or not being used as it should be
- Other participants were highly supportive of carryover and the current carryover rules as it is critical to their business and enables them to manage risk

- One stakeholder noted that water entitlements had been bought in good faith and the characteristics of the entitlement should not be changed depending on who owns it
- One stakeholder expressed concern that irrigators could carryover different percentages of their allocations in the Murray and Murrumbidgee.

Several stakeholders also expressed concern about water market regulation, including:

- Concern that regulators were not keeping up with changes in the market, particularly the new types of products and services offered
- Slow processing times for some trades preventing irrigators from using their water and maximising market opportunities
- Requirements to complete paper forms or to advertise in the local newspaper for groundwater; these were described as archaic
- The timeliness of allocation decisions; one stakeholder suggested that decisions need to be relayed to the market six months in advance
- Concerns about the purpose, trade and transparency of environmental water
- Concerns about the management of water resources and water being lost in the Lower Lakes and through releases out of the River Murray mouth
- Concerns about conveyance losses and who should bear those losses in water trading.

Issue 4 – Water market participant behaviour

Stakeholders shared a range of views and concerns about water market participant behaviour, including:

- Concerns about investment in permanent plantings without permanent water entitlements
- Concerns about participants trading water solely for financial gain
- Concerns about the conduct and transparency of water brokers, including driving up the price of water (it was noted that the commissions of some brokers are based on sale price) and trading on their own licences
- Concerns about participants manipulating the market through the use of IVTs
- Concerns about participants using carryover to push up prices.

Issue 5 – Competition and market outcomes

Stakeholders expressed views about competition and market outcomes as follows:

- Several stakeholders expressed the importance of maintaining property rights so that the value of the water rights is not undermined; one stakeholder expressed the view that planned environmental water was eroding property rights
- Some attendees noted that they were in favour of the general principle that water should move to the highest value use
- Some stakeholders raised concerns about the diversity of crops being grown and the range of industries operating in the region, and that water trading may result in just one or two crops being grown and industries exiting.

Other issues

A number of stakeholders raised concerns about the vulnerable position regional communities are in, and the impacts of water trading on these communities.

Stakeholders also raised concerns about being charged 100% fixed water use charges by infrastructure operators, even while allocations were low.