



**Rural water markets in Australia:
Assessing progress and moving ahead**

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ABARES

Water reform

1994	COAG Agreement
2004	National Water Initiative
2007	Water Act
2008-	Water for the Future Basin Plan

What is happening now?

Basin Plan

- Reduce consumptive diversions
- Devise environmental watering plans
- Reduce trade barriers and transaction costs

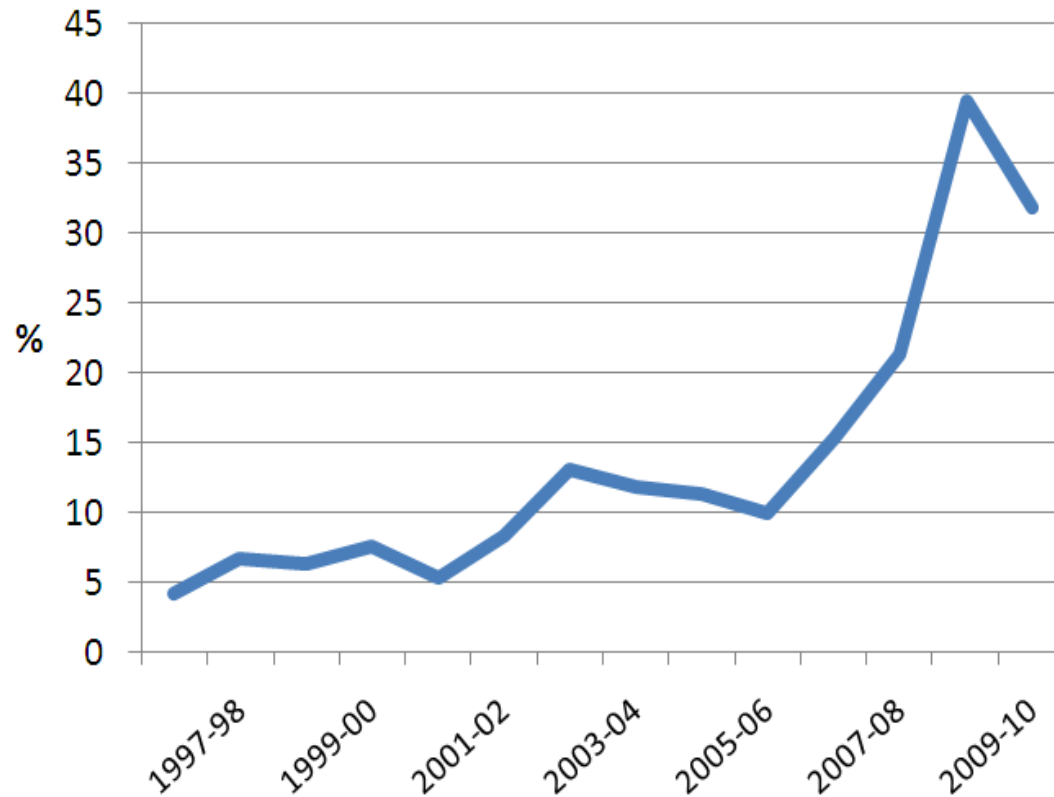
Water for the Future

- Water purchases and infrastructure investment easing the transition to SDLs
- CEWH acquiring water for the environment

Benefits of reform to date

- Increased water trade

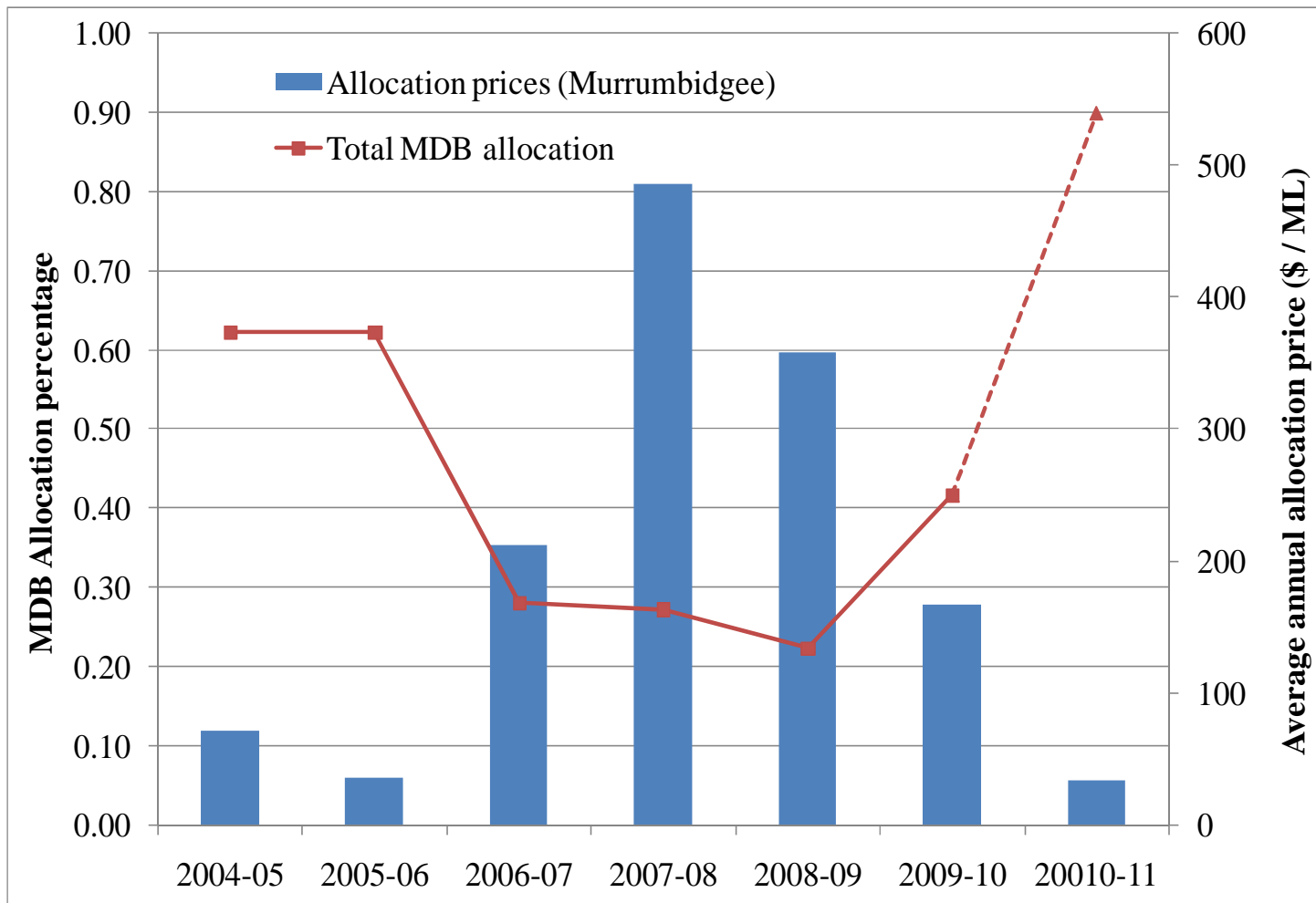
Allocation trade as a proportion of irrigation diversions in the MDB



Source: MDBC 1997-2008, MDBA 2009-2011

www.abares.gov.au

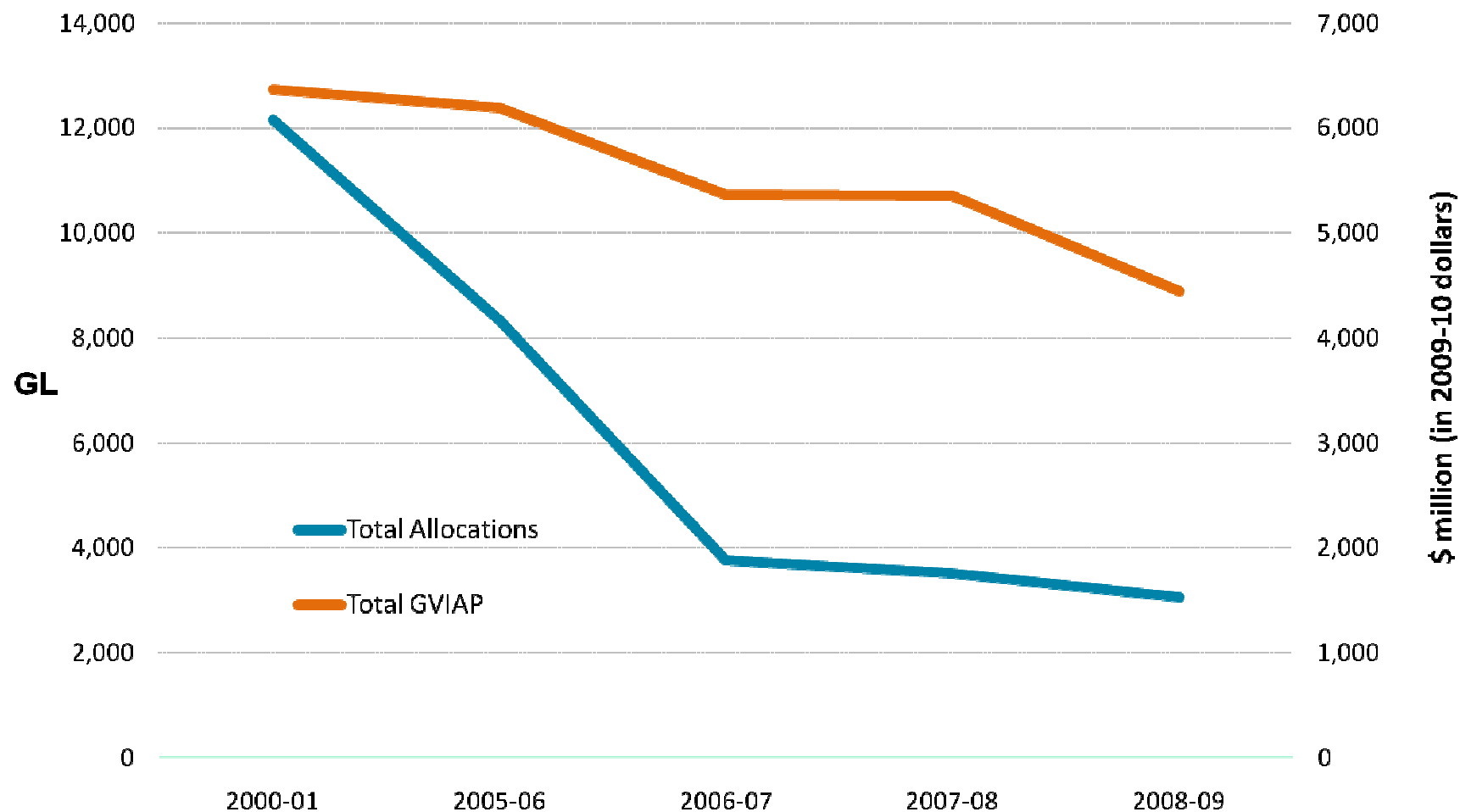
Water prices and availability



Benefits of reform to date

- Increased water trade
- Water market provided incentives to conserve water

Allocations and irrigated production



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- Carryover has improved flexibility and ability to manage water supply uncertainty

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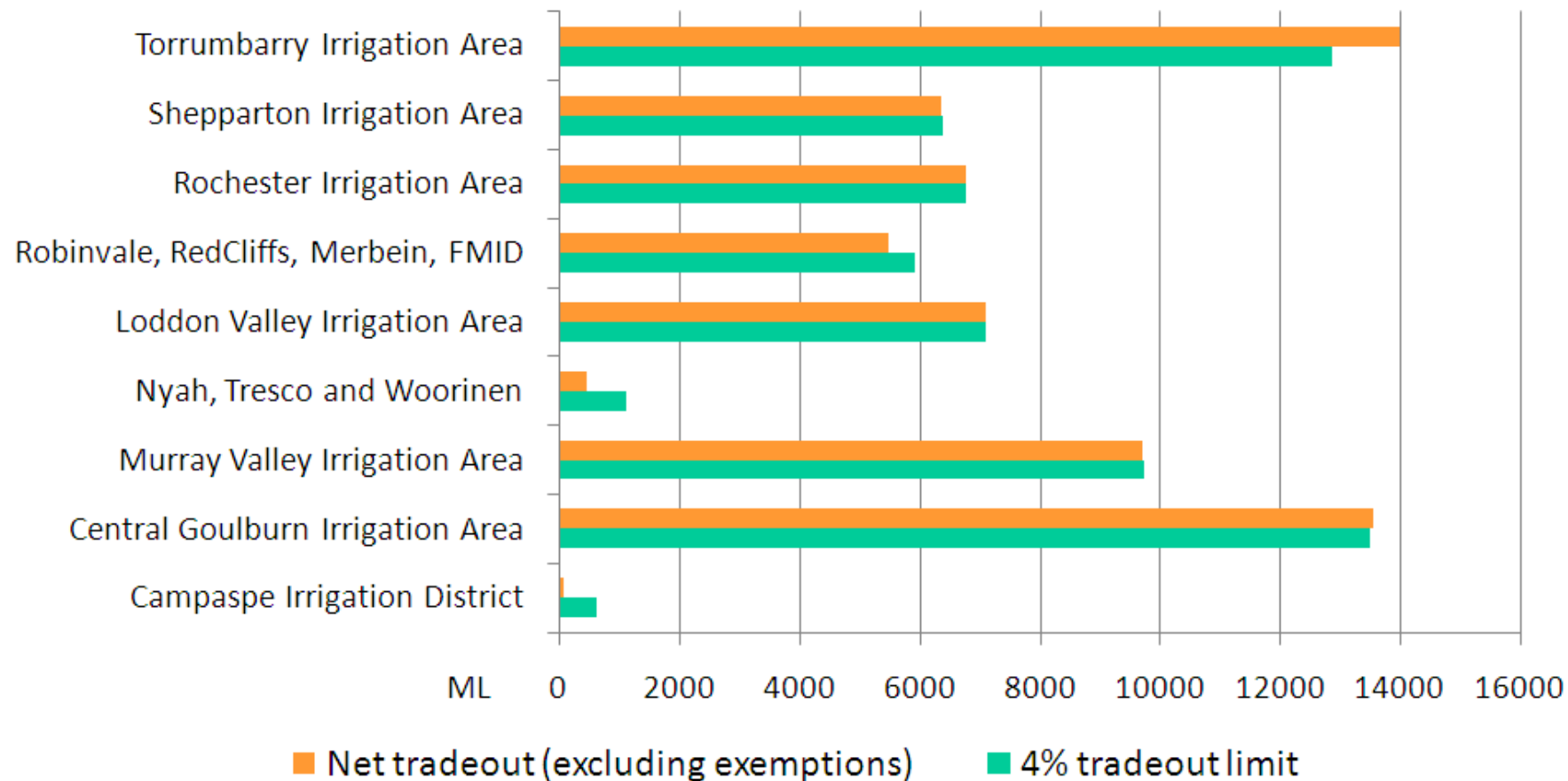
- Increased water trade
- Water market provided incentives to conserve water
- Carryover has improved flexibility and ability to manage water supply uncertainty
- Problems?
 - Processing times for trades
 - 3rd party impacts

What remains to be done?

- Further reduce trade barriers
- Improve the definition of storage rights
- Infrastructure and delivery charges

High reliability shares in Victoria

As at end of 2010-11 water year (30 June 2011)



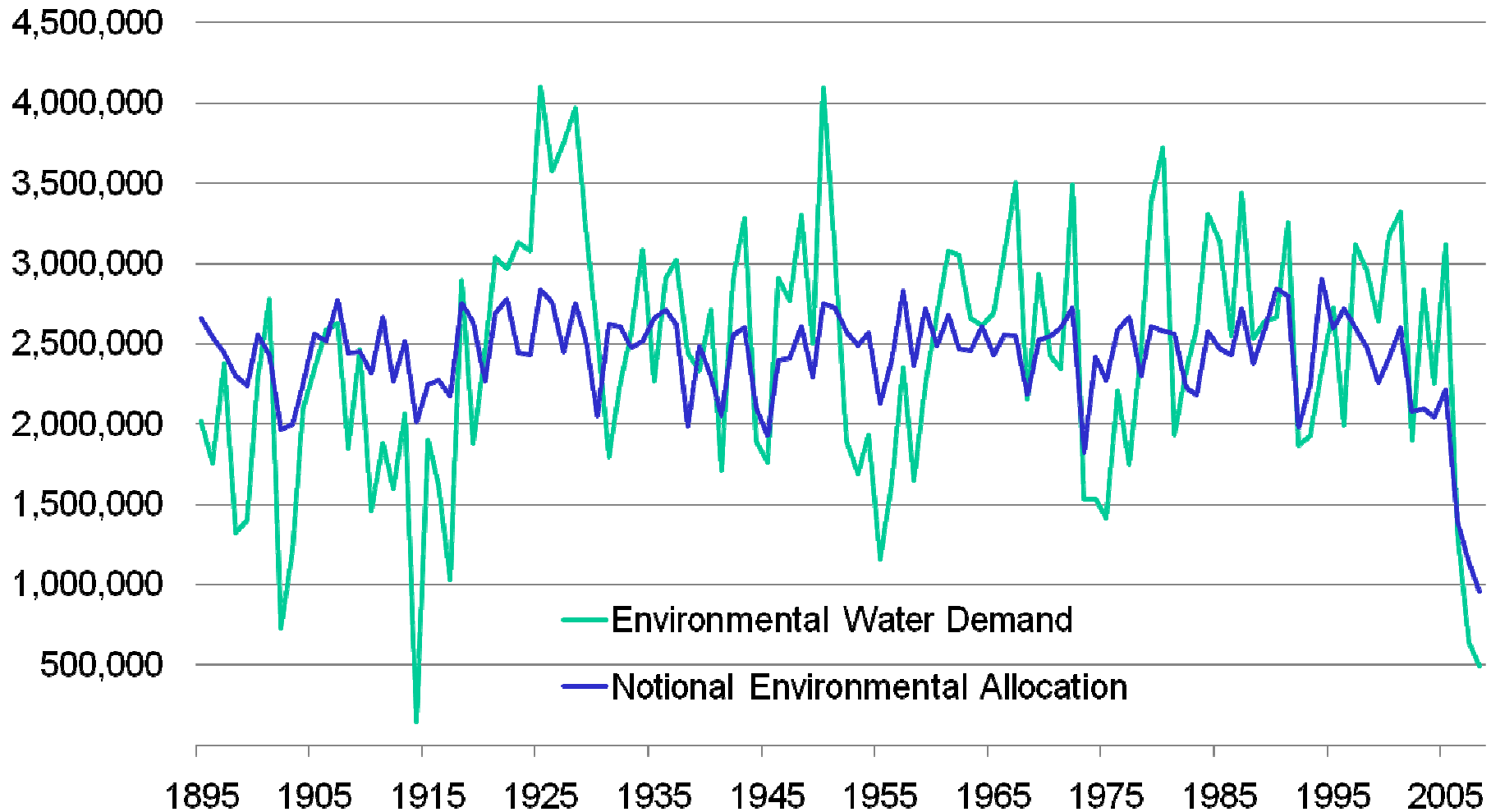
What remains to be done?

- Further reduce trade barriers
- Improve the definition of storage rights
- Improve on 'postage' stamp pricing

The next set of reforms

- Operation of the CEWH in the market
- Development of new products
- Storage and carryover rights

Environmental demand vs. Environmental water allocations



The next set of reforms

- Operation of the CEWH in the market
- Development of new products
- Storage and carryover rights

Water property rights

- Should reflect physical realities
- Can help reduce costs:
 - in years of high environmental demand
 - and in extreme dry periods

Capacity sharing

- Unbundled rights: water, storage, delivery
- Water users have much greater control
- Implementation issues
 - initialisation
 - information burden

Conclusions

- Benefits from reform ... still some to come
- CEWH comes with some challenges
- Further water property rights reform



Science and economics for decision-makers