

ACCC Water Markets

Contrary to the ACCC stance on water markets the problems will only ever be solved with a roll back to trading over a smaller zone. The trading of water already has overly complex rules and requires simplification by regulating trade to localised zones

Bureaucrats within the ACCC obviously have limited understanding of the Hydraulics of the river system and the ramifications of transfer of water out of districts where Engineers originally designed water to be used. Multiple photographs can be supplied to ACCC of the significant Environmental Destruction of our rivers and adjacent Forests caused by uncontrolled water trading both privately and by Environmental water holders.

ACCC appears to have Limited understanding of crop water requirements and planted areas as stated in the summary, that rice and cotton has lifted demand for water. Unregulated horticulture expansion has exponentially increased with mature almond trees demanding almost twice the volume of cotton and one and a half times the prescribed water allowance of rice per hectare. In reality the rice crop is continuing to shrink with the smallest volume grown in decades and farms in the district transition towards cotton to maximise their returns on investment.

Furthermore, drawing conclusions from trading of water in 2000 to 2015 is beyond ridiculous due to farmers once upon a time owning the water they required, which was attached to the land they held in 2000. We had an irrigation system that was the envy of the world as stated by Professor John Briscoe. Allocation in Victoria was reliable at 200% of entitlement in most years and there was little need to trade water. What trade there was was sufficient and usually occurred between neighbours. Any water left over was surrendered and reallocated in following years to the benefit of all users to share. Fast forward to 2015

- The Federal Government substantially removed water from the pool.
- Water right unbundling has promoted banks to force liquidation of water assets, due to farmers now not having enough reliable allocation and are perceived as asset rich.
- Expansion of horticulture on greenfield sites has further reduced water availability per hectare across the entire system and no entrant into irrigation farming can afford to buy permanent water to operate their businesses.
- 100% allocation is also hard to achieve now due to the added inefficiencies and unaccounted losses due to water trading including over bank transfers.
- We are also noticing water right holders losing money, whilst holding large portfolios of water as they too require entrance into the temporary market in times of reduced allocation to have enough water to operate their businesses.

ACCC realises that objectives of the 2007 Water Act have not been met and highly likely will never be met in a free for all unregulated market. The rivers are a key part of the environment and water trade has not been engineered to operate within the natural constraints nor does it satisfy the requirements of the rivers to drop to low flows during dry periods.

A **single** trade rule has been proposed to remove speculators from the market and prevent distortions in prices paid. ACCC must carefully consider this option due to the impending collapse of Goulburn Murray Water and the Irrigators within the GMID. Analysts are reporting that water will only be available 1 Year in 5 for non horticultural customers caused by exorbitant downstream demand and less allocation available to the private sector. This condition also highlights the incredible waste of taxpayer money put forward to modernise the GMID, whilst irrigators throughout cannot afford to buy water to put utilise the new Infrastructure.

A single trade rule **will** remove the option for carryover parking. Carryover should only be available to people who hold a water use licence (WUL). This in turn should free up Low security entitlement and make it available to water use licencees. Perhaps there should be a cap on how much carryover an irrigator can hold restricted by a percentage of annual use limit held in the range of 20 to 40% to allow more opportunity for all irrigators to utilise???

Conveyance Losses **must** be accounted for, Water originally allocated 100 Km from a storage, requires more transitional losses attributed if used 600Km from the storage. Similarly water parked in Lake Victoria should have losses attributed out of the water stored inside due to it being very inefficient.

Continuous Water accounting should be explored due to water being most valuable in the spring growth period. Again only WUL should be able to utilize this option.

There is little delivery capacity constraint in the underutilized infrastructure of the GMID and MIL systems apart from irrigators at the tail end (where channel capacity has been significantly reduced through regulator modernisation). Water must be encouraged to be used where engineered. This will reverse the catastrophic economic depression (-24.8% 2018-19) in regions like Swan Hill which unremarkably have transitioned from lower farmgate value high factor multiplier value, to higher farmgate Value low factor multiplier.

Grandfathered IVT tags must be removed. There is far too much downstream trade for allowable capacity. Water must be retained regionally (as originally engineered) to minimise river damage and properly utilize infrastructure

ACCC water trading policy to date has severely damaged Australia's ability to self support the population. The rice crop last season even if no exports occurred would only cover 30% of our consumption. The decline of irrigated Dairy now sees us as net importers. More worrying is the trend of young farmers exiting irrigation areas due to water trade policy rendering irrigation unviable. The Move towards horticulture has removed the elasticity of annual cropping. Dry years from now on will leave a shortfall of allocation, permanent plantings must die as a result. Again another highlight of insipid water policy creating a boom bust economy destroying once thriving communities and family operations.

Another key consideration economically with relation to free trade. Exorbitant water prices decrease our international competitiveness with other countries. We already have high input costs with wages, Fuel, electricity and regulatory pressures, A too high water price places needless pressure on all farmers raising production costs significantly and not exclusively to irrigation districts. Eg: in 2020 there was a shortage of corn due to uneconomical water pricing. This in turn inflated the price above what farmers could pay for stock feed corn. Hay and other grain markets have also been significantly negatively affected.

Please consider creating smaller trade zones and tightening up of IVT. An example could be breaking up Zone 7 into 7A Torrumbarry to Tooleybuck, 7B Tooleybuck to Wemen, 7C Wemen to SA border 7D south Australia. Water should be free to trade within the zones but penalized to leave especially downstream for all water holders. Also trade interstate should be at least reduced and interstate water returned to the state of origin due to different allocation methodology and the impossibility of pushing water uphill with gravity. Common sense must prevail before we see the collapse of Goulburn Murray Water.