



**Renmark Paringa
Council**



6 December 2019

ACCC inquiry into water markets in the Murray-Darling Basin
waterinquiry@accc.gov.au

On 8 August 2019, treasurer, the Hon Josh Frydenberg MP, directed the Australian Competition and Consumer Commission (ACCC) to hold an inquiry into markets for tradeable water rights relating to water in the Murray-Darling Basin (the Inquiry).

The Berri Barmera Council, Renmark Paringa Council and the District Council of Loxton Waikerie (the Councils) as local government Councils in the Riverland region of South Australia, heavily reliant on irrigated horticulture, support the undertaking of the inquiry to ensure that water assets in the Murray-Darling Basin (MDB) are being utilised in a transparent and efficient manner.

On 17 October 2019, the ACCC released an issues paper which sets out five key areas of focus for addressing the Inquiry's terms of reference.

The Councils offer the following comments in relation to the five key areas of the Inquiry -

Issue 1 – Market Trends and drivers

The Councils' observations are that the price of water being paid for on water markets have significantly increased and this is the feedback being received by irrigators within our communities. We provide no data to support this observation other than the sales history from irrigation trading platforms.

When water is restricted and there is less water supply, this appears to impact on the market place and the availability of water.

In addition, throughout the MDB there has been the emergence of significant new irrigated horticulture plantings. In South Australia there is a requirement to apply for a change of land use (if, for example, a landowner is transitioning from dry land farming to Almonds or a transition to a more intensive irrigated horticulture crop) however the change of land use does not require the landowner to demonstrate they have access to water.

We assume this is also the case in other states in the MDB and therefore our observation is that this creates a disconnect between land and the usage of water.

The Councils would suggest the requirement to apply for a change of land use should include a requirement for the landowner to demonstrate they have access to water.

One of the factors which have driven movement in prices of water access entitlements has been the introduction of the Murray Darling Basin Plan and the sustainable diversion limits which has reduced the overall amount of water available for consumptive uses.

In addition seasonal allocations of water have had a further impact on the price of water access entitlements due to the lack of water supply.

The Councils also believe that the change of plantings to meet market demand and strong commodity prices, to traditionally more water intensive plantings, is further exacerbating this issue as generally landowners are accessing a seasonal allocation of water but there is no modelling of the effect of when this water is required to be used.

The Councils also note that there has been concern raised in our communities that the emergence of consortium's, with no links to horticultural production, are accessing the water trading market which may have an effect on the price and availability of water.

Issue 2 – Market transparency and information

In relation to market transparency and information the Councils consider that with the emergence of valuable water trading markets, horticultural growers in our community need to access real time information to assist with making water markets more transparent. This real time information should ensure that all trading of parcels of water are included so that no off market trades are occurring making the water markets more transparent.

As dry land farmers in the past have had to consider complicated hedging and forward selling of contracts, horticultural growers need real time information, on a level playing field so that they can adequately manage their longer term risk profile.

The Councils consider that this is something very new for horticultural growers to have to come to terms with and with a water market which is still maturing quality information is important to assist horticultural growers.

Issue 3 – Regulation and institutional settings

An appropriate level of regulation, effective market settings and clear institutional roles are all essential to instilling confidence in market operation, ensuring equitable access to water markets and managing third party impacts. There appears to be two fundamental pieces of information required to assist with the regulation of the water markets in the Murray-Darling Basin being a central register of all water trades and a register of all horticultural plantings in the Murray Darling Basin which are reliant on accessing water, their level of water required and the timing on when water is required to be accessed.

As it currently stands councils in the Murray Darling Basin may be providing approvals to a change of land use without the ability of the landowner to access water.

Issue 4 – Market participant practices and behaviours

The Councils acknowledge that policy reforms which have allowed the unbundling of water rights from land holdings is something that cannot practically be reversed and this has resulted in the emergence of investors who trade water rights. The cause of concern to the Councils is now their doesn't exist a direct link between the ability to connect land for new development to the access to water and the capacity to deliver it at the time when the water is required.

Issue 5 – Competition and market outcomes

The Councils appreciate that water markets in the Murray-Darling Basin are intended to drive an adaptive and productive irrigated agriculture sector, while supporting a sustainable level of water diversion. That said we are concerned that the holding of significant volume of water by corporate entities which are trading just in water may be having an impact and causing upward pressure on water prices. We have no evidence to support this position as there is no central place to go to find this information.

Access to a centralised transparent water market is not readily available to understand whether this is occurring. We are therefore supportive of the ACCC investigating this matter further.

Yours sincerely



Tony Siviour
Chief Executive Officer
Renmark Paranga Council



Karyn Burton
Chief Executive Officer
Berri Barmera Council



David Beaton
Chief Executive Officer
District Council Loxton Waikerie