

ACCC Water Markets Inquiry Submission

Riparian Capital Partners Pty Limited

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Table of Contents

Table of Contents..... 2

Riparian Capital Partners..... 3

1. Market Trends and Drivers..... 3

2. Market Transparency and Information..... 5

3. Regulation and institutional settings..... 7

4. Market participant practices and behaviours..... 9

5. Competition and market outcomes..... 11

6. Potential Solutions..... 13



Riparian Capital Partners

Riparian Capital Partners Pty Limited (RCP), a specialist water, agriculture and food investment firm, was established in early 2019, with the specific purpose of identifying, acquiring and managing investments across the agricultural sector. See www.ripariancp.com for further information.

RCP's Interest in Water Markets

RCP acquires and manages water entitlements on behalf of investors as both a landholding investor and a non-landholding investor. RCP achieves this by:

- Acquiring water entitlements alongside its agricultural investments; and
- Acquiring water in its non-landholding water investment vehicle/s.

The various team members of RCP have been active in water markets for over 10 years across a number of roles and regions (across the Murray Darling Basin, as well as outside the Basin), including acquiring water entitlements and water allocation as part of corporate farming businesses for production outcomes and risk management, and acquiring water entitlements for investment purposes and leasing back to irrigators.

RCP's nature and frequency of dealings with water markets

RCP team members have dealt in water markets for a number of years and are involved in the water markets on a day-to-day basis.

1. Market Trends and Drivers

1.1. How water availability and demand are changing over time, the reasons for these changes and the impact they are having on water markets.

RCP's view is that water availability across water markets is reducing over time. This is largely due to:

- Buybacks from the Commonwealth Environmental Water Holder (CEWH) reducing water entitlements available in the consumptive pool; and
- The effects of climate change, which are expected to reduce the annual availability of water over the long term.

In contrast, RCP's view is that demand for water resources has substantially increased over the past decade and will continue to increase for the foreseeable future. RCP's view is that this demand is driven by a range of factors including change-of-land use (to higher value, often permanent irrigated crops) and developments of new areas under irrigation.

In RCP's view, an efficient, transparent water market is the most appropriate mechanism to sustainably and efficiently allocate what always has been a scarce and competed resource.

1.2. The factors that have been driving movements in prices for water access entitlements and allocations over time.

RCP's view is that prices of water entitlements and allocations are driven by different factors:

- Water entitlement prices are primarily driven by agricultural productivity growth, irrigated agricultural commodity prices and the transition of farming businesses from lower-value to higher-



value production systems affecting longer-term shifts in water demand, capacity to pay, and market return prospects.

- Water allocation prices have a stronger relationship with short-term climatic conditions (both recent actuals and expectations), storage levels and irrigated agricultural commodity prices, with a smaller element of agricultural productivity growth.

1.3. Changes to the number, diversity and behaviour of water market participants over time, and how this is affecting water markets.

Over time, the sophistication of water market participants is increasing. The RCP team has observed the increasing use of derivative-type products in the water markets including:

- Water entitlement leases (including fixed and variable lease rate mechanisms);
- Forward water allocation sales; and
- Carryover rental products.

RCP's view is that these products provide important risk management tools to irrigators, allowing them to better manage the risks of their businesses, as well as providing pathways to alternate sources of capital for irrigators in the water markets. The development and deployment of these products has largely resulted from the involvement of non-landholding investors in the market.

The RCP team have not observed futures or options products actively used in the water markets to date but acknowledge they may enter the market at a future point.

1.4. Changes to the number, diversity and amount of trading activity of water market products on offer over time, and how this is affecting water markets.

The products described in section 1.3 have predominantly been adopted in the water markets over the last decade, with a significant increase in more recent years.

RCP's view is that these products allow irrigators to manage the water risks of their operations and structure both their capital and water balance sheets appropriately. Indirectly these products are likely to have impacted the market by creating increased liquidity of water entitlements and water allocations, as irrigators utilise such products in place of held water entitlements (and are therefore more comfortable in selling water entitlements, resulting in increased turnover). Furthermore, these products are likely to have resulted in the smoothing of supply and demand conditions from season to season, as irrigators secure leases and/or forward water allocations at lower prices, allowing them to produce in seasons when in-season supply and pricing conditions may not have allowed (i.e. in dry conditions when water allocation prices are higher than the capacity to pay for water of the particular crop).



2. Market Transparency and Information

2.1. Your use of market information, including the types and sources of information you currently access, the information you would like to access and the methods and tools you use to access it (including whether you get information through public sources, such as state water registers, or private sources, such as through water brokers, and the reasons for using your preferred sources).

RCP access a broad range of market information it utilises to inform its investment and asset operational decision making processes, from both public and private sources.

The below includes a non-exhaustive list of the online public sources used:

- State government registers;
- Water broker online platforms and websites, and web-based exchanges;
- Government based information portals;
- Bureau of Meteorology; and
- ABARES.

RCP also utilises extensively the private networks of its team, which include irrigators, water brokers, rural real estate agents, rural bankers, commodity traders and marketers, processors and other participants in the agri value chain.

2.2. Whether and, if so, how the availability, accessibility, accuracy, consistency and timeliness of water market information affects your trading decisions or markets more generally.

RCP views the availability, accessibility, accuracy, consistency and timeliness of water market information as vital for making investment and trading decisions by all market participants. Water allocation markets are especially volatile, and timely, accurate information is required for more effective management of associated price risks.

RCP considers the current availability, accessibility, accuracy, consistency and timeliness as broadly sufficient, noting that the level of sufficiency varies between different trading zones and regions. There are regions RCP does not participate in water markets due to insufficient or inadequate water market information.

2.3. Your views on the types of water market information that should and should not be publicly available.

RCP believes the following water market information should be made publicly available:

- trade data (price and volume of each trade) for water entitlements, including break out of any related party trades.
- trade data (price and volume of each trade) for water allocations, including break out of trade types more accurately, such as spot sales, forward sales, carryover returns.

RCP does not believe the identification of ownership of holdings of individual water entitlements (whether they be landholders or non-landholder investors) is necessary and does not support this due to privacy considerations amongst other reasons. However, RCP acknowledges that a level of reporting may be



required to increase the confidence of certain stakeholders as to which type of market participants control water in a particular region. For that matter, RCP would recommend the following approach to reporting of ownership of water entitlements and water allocations, noting this approach is similar to that employed by many commodity futures exchanges:

- ownership split in aggregate (between landholders and non-landholder investors) for water entitlements for each water entitlement type.
- holdings in aggregate for landholders and non-landholder investors of water allocations in each water trading zone.

RCP believes the level of publicly available information should be limited to ensure commercially sensitive information is not accessible to the public and consistency of privacy laws is maintained. Actual holdings of individual market participants should not, in RCP's view, be divulged. RCP believes that such information, if made public, could encourage anti-competitive behaviour in the markets. If this information were to be divulged, RCP expects significant reluctance from many investor types to participate in the water markets, which RCP believes would be detrimental to the water markets. Investors provide many benefits to the water markets, including but not limited to the provision of alternative sources of capital to irrigators (to traditional bank debt), development and provision of various risk management products (leases, forward sales etc) and creation of market depth through increased turnover and trade. RCP expects many irrigators would not be supportive of this level of reporting either.

RCP supports the Productivity Commission National Water Reform 2017 recommendation that:

*'The role of governments in providing water market information should be focused on ensuring the quality and accessibility of water resource, market rules and basic trade data. In fulfilling this role, State and Territory Governments should improve the quality and accessibility of trade data in water registers.'*¹

2.4. How much you rely on the information and knowledge possessed by water market intermediaries, such as brokers, exchanges and advisors.

RCP relies on water brokers for "on the ground/live" information on the water markets, and to determine current values at which both water entitlements and allocations have been transacting. This information is added to the data collected from other sources previously noted and is not relied on solely.

2.5. What avenues you are aware of to increase or improve your knowledge of water markets, and any suggestions on additional information and information delivery methods you would you like to see made available.

RCP is aware of many avenues that increase or improve knowledge of the water markets that are readily, and typically freely, available to market participants (or other stakeholders). These include online fact sheets, tutorials and demonstrations. Several major water brokers include instructional information on their websites on how water markets work and how to trade water entitlements and allocations. Water brokers and other groups regularly conduct market education forums. RCP does not believe there is a shortage of this information, however the current sources do require effort from market participants to access them, which RCP believes is no different to other market types in which research and study of market dynamics and underlying fundamentals are typically rewarded.

¹ Productivity Commission, National Water Reform, Report No.87, Canberra



3. Regulation and institutional settings

3.1. Whether regulation and institutional settings for Murray-Darling Basin water markets are effective and appropriate.

RCP's view is that the water markets are functioning as per the intentions of the 2004 National Water Initiative (NWI) which is a direct reflection on the effectiveness of the regulation of the system.

As noted in the 2017 Productivity Commission National Water Reform report, the national water reform process has improved water trade which has provided greater flexibility for irrigators to manage risks and adapt with less water. Water markets provide irrigators with access to alternative sources of capital which allows them to expand or develop their enterprises and opportunities for irrigators to respond to changes in industry developments, including changes in demand for their products.

3.2. How well do you understand each government agency's roles and responsibilities? Are they clear and well communicated?

RCP considers it understands each government agency's roles and responsibilities well and that these are clear and relatively well communicated.

3.3. Whether and why the roles and responsibilities of the different water market regulators, as well as irrigation infrastructure operators, work well, or do not work well, in managing water markets.

Overall, RCP believes the water markets are functioning as per the intentions of the NWI. RCP considers this outcome as supportive of market operators and Irrigation Infrastructure Operators' (IIO's) collaborative efforts in implementing regulations and policy.

However, there are still some structural and policy issues creating impediments to trade and hindering free market functions. An example includes the inability in some irrigation schemes for non-land holders to own water entitlements, and limitations on the ability to trade water entitlements away from certain IIO systems.

It is RCP's opinion that this restricts investment in those regions that otherwise could have benefited from a variety of external capital sources. It also limits irrigators' ability to benefit from price risk management tools such as forward sales, leases and carryover rental products that are typically developed and offered by non-landholder investors.

3.4. Whether current approaches and frameworks for metering and monitoring of water use are effective and appropriate.

Like any property right, the rule of law underpins the integrity and confidence of a market. The water market is no different. It is RCP's opinion that frameworks for metering and monitoring of water use has been broadly satisfactory to date. Recent increases in compliance enforcement in certain jurisdictions such as NSW are seen as positive by RCP.

RCP is strongly in favour of the continued enhancement of water metering and monitoring regulations, as well as compliance enforcement, across water markets to protect the value and continued investment in water rights by all market participants.



3.5. Whether and how regulatory and policy differences between states, Basin catchments and trading zones impact competition, efficiency and access to water markets.

RCP's view is that an efficient, transparent water market is the most appropriate mechanism to sustainably and efficiently allocate scarce resources within differing regulatory and policy environments.

While differences exist between state jurisdictions in relation to water market regulations, policies and water sharing arrangements, RCP does not believe these represent insurmountable hurdles to participating in water markets across the various states. This is similar to investing in other asset classes such as farmland, where various federal and state regulation, taxation and policy settings need to be understood before investing or divesting assets in certain jurisdictions. It is RCP's view that the current regulatory and policy differences between states, Basin catchments and trading zones do not negatively impact competition or efficiency of the water markets.

3.6. The extent to which market settings, such as trading rules and management of constraints, are positively or negatively impacting efficient and equitable water market activity.

RCP's view is that for the most part, the current market settings in the southern Murray Darling Basin (sMDB) do not negatively impact efficient and equitable water market activity. RCP believes that consistency, efficiency and transparency of trading rules is key to a well-functioning market. RCP acknowledges that the northern Murray Darling Basin (nMDB) market settings are not at the level of sophistication as the sMDB due primarily to the typically "non-connected" nature of these markets.

RCP believes that market-based forces are effective in encouraging sustainable, efficient and equitable distribution of scarce water resources. RCP's team has experienced and implemented this both as an investor in water markets and as an investor and manager of irrigated farming operations.

RCP's view is that carryover is a vital tool enabling irrigators the flexibility of managing interseason water requirements. Easier access and greater transparency to aggregate carryover volumes would benefit participants within water markets, enabling them to make more informed interseason water requirement decisions. RCP believes that non-landholder investors in the water markets have been primarily responsible for the development and provision of carryover rental products, providing landholder investors with access to capital efficient risk management tools in this regard.

Inter-Valley Trade (IVT) rules and regulations have largely been built around the physical constraints of the particular river in question. Recent improvements to the management and reporting of the IVT system have in RCP's view increased the ability of market participants to access IVT events, and to understand the risks they face when acquiring water entitlements and water allocations in various systems. RCP's view is that IVT is necessary to support efficient functioning water markets in the sMDB river systems.

3.7. The extent to which regulatory functions, settings and actions are clear and understood.

RCP is an active participant in all of the Basin State water markets and has a good understanding of most regulatory functions and settings. RCP acknowledges that this may not be the case for other water market participants who are not as active in the water markets, however RCP believes that sufficient information is available to market participants who wish to understand such items.



3.8. Whether the level of regulation of water exchanges, water brokers or other market intermediaries is appropriate.

RCP acknowledges that water brokers and similar intermediaries play an important role in the water market. Water brokers in particular perform a similar role to equities stockbrokers as they facilitate and investigate trading options on behalf of their clients, improve information flows and assist the attainment of regulatory approvals. It is RCP's view that a fiduciary duty exists between a water broker and their client and therefore appropriate 'external' regulations and oversight is required as is the case in the stockbroking industry.

4. Market participant practices and behaviours

4.1. How you use water markets, and your understanding and experience of how other market participants use water markets.

RCP invests in water markets by acquiring water entitlements on behalf of investors (typically holding those entitlements as part of a diversified portfolio of water entitlements, but also in conjunction with investments in irrigated cropping land managed by RCP). RCP typically takes a long term buy and hold approach in this regard to its investments in water entitlements. From time to time, RCP will also sell water entitlements, for various reasons including portfolio rebalancing. Where possible, RCP seeks to lease water entitlements to irrigators, with the lessee receiving all allocations received by the specific water entitlements being leased, in return for an annual lease fee.

On any water entitlements not leased out by RCP, RCP actively manages the price risks associated with the water allocations received each year. RCP sells water allocations in the spot market and the forward market, up to 5 years in advance. RCP also provides irrigators with access to carryover capacity which it also leases out, allowing lessees to carryover water from one season to the next.

RCP rarely acquires water allocations unless to cover sales commitments previously made and unable to be met from held water entitlements due to supply constraints.

RCP understands its activities are broadly similar to most non-landholder investors. RCP understands that many family and corporate irrigators who are market participants use similar mechanisms to manage their water balance sheets.

RCP uses the water markets to manage operational water requirements and water supply price risk on irrigated land managed by RCP. This includes sourcing water from the allocation market to meet crop requirements on a short and a long-term basis. It also includes acquiring water entitlements from the entitlement market as part of the make-up of an irrigated asset's water balance sheet.

RCP also understands that irrigators makes up the majority of all market activity, whether it be water entitlement or allocation trades. RCP understands irrigators utilise the water markets to manage risks in their businesses relating to both supply and price risk of irrigation water. Many irrigators utilise price risk management tools provided by non-landholder investors, which arguably would not be possible without the presence of non-landholder investors in the marketplace.



4.2. How the practices and behaviours of different water market participants are positively or negatively impacting water market access, transparency, efficiency, and competition.

RCP believes the majority of market participant behaviour across the water markets has contributed positively to the function of water markets. RCP has observed the activities of a limited number of market participants negatively impacting on water markets across Australia. Examples include:

- The state government of Queensland's decision to apply stamp duty to water entitlement transactions is likely a major impediment to the development of more active and liquid markets for the same in that jurisdiction. Given the volume of water rights in Queensland, and the importance of water resources to Queensland's economy, RCP believes the removal of stamp duty (as an impediment to trade) would lead to a higher level of investment activity.
- All Basin state governments limitations with respect to registers structural time lags in the provision of trade data for both water entitlements and water allocations in all Basin states negatively impacts water markets.
- Irrigation Infrastructure Operators (IIOs) limitation with respect to efficiency and timeliness in the transfer of water entitlements and water allocations has likely impacted on market activity negatively.

RCP acknowledges that the water markets remain relatively immature compared with other markets such as established soft commodity markets. However, RCP has observed that the water markets have matured rapidly over the past decade, and that the markets are far more efficient today that they were even 3 years ago. RCP expects this efficiency will continue to improve in time, and the removal of impediments to trade such as those described above will only support such maturation.

4.3. Whether and, if so, how large market participants have influenced water markets (for example, by changing water availability or prices) through their trading strategies.

RCP does not believe large water market participants have unduly influenced water markets through their trading strategies or involvement in the water markets.

4.4. How you use different water market products (including carryover, leases, options and forward contracts) and services provided by water market intermediaries.

Wherever possible, RCP seeks to engage directly with irrigators to provide the above products. RCP also utilises water market intermediaries (brokers etc) to lease out water entitlements, rent out carryover space, sell water allocations on both spot and forward markets. In time, RCP expects to utilise futures and options if appropriate.

From an investment and operational perspective RCP's team experience has been that water markets have also supported investment in irrigated farmland development and operation. The ability to structure farmland water balance sheets with a combination of owned, leased and spot traded water has supported investment economics via enhanced returns and attracted domestic and foreign capital into the Australian agricultural sector.

From an operational perspective the flexibility water markets provide to an irrigated farmland operation supports risk management and planning while managing cashflow and finance facilities.



5. Competition and market outcomes.

5.1. The extent to which the objectives of water markets have been achieved and any unintended consequences that may have resulted.

RCP's experience has been that the objectives of water markets have been broadly achieved with any unintended consequences limited. RCP makes this observation from team members' experience as both water market investors and investors and managers of irrigated farmland.

RCP references the Productivity Commission National Water Reform December 2017² report with particular emphasis on the section 'What has been achieved through Water Reform' pages 7 through 11. The Productivity Commission noted on page 8 and RCP agrees that:

'Water markets have been established that have allowed water to be traded to higher value uses and other steps have been taken to improve the efficiency of water markets...'

Furthermore, in the Key Points on page 2 of the Report, it is noted and RCP agrees:

'Water reform has delivered substantial benefits to irrigators, other water users and the broader community....The expansion of water trading has provided irrigators with greater flexibility to manage change and has encouraged greater efficiency.'

From an investment and operational perspective the RCP team's experience has been that water markets have broadly supported investment in irrigated farmland development and operation. The ability to structure farmland water balance sheets with a combination of owned, leased and spot traded water has supported investment economics via enhanced returns and attracted domestic and foreign capital into the Australian agricultural sector.

From an operational perspective the flexibility water markets provide to an irrigated farmland operation supports risk management and planning while managing cashflow and finance facilities. The expansion of the water trading has provided irrigators with greater flexibility to manage change and has encouraged efficiency in water use.

5.2. Whether and how competition and efficiency in water markets have changed over time.

The RCP team's experience since 2007 has been that competition in water markets has steady increased and that this is expected and reflective of the growth in trade in both water entitlements and water allocations. It is also reflected in the growth of market intermediaries such as water brokers and competing platforms. RCP views this as evidence the water market continues to mature. It is RCP's experience that the strongest competitors and most prevalent participants in the water markets are irrigators.

Water market efficiency in the sMDB has improved from RCP's perspective. Today there are additional trading platforms, brokers and sources of trade opportunity than previously. Market participants are generally more familiar with the mechanics of the market which makes transactions simpler and more cost effective and efficient. In RCP's experience the nMDB markets and markets outside the Basin are beginning to evolve but lag the sMDB and are therefore not as efficient however competition is still strong, again with irrigators being the dominant market participants.

² Productivity Commission, National Water Reform, Report No. 87, Canberra



5.3. The extent to which water markets are currently operating efficiently.

RCPs experience is that the sMDB markets are operating efficiently across most regions and trading zones. There are individual zones where liquidity is low and potentially 'thin' markets could exist however in these zones, the underlying water infrastructure, trade rules and agricultural economy contribute to the low liquidity more than any possible market 'weakness'. There is the potential for traders to attempt to influence these individual markets however risk management practices required of such traders (typically by their investors) would suggest that holding large positions in thinly traded markets to be unacceptable – illiquid markets challenge both the trader's ability to buy in volumes required to influence prices as well as to eventually sell such a position. RCP typically views zones with low/thin turnover as constraints to investment and suspects other non-landholder investors would view them similarly.

It is RCP's experience that the nMDB markets and markets outside the Basin are still evolving with a number of trading zones/valleys operating efficiently and others with limited volumes of trade. In these individual zones where liquidity is low 'thin' markets could exist however again the underlying water infrastructure, trade rules and agricultural economy contribute to the low liquidity more than any possible market 'weakness'. As outlined above, there is the potential for traders to attempt to influence these individual markets however risk management practices required of such traders (typically by their investors) would suggest that holding large positions in thinly traded markets to be unacceptable – illiquid markets challenge both the trader's ability to buy in volumes required to influence prices as well as to eventually sell such a position. RCP considers that these markets are evolving in a manner consistent with the sMDB's evolution and that this a positive. It has been the experience of the RCP team that the arrival of non-landholder investors in these emerging markets is typically viewed as a positive for liquidity and optionality by irrigators.

As outlined in section 2 of this submission, RCP believes improvements to the timeliness, availability, accuracy and transparency of information relating to trade in both water entitlements and water allocations will act to improve the efficiency of the water markets in general. Of particular note, certain jurisdictions have very low levels of transparency in relation to water market activity data, such as Queensland. RCP views this as an impediment to the development of efficient water markets across that jurisdiction which is likely reflected in the levels of turnover and trade in water markets.

Current approaches and frameworks for metering and monitoring of water use have the potential to impact water market outcomes, including efficiency, equitability and confidence in the market. RCP views this from an investor perspective as investor concern at participation in a market without transparent checks and balances can cause investors to pause. RCP expects this to be the same for all market participants who own water entitlements. As per the Productivity Commission National Water Reform 2017 report findings;

'Confidence in accounting and compliance processes is critical to maintaining the integrity of entitlement systems and water markets.'

5.4. How the outcomes of water markets vary between different industries, locations and individuals.

The outcomes of water markets do vary between different industries and individuals. This is similar to any functioning market allocating a scarce resource. An industry's capacity to pay (i.e. what its underlying commodity economics are such as gross margin per megalitre of water applied) will determine its production and therefore its earnings profile. This applies for individuals as well (i.e. a more productive irrigator will typically have a higher capacity to pay from producing higher gross margins per megalitre than a less productive irrigator). Over time industries and individuals with a lower capacity to pay will either



adapt, innovate or exit the sector. This evolution of farming systems and movement of individuals within them is not unique to this point in time or the broader agricultural sector. In most cases the capacity to pay is impacted most by market prices for commodities produced, more so than production outcomes. Furthermore, in most cases the prices are based on global commodity fundamentals, unrelated to Australian water market dynamics.

There is the potential for water market outcomes to vary between locations. Liquidity, transferability, carry-over are just some of the factors that vary between locations. Being located within a water zone with low liquidity, limited transferability or carry-over may impact a participant's outcomes or appetite to invest or trade.

As per the Productivity Commission National Water Reform 2017 report, there is scope to better incorporate Indigenous cultural objectives in water plans. More fully recognising the water needs of Indigenous Australians and cultural needs is supported by RCP. Providing Indigenous communities with access to water (through existing water market mechanisms) for economic development is complimentary to improving the outcomes for Indigenous communities.

6. Potential Solutions

RCP believes Australia's water markets in general function effectively and have been shown to reflect supply and demand fundamentals. In doing so the water markets have been shown to effectively allocate water as a scarce resource. While relatively immature compared with some other markets such as soft commodity markets, the water markets are rapidly maturing. Market participants are able to access a broad range of information on market activity, determine values within a reasonable range and participate without advantage or disadvantage to other participants. Furthermore, as a result of non-landholder investor participation, irrigators (as the major participant in the market) have been able to access a range of risk management tools through which they have been able to better manage the risks associated with their businesses.

There are however areas that could be improved, and RCP believes the main area for improvement relates to market information, its relevance, accuracy, accessibility and timeliness. RCP believes some simple improvements would enhance market function significantly, such as:

- Requirement for all states to enforce the provision of pricing information on allocation trades (other than between related parties). Zero trades result in a large portion of turnover data becoming meaningless when analysing market activity and price movement.
- Introduction of additional "trade types" when registering water allocation trades, including "forward sale" and "carryover return" to allow for more effective analysis of trade data.
- Introduction of additional "trade types" when registering water entitlement trades to include "related party transactions" to allow these to be filtered out of trade flow and turnover data
- Reduction in the time lag of water entitlement trades being reported / registered by allowing for reporting of "contracted" trades for the period between applying to register a trade and that trade becoming registered and appearing on the relevant state register. This would allow more "real time" data to be available from the state registers.
- Removal/reduction of trade barriers – while many have been removed, some remain such as stamp duty on water entitlements in Queensland, which RCP believes acts to restrict turnover and market development.



While real time data is available on various water broker websites and platforms, RCP considers that a single 'source of truth' in terms of trades in each state would be net beneficial to the water markets and their participants.

Current approaches and frameworks for metering and monitoring of water use have the potential to impact water market outcomes, including efficiency, equitability and confidence in the market. RCP views this from an investor perspective as investor concern at participation in a market without transparent checks and balances can cause investors to pause. As per the Productivity Commission National Water Reform 2017 findings;

'Confidence in accounting and compliance processes is critical to maintaining the integrity of entitlement systems and water markets.'

As outlined in section 3 of this submission, RCP acknowledges that water brokers and similar intermediaries play an important role in the water market. Water brokers in particular perform a similar role to equities stockbrokers as they facilitate and investigate trading options on behalf of their clients, improve information flows and assist the obtainment of regulatory approvals. It is RCP's view that a fiduciary duty exists between a water broker and their client and therefore appropriate 'external' regulations and oversight is required as is the case in the stockbroking industry.

End

Riparian Capital Partners Pty Ltd

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