FACT SHEET

Crunch time for the Murray Darling Basin Plan

The Murray Darling Basin Plan (MDBP) was adopted in 2012 with a 2750 gigalitre (GL) water recovery target for the environmental water. All Basin State governments signed onto the Plan by June 2013.

Commonwealth buybacks have drained 1160GL form the Basin's consumptive pool, intensifying competition for less water and driving up prices.

In June, the Commonwealth and State governments will make decisions that could result in even less water in the productive pool. This will likely add to higher water prices in future.

This decision is known as the Sustainable Diversion Limit (SDL) adjustment.

Water recovery strategy

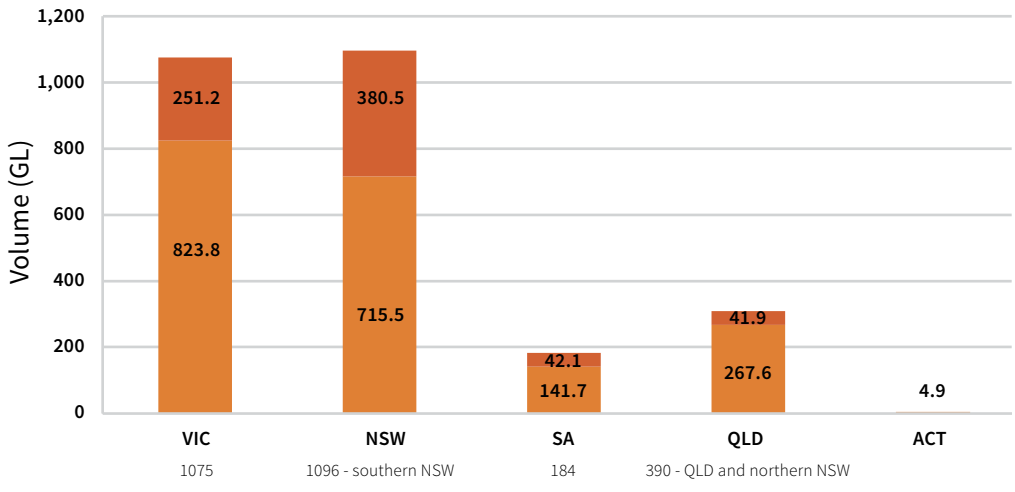
The Commonwealth and States committed to recovering 2750 GL as follows:

- 1500 GL of water bought from irrigators (capped buyback)
- 600 GL through on and off-farm water-saving infrastructure upgrades
- 650 GL with environmental 'offset' projects, or 'downwater' (ie regulators to create effective flooding events that achieve similar outcomes to overbank flooding but with less water).

On top of the 2750 GL, the MDBP also allows for another 450 GL to be secured in the southern Basin for the environment, commonly referred to as 'upwater'. This was a last-minute political deal. So the total volume of water recovered could be 3200 GL.

Water recovery progress

The 2750 GL target is divided among the States, and their progress meeting their State targets is displayed in Figure 1.



Source: Dairy Australia

Figure 1

If the full 650 GL in environmental projects is achieved, then Victoria and South Australia will have already met their share of the 2750 GL target, while southern NSW will be very close.

Committed recovery

Yet to be recovered

Australian Dairy Industry Council Inc.

Victorian Farmers Federation

The Issues

1. Water Purchase

The Water Act limits Commonwealth water purchases to 1500 GL. To date the Commonwealth has purchased about 1165 GL; this means an additional 335 GL could still be purchased.

The 450 GL 'upwater' is exempt from the 1500 GL buybacks cap, so the Commonwealth potentially could purchase an additional 786 GL in total.

Alternatively, upwater can be recovered if farmers transfer entitlements to the Commonwealth in return for funding farm upgrades. Either way, more water is removed from productive agricultural use.

2. SDL Adjustment Mechanism

The Sustainable Diversion Limit (SDL) Adjustment Mechanism will determine the final volume of water recovered for the environment. It means the 2750 GL water recovery target could increase to 3200 GL (450 GL 'upwater') or reduce to 2100 GL (650 GL in environmental projects, or 'downwater').

The Murray Darling Basin Authority's website says it can identify only 200 GL of water from environmental projects; the rest remains 'unknown'. If these environmental projects fail to achieve the full 650 GL in savings, then any shortfall will be made up by removing more water from productive use.

3. SDL adjustment needs to be 6% of long-term average SDL

In another technical complexity, the Water Act and MDBP allow the 10,873 GL basin-wide, long-term average SDL to be adjusted up or down by 5%, or 544 GL.

This means that even if the full 650 GL in environmental projects is achieved, the amount of water recovered from irrigators will only reduce by 544 GL. So, at best, another 106 GL must be found from productive agriculture.

4. Pause the 450GL

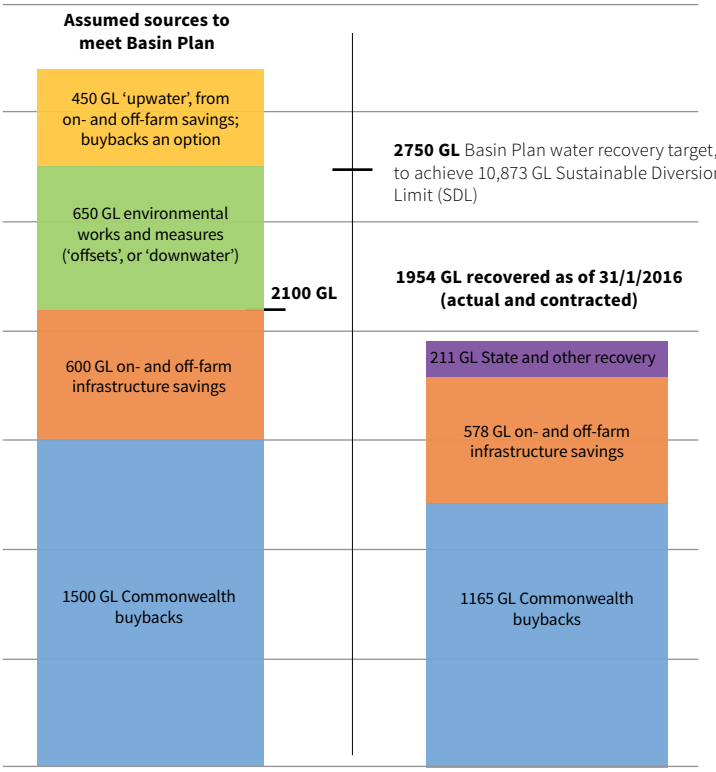
The 450 GL of upwater needs to be paused until the full 2750 GL is achieved first. The Basin Plan says upwater can only be recovered if the socio-economic effects are neutral.

The Basin Plan's neutrality test is flawed however: a project is deemed neutral if a farmer participates or a State Government accepts the funding. The socio-economic effects of further reducing the pool available for productive agricultural use across the southern Basin are not taken into account.

Proposed Solutions

- Achieve the full 650 GL in offsets. This is non-negotiable. Proposed projects must be on the table with certainty they can deliver, before the SDL adjustment is made.
- No moves to recover the 450 GL 'upwater' until the Plan's 2750 GL target is met first.
- The socio-economic neutrality test for the 450 GL upwater changed so impacts are measured at regional level, not individual farm level.
- The Water Act and Basin Plan amended to say 'up to 450 GL', rather than requiring the full amount to be recovered as is now the case.
- The SDL adjustment range is changed from ±5% of the 10,873 GL SDL, to ±6% so the whole 650 GL can be accounted for.
- The SDL adjustment delayed until at least mid-2017, to get certainty on 650 GL offsets and proper socio-economic effects analysis of recovering the 450 GL upwater.

Basin plan water recovery



Source: Dairy Australia

This document was produced by the United Dairyfarmers of Victoria and the Victorian Farmers' Federation in collaboration with the Australian Dairy Industry Council.

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