

Who owns water in northern Victoria?

The mix of who owns High Reliability Water Shares (HRWS) (also known as entitlements) in northern Victoria has changed substantially over the last decade.

The changes are due mainly to Commonwealth and State policies to free up water trade under the National Water Initiative, and Commonwealth buybacks for the environment under the Murray Darling Basin Plan

In 2001, water shares were still tied to property titles, and owned by farmers in irrigation districts and irrigators diverting water directly from waterways.

In 2007, water shares were 'unbundled' and separated from property titles. This enabled farmers to sell land and water separately as a business management tool, freed up trade between different areas reflecting demand, and allowed other players to enter the market such as rural urban water corporations securing water to supplement supply in dry years.

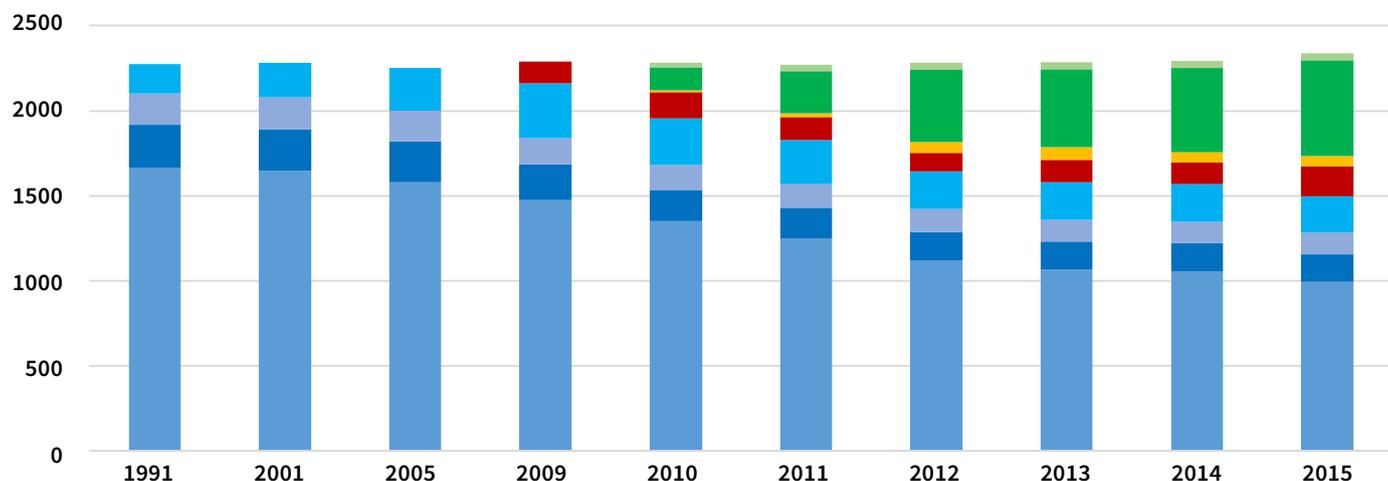
Environmental ownership

The Commonwealth Environmental Water Holder (CEWH) now owns about 24% of northern Victoria's HRWS, including about 512 GL purchased from irrigators mostly between 2008 and 2012. In addition, the CEWH now owns about 440 GL of water entitlements purchased from farmers in southern New South Wales and South Australia.

The CEWH also holds entitlements transferred by farmers in return for the Commonwealth funding their farm upgrades.

With this much less water available in the pool for productive use, and more people competing for less water in the temporary market, it is not surprising that prices are rising – particularly in a dry season like this one when allocations are low.

Victorian High Reliability Water Shares ownership



GMID – Goulburn Murray Irrigation District

GMW diverters – landholders diverting water direct from waterways

Sunraysia – Robinvale, Red Cliff, Merbein and First Mildura Irrigation districts

LMW diverters – Lower Murray Water landholders diverting direct from waterways

Not tied to land – water shares not linked to a particular property

Water corporation – water owned by Victorian urban and rural water corporations.

Source: Victorian Water Register data in 'Water Market Trends: Trends in Northern Victorian Water Trade 2001-2015';

Victorian Department of Environment, Land, Water and Planning 2015.

Do speculators own a lot of northern Victoria's water?

No. Speculators would be in the group owning entitlements not tied to land (also known as disassociated water shares). This category amounts to 7% of northern Victoria's HRWS, or 175 GL.

The group includes institutional investors, many of whom have also invested in farms. Investors use their entitlements in different ways. Some sell allocation each year and bank on entitlement value rising over time. Others sell allocation or lease entitlements to specialist managers on their farms.

Many irrigators have also disassociated water shares from their land. Reasons include making it easier to move water around different properties, placing water shares into self-managed superannuation funds and 'trading' it back to themselves, and aged parents retaining ownership of water shares after farms are passed onto their children.

Are speculators distorting the market?

No. In 2014/15, 34% of the allocation against the 175 GL of entitlement not tied to land, was shifted into another account for \$0. This indicates irrigators who are moving water between their accounts. Another 60% was sold commercially. Only 4% was carried over into 2015/16.

All allocation needs to be used on farms or elsewhere, because investors need to get a return and they cannot hold onto their allocation indefinitely.

Water ownership in the GMID

HRWS ownership in the Goulburn Murray Irrigation District (GMID) has fallen from about 1648 GL in 2001, down to 992 GL in 2015.

While some entitlement has been traded out of the GMID to direct diverters, and purchased by investors, most of the reduction is due to irrigators selling entitlement to the Commonwealth for the environment.

Water use in the GMID

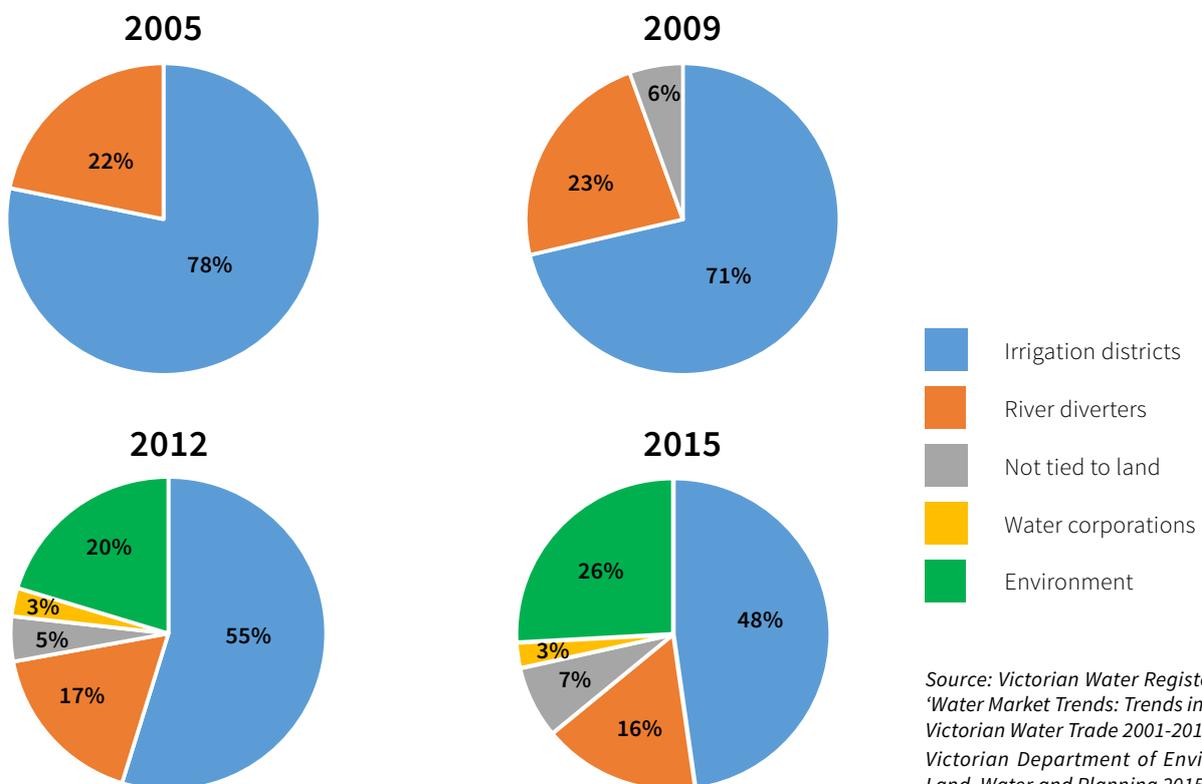
The GMID remains a net importer of water through allocation trade, as its production needs have always been greater than the volume of water shares owned by its irrigators.

Annual water use has declined about 27% from around 2000 GL a year in 2001-02 down to around 1450 GL in 2014-15.

Declining water use partly reflects the 40% reduction in GMID water share ownership from 1648 GL down to 992 GL over the same period, but it is also clear that GMID farmers now rely more heavily on the temporary market to meet their production needs. Fifteen years ago, GMID farmers used 350 GL more than they owned; in 2015, they traded in almost an extra 500 GL.

Declining water use presents challenges for the district, as it needs to generate enough revenue to cover the costs of maintaining its infrastructure and grow agricultural production to generate local jobs and prosperous communities.

Victorian High Reliability Water Shares – ownership split



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