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I N L A N D
R I V E R S
N E T W O R K

Submission

with regard to

National Water Initiative Discussion Paper

April 2004

1994 CoAG Framework, Funding and the Current Initiative

1994 Framework

The first action that the Council of Australian Governments agreed to in 1994 is:

'1. that action needs to be taken to arrest the widespread natural resource degradation in all jurisdictions occasioned, in part, by water use and that a package of measures is required to address the economic, environmental and social implications of future water reform;' The Council of Australian Governments' Water Reform Framework, 1994.

This message is even more urgent today than when initially agreed to.

Recently discussions of water reform have focused on aspects of security and scientific integrity but the reality is that the information that is available must be put to the best possible use to achieve goals of the water reform process. The water reform and the NWI must remain focused on the primary goal of arresting widespread river degradation in an integrated manner. Critical environmental water issues identified in the 1994 framework included:

- ✧ Allocation of water to the environment;
- ✧ Application of ecologically sustainable development to new developments;
- ✧ Protection of groundwater;
- ✧ Implementation of the National Water Quality Management Strategy;
- ✧ Institutional reform;
- ✧ Full cost pricing; and
- ✧ Ecologically sustainable water trading.

To date there has been limited action by the States on many of these issues and it is hoped that the NWI will be able to facilitate timely and fair action. Whilst the August 2003 CoAG Communiqué reaffirmed its commitment to the 1994 framework, subtle changes in priority occurred as Governments faced increasing pressure to define user security. It is of fundamental importance that as **security is clarified that both the environment and other consumptive users move forward hand in hand**, and not one leading the other.

From all of the above it is clear that the underlying principle of the Water Reform process must be to ensure that Ecologically Sustainable Development principles are applied to all of Australia's rivers and aquatic ecosystems to ensure their long-term survival. The NWI should proceed in the same manner.

Cost Sharing Arrangements

All parties and stakeholders recognise that the implementation of such a nationally significant initiative will require significant funding to ensure that the proposed measures can be implemented.

The NWI got off to a good start with the \$500M commitment to restore the health of the River Murray. It is these types of collaborative effort that will see Australia succeed in restoring, protecting and enhancing valuable river systems.

NSW has a significant responsibility. NSW is home to large portions of the Great Artesian Basin, the Darling River, the Murray and the Clarence. These systems have nationally important environmental, social, cultural (Indigenous and European) and historical features. These values are not limited to NSW but extend across the country and their restoration and protection will rely on joint initiatives between all jurisdictions including the Commonwealth.

State, national and international agreements, treatise and legislation will provide guidance for cost sharing arrangements. Science will provide the information and facts required to inform the decisions that are needed. Significant integrated input from all governments, stakeholders and the public should be sought as to how these decisions can be made so that the most cost-effective and innovative solutions can be found.

1. Nationally compatible water access entitlements.

A. Returning Over-allocated systems to sustainable levels

In the view of IRN and NCC, returning over-allocated systems to sustainable levels is the central task of the National Water Initiative. Without progress on this central task, and within the already agreed timeline whereby plans are in place to establish a “firm pathway” to sustainability by 2005, the NWI cannot succeed.

Whilst water users need to be treated fairly, it has been 10 years since the reform process began and it is now time that real changes were made to river management that allows water to be returned to rivers in short timeframes to ensure that river health is restored before the degradation progresses too far. It is well known that protection is cheaper than restoration and the longer it is left the more it will cost.

Under the 1994 COAG Water Reform Framework, states are to have in place water plans that strike an appropriate balance between environmental and consumptive uses, and establish firm pathways for returning over-allocated systems to sustainability, by 2005. In New South Wales plans have been developed and gazetted (although not implemented), but unfortunately those plans fail to meet the criteria for adequacy.

- ✧ In plans for regulated rivers, environmental flows are defined largely negatively. That is, the plans establish consumptive use limits, generally based on existing uses, and the residuum is the system's "environmental water." Environmental flows in the NSW plans are not based on a scientific determination of the ecological requirements of the system; and in some cases scientific advice on system needs was put aside.
- ✧ The regulated river plans fail to set timelines for moving from the status quo to sustainable extraction levels.
- ✧ The regulated river plans do not set adequate limitations on supplementary water extractions, diminishing the positive effect of high flow events.
- ✧ The regulated river plans do not include a pathway for decreasing annual extraction limits to 100% of the share components.
- ✧ Plans for groundwater systems fail to reduce licensed entitlements to 100% of ecologically sustainable yield, fail to give full recognition to interconnection of groundwater and surface water resources, fail to implement adequate protection for groundwater dependent ecosystems, and do not make adequate provision for reserving annual recharge for the environment.

While these failures are disappointing, they are also instructive and can point toward the elements needed for successful water management planning.

- ✧ Plans must be based on a scientific assessment of the ecological needs of the water resource, whether groundwater or surface water. Securing sufficient water to meet ecological needs, managed appropriately and with respect to the natural hydrograph, must be the central objective of plans.
- ✧ Plans must set forth pathways and timelines for reducing extraction limits to sustainable levels.
- ✧ Plans must identify funding mechanisms where needed to secure environmental outcomes.
- ✧ Both surface water and groundwater plans must give recognition to the interconnection of surface and groundwater. Where significant interconnection is established, plans should be coordinated and make provision for moving toward managing the groundwater/surface water system as a single resource.
- ✧ Where existing plans are insufficient to return systems to sustainability, as in New South Wales, plans must include robust provisions for monitoring, assessing progress against plan objectives, and adaptive management to improve plan provisions over time.

- ✧ Should incorporate catchment land-use, vegetation and other catchment resource plans so that rivers and aquifers can be planned for whilst considering the whole picture and not just the river channel.
- ✧ Ensure strong public input through integrated engagement and consultation processes.
- ✧ Provide specific mechanisms to enable Indigenous communities to realise their environmental, social, cultural and economic goals for their rivers and lands.
- ✧ Should be a maximum of 10 years long with a preliminary audit at 5 years to determine how the plan is being implemented. The 5-year audit can make recommendations for the new plan in another 5 years time but would not alter the existing plan.

In addition, the NWI should include a strengthened commitment to ongoing research in to the ecological requirements of freshwater ecosystems so that existing plans may be amended to better prioritise the needs of the environment, and plans yet to be developed can improve upon the current inadequate examples.

B. Characteristics of water access entitlements

1. Tenure of Entitlements

IRN and NCC **do not support open-ended or perpetual licences** for water access whilst rivers are being utilised at levels higher than their sustainable yield. There is much scientific research that supports this position. In NSW there are significant issues with Murray-Darling Basin Cap compliance. In most years at least one valley will exceed its Cap target and trigger a special audit. The coastal rivers of NSW are stressed due to flow diversions and are currently under increasing pressure from urban and peri-urban development.

The 2004 State of the Environment Report for NSW stated that:

'...rivers in highly urbanised catchments and areas where cropping is the predominant land use show the most signs of ecosystem stress.'

Similarly the National Land and Water Resources Audit of 2002 came to equally distressing conclusions and stated that NSW has the poorest aquatic biota condition of any Australian State or Territory, with macroinvertebrate communities being impaired along 50% of the length of rivers assessed.

IRN and NCC also hold concerns regarding the issue of perpetual licences and the impact that this would have on Native Title and Indigenous rights to water and the potential cultural, social and long-term economic impacts further alienation from their traditional lands and rivers will have.

IRN and NCC would strongly recommend that Governments delay the implementation of perpetual licences until rivers have been returned to sustainable yield, there is clear evidence that river health is improving and that detailed investigations into Native Title have been completed and discussions with the traditional owners have taken place.

However, there are some water products and entire water sources that should **not be converted to perpetual shares**. These include:

- ✧ **Off allocation or supplementary water licences** and all other forms of flood plain harvesting. 'Type B' water in Queensland and 'sales' water in Victoria should also be included in this category. These types of water should be phased out through time as this use was bought about through poor policy and administration of licences. The environmental costs and risks associated with these entitlements are too high.
- ✧ All **groundwater entitlements**, unless there is significant evidence showing that the aquifer/s in question are at or below sustainable yield. Groundwater is an area that is surrounded by considerable uncertainty; as our understanding of groundwater dependent ecosystems, groundwater-surface water interactions and recharge rates is extremely limited.
- ✧ **Estuarine Licences** should not be made perpetual, as there is a similar level of uncertainty regarding estuarine processes and interactions with the marine environment. Estuaries are some of the most stressed ecosystems within the state and many important fisheries rely on healthy estuaries for breeding and juvenile development.

Alternative

However, if governments were determined to follow a path for open-ended licences IRN and NCC would raise and recommend the following:

- ✧ Water access entitlement holders will benefit from a freely tradeable perpetual share. It is estimated that the value of entitlements will increase with increased trading potential, increased security for investment purposes, which leads to an improved capacity to raise funds through loans and mortgages.

As such, IRN and NCC proposes that with the gaining of the benefits associated with perpetual licences, **access entitlement holders in stressed and over-allocated systems would bear an up front 10% reduction in their share of the resource over a 10 year period**. In systems subject to Cap it would be a reduction of Cap and in coastal systems it would be based on current allocations

- ✧ All perpetual licences must **be subject to periodic review** to ensure that environmental conditions and safeguards associated with the licence are being met. The review could be contained within a larger

audit and review process, which will be discussed further in the section relating to planning.

- ✧ That groundwater, estuary and off-allocation licences are not made perpetual, see above discussion.

2. Reliability, Coverage of entitlements, Characteristics and Bankability

IRN and NCC agree with proposals for reliability, coverage, characteristics and bankability. NCC believes that improved value of water as collateral for loans may tempt some marginal farmers to increase their debt burden. Many farmers across the state bear disproportionately large debt burdens and the increased value of the water may encourage banks and other institutions to lend further. Whilst these decisions are the right of the entitlement holder, their decisions may impact on smaller communities.

3. Environmental Entitlement

Environmental entitlements should have the same degree of security and recognition as other consumptive entitlements. The current proposal indicates that there would be some level of statutory recognition. IRN and NCC believe that the level of recognition and security must be the same.

It is not feasible to have an improvement in security for consumptive use at the expense of the environment.

4. Responsibilities

It is crucial to constructive long-term management of rivers and aquifers, for entitlement holders to have clear responsibilities to the environment, other users and the community at large for their use of a public resource. Governments, no matter what characteristics the licence has, must maintain the capacity to compulsorily acquire a licence when conditions have been breached or for any other reason.

5. Conversion of entitlements

All licences must be converted to a **share of the available resource and clearly state the share on the licence**. Currently, in NSW the legislation allows for licences to be expressed as a share or as volumetric 'estimate' of the share. It is entirely inappropriate to express a share of a variable resource as a specified volume. **A share is expressed as a percentage, number of water units (not related to volume) or a proportion of the resource;** for example, Joe Brown is entitled to 2/100, 000th or 20 units of 1,000,000 units of the Gwydir water source. Rivers are variable from year to year and even season to season and the share of the consumptive pool will remain the same (giving the security that is required) although the volume of the consumptive pool varies with the climate. The access entitlement holders' share of the resource will not change but the size of the resource will vary from year to year. To

express this share as a volume will create unrealistic expectations of security and the environment to deliver.

Rivers that are currently utilised below their sustainable yield i.e. have capacity for further development, need to have limits on use or 'caps' set before the systems end up over-allocated with all the attendant problems. **Caps' should not be expanded for future development, if systems have room for development then the share ratios developed for existing users will indicate how many shares are available for use.** That is if a system has 4 users each with 10 shares and the Cap states that there are 100 shares available, there is room for development up to 60 shares. This initial definition of the resource sets limits that do not have to be adjusted for future development.

C. Risk Assignment

If licences are to be converted to perpetual shares then it is absolutely essential that licences be backed with a clear and definitive assignment of the risk. IRN and NCC would like to add the following comments.

The August 2003 CoAG Communiqué divided risk into 2 broad categories of:

- ✧ risk associated with natural events (long and short term) and real improvements in knowledge; and
- ✧ risk associated with policy change.

The current NSW proposal has subtly altered that division so that it is now:

- ✧ risk associated with natural events - short term only; and
- ✧ risk associated with policy, science and long-term change.
- ✧ water users will bear 10% change over 10 years without compensation and all other change will be subject to compensation.

IRN and NCC accept that there can be some significant difficulty in defining long-term climate risks and changes associated with that. However, it is completely unacceptable that the public and environment be asked to bear the risk on something completely beyond human control in the short term.

The NFF recently produced a discussion paper regarding risk assignment and can be summarised thus:

- ✧ Farmers, States and Commonwealth share the risk and costs equally;
- ✧ That all changes to the consumptive pool be subject to compensation;
- ✧ that strict limits on rates of change are imposed - 0.5% to 1% of long-term yield (which is not defined) per annum.

IRN and NCC have some significant concerns with proposal which are summarised below:

Agreed Science IRN and NCC consider this concept to be completely unreasonable and it should be rejected. **Science should not be subject to compensation; if the science is good ie, it has been subject to independent peer review it should be enough.** Independent peer review of scientific research is the agreed standard for scientific journals and academic institutions the world over.

Incremental Management: It is agreed that rate of change will impact on industry but the rate of change available to the public on a public resource should not be so limited that no noticeable change will ever occur. The rates of change proposed by the NFF nonetheless limit the public's ability to manage a public resource for the public good. Industry is reliant on water but such miniscule rates of change will achieve nothing in the short-term. The system reliability of many of the rivers means that most years irrigators would not even notice the loss.

10 years of notice to change is absurd, industry cannot demand such control over a public resource that is the issue of such contention due to over-allocation.

Managing outcomes: under the proposed model irrigators would be an equal funding partner **BUT** importantly they are also a large contributor to poor river health (as recognised in the NSW 2003 State of the Environment Report and the 1994 CoAG Reform Framework), and are also the primary beneficiary of water use.

Alternative Proposal

IRN and NCC suggest the following risk assignment protocol:

Short-term:

- ✧ access entitlement holders in stressed and over-allocated systems would bear an up front 10% reduction in their share of the resource over a 10 year period (restated from previous section)
- ✧ that water users bear 20% of change to allocation within a 10 year period. This would be a rolling 10 years similar to the NSW government proposal.
- ✧ within certain cases we recognise that changes can negatively impact on local communities. Thus IRN and NCC support appropriate community based structural adjustment programs. Note that this does not mean compensation to individual entitlement holders.
- ✧ That risks associated climate change and other long-term natural variations in water availability be born by the water users.
- ✧ That risks associated with the implementation of current government policy be born by water users.

- ✧ That this regime of risk assignment be in place until rivers and aquifers reach healthy levels of extraction.
- ✧ That Governments can pay compensation at times that it is felt that such payments are appropriate, but are not obliged to pay at rates of change below those specified above.

Long-term:

- ✧ Once rivers and aquifers have been returned to sustainable yield and ecosystem health has been ensured; the risk assignment measures above can be renegotiated to reduce the burden placed upon entitlement holders.

D. Addressing significant uncontrolled interception of water

IRN and NCC share the concern expressed that uncontrolled interception of water can accelerate the degradation of aquatic ecosystems as well as undermining security of supply for consumptive users. Failure to properly regulate farm dams, stock and domestic use, and plantation forestry could waste much of the effort put into developing a workable extraction system. Indeed, the current failure to properly monitor and license uncontrolled interception activities can be seen as comparable to past mistakes in over-allocating regulated streams. Although it should be obvious to all, in the context of uncontrolled interception it bears repeating that water is a limited resource and can be managed effectively only when all significant consumption is measured and formally allocated.

In this light, IRN and NCC believe that the NWI's goal should be to bring *all* forms of significant uncontrolled interception into the formal allocation system, not merely those that threaten imminent harm to the environment and security of consumptive supply. Specifically:

- ✧ All interception activities that have a significant effect on the water resource should require an entitlement, not just those in fully allocated and over-allocated system.
- ✧ All water use from farm dams should be metered, not just "appropriately monitored."
- ✧ Stock and domestic water rights, and other riparian rights need to be brought within the system. Where subdivisions are taking place, there should be no expansion of right. Stock and domestic rights are an anomaly, in some cases a harmful anomaly, in the current allocation system. Where they are allowed to proliferate uncontrolled through subdivision they are a pernicious anachronism.
- ✧ All pumped stock and domestic water should be metered.

E Development and implementation of water plans

IRN and NCC fully support the need for the development and implementation of water plans for all catchments and aquifers as part of the NWI. These plans should be integrated with catchment action plans and should include priority issues such as water quality and water sharing. Adaptive management must be the underlying principle for all the plans enabling a flexible framework to be implemented for river health outcomes. IRN and NCC agree that all the issues raised in the discussion paper should be addressed by plans under the NWI.

The discussion paper assumes that plans, such as those that exist in NSW are based on the best scientific knowledge available. IRN and NCC believe that this is not the case for NSW and that the current plans are inadequate for the outcomes that they must deliver. Considerable politicking and lobbying took place within committees that were unbalanced in their membership. Many committee members agreed to various plan outcomes, believing that the plans would be re-made in 10 years when better data became available. As such IRN and NCC strongly oppose any proposals to extend, rollover or otherwise continue the water sharing plans in NSW beyond their 10-year life span.

F. Responsibilities of water users

IRN and NCC agree that water users must have responsibilities and agree with the proposed measures in the discussion paper. We would add that user environmental responsibilities continue beyond the limits of the approvals and would include management of wetlands, riparian and in stream vegetation, snags and other aspects of river habitat and bank erosion.

The NWI should also consider mechanisms for enhancing the on-farm efficiencies in water and chemical use and run off, property management (including the construction of dams and levees on the floodplain) and integrate that with other initiatives for native vegetation management.

Governments must retain the ability to cancel or suspend water entitlements at any time. There are a range of reasons for governments to do this and that ability must remain to ensure that licence and other approval conditions are met.

2. Nationally functioning water markets.

The Discussion Paper recognises changing flow patterns and environmental matters as issues having a bearing on trade and the establishment of a functioning market, but puts forward no proposal expressly addressing the environmental effects of trade. This is a serious and unjustified omission.

It is widely recognised that trade in water can have significant environmental impacts, both positive and adverse.

- ✧ Any trade that moves water within a catchment will have an impact on return flows, both at point of export and point of import. Impacts on return flows will be greater still in inter-basin transfers.
- ✧ Trade that improves efficiencies can have a further impact on river levels by further reducing return flows
- ✧ Impacts from applying water to a new site, or in increased amounts: changed cropping and pesticide application patterns, salinity.
- ✧ Impacts reducing water application, including need for site management where land is fallowed.
- ✧ Trade can exacerbate the reversal of natural flow variability by increasing flows at times of high demand and low natural flow.
- ✧ Exchange rates can fail to properly account for transmission losses, variable return flows and other flow variables.
- ✧ Some experiments in trade, such as the MDBC's Pilot Interstate Project, have resulted in activation of sleepers and dozers.

The NWI should include proposals for designing national guidelines for environmental safeguards on trade. Issues for such guidelines to cover could include (but not be limited to):

- ✧ Best practice environmental protection principles for inclusion, as appropriate, in local water plans. Such principles should be designed for flexible application to a variety of local circumstances
- ✧ Specific rules, including prohibitions where appropriate, for trade with potential impacts on high conservation value rivers, reaches, or other aquatic ecosystems (e.g. wetlands)
- ✧ Best practice principles for developing exchange rates for neutral or beneficial environmental impact
- ✧ Procedural mechanisms, including environmental impact assessment, third party rights, and period audits of the environmental impacts of trade.

3. Best practice water pricing.

NSW and the NSW Independent Pricing and Regulatory Tribunal (IPART) still have a long way to come before rural bulk water prices or urban water pricing reflects the **full cost** of the resource, as recommended by the 1994 Framework.

There are some significant issues in regard to rural water pricing, including but not limited to:

- ✧ The valuing and exclusion of large infrastructure costs, currently only maintenance is included and the construction and replacement costs are excluded.
- ✧ The exclusion of environmental externalities.
- ✧ The maintenance of artificially low water prices to support marginal users.
- ✧ Prices are determined at a state level and do not allow for valley-to-valley variations in externalities.
- ✧ Socialising of delivery costs along lengthy and disparate river reaches.

All of the above amount in water in NSW being significantly under-valued and hence under-priced.

IRN and NCC support the provision of transparency and accountability through bodies such as IPART, it allows groups such as ours to have a greater understanding of the pricing and regulatory environment, and allows informed comment by the public.

Care will have to be taken with a national benchmarking process. CoAG must ensure that only pricing policies and not the actual prices themselves are compared. Different states and territories have different externalities that will influence the price for water in the area.

Urban

IRN and NCC support the pricing policies put forward for urban water and suggests that pricing policies for new technologies may need to be initially supported by contemporary water prices whilst new technologies are designed and trialled, as construction and maintenance costs are high. There is no doubt that greater use of recycling and re-use technologies for water is required and that all urban residents need stimulation to adopt water saving technologies and water efficient practices.

When decisions are being made with regard to trade waste treatment and other waste treatment options, cost effectiveness is one aspect of a suite of considerations, the most important being the sustainability of the treatment plant, waste stream and the sludge or other material produced from the treatment process. It may be cost effective to utilise a specific technology but the environmental costs in terms of greenhouse gas generation in high energy treatment processes such as desalination, or toxic sludge that is difficult to dispose of are also issues that must be considered in cost effectiveness.

4. Integrated management of environmental water.

Appropriate arrangements for identifying and managing environmental values of high conservation value rivers and reaches.

IRN and NCC agree that developing mechanisms to protect rivers, wetlands, and all other freshwater aquatic ecosystems is a matter of urgency, but we believe that it is a task of much greater priority than implied by its perfunctory treatment in the discussion paper.

There is no significant dispute that a comprehensive, adequate and representative system of reserves is fundamental to ecosystem protection, whether terrestrial, marine or freshwater. Likewise there can be no disputing that our current National Reserve System is characterised by a nearly complete lack of freshwater reserves.

Most states, including New South Wales, have no standalone legislation authorising designation of freshwater reserves, and where such legislation exists, as with Victoria's heritage rivers, it is under utilised. The Queensland Government's recent commitment to developing wild rivers legislation is a welcome exception.

IRN and NCC believe it is the NWI's role to kick-start the development of a national framework for protecting freshwater ecosystems. Within such a national framework, different mechanisms will be required, for example, for protecting the relatively intact catchments of Northern Australia and the heavily impacted river systems of South eastern Australia. Therefore we encourage the NWI to take the lead in developing a river protection toolkit, or set of mechanisms, that could be applied as appropriate to various types of aquatic ecosystems in the different states.

Such a toolkit could include:

- ✧ Model legislation for protecting wild, ecologically intact basins
- ✧ Principles for integrating site-specific protection mechanisms, such a river reach reserves, with off-site processes and impacts from land uses and water management
- ✧ Principles for using incentives and voluntary agreements in coordinated fashion to protect particular reaches, riparian corridors, or sub-catchments
- ✧ Principles for selecting and designating sites for special management concern
- ✧ Input from indigenous communities on protecting indigenous heritage values associated with freshwater ecosystems
- ✧ Mechanisms for involving the local, regional, and national community in nomination and management of protected areas.

5. Measuring, monitoring and information.

The Discussion Paper notes that there is little dispute over the need for robust monitoring, reporting and accounting of water use. IRN and NCC agree with this assessment, of course, but stress that it should and must extend to the need for robust monitoring of the environmental condition of our water resources and their dependent ecosystems, and continual assessment of progress toward (or slippage away from) sustainable water management regimes. . In the Discussion Paper, there is an almost exclusive emphasis on information on consumptive use and no explicit discussion of environmental needs. This emphasis is unbalanced and misplaced, and should be corrected as the NWI develops.

IRN and NCC agree with the need for national guidelines on water registries, water metering, and accounting systems, and we particularly emphasise the commitment to publicly accessible data, presented in a way that renders the information meaningful to the widest possible range of stakeholders.

In addition, the NWI should push forward the process of developing better environmental information on our water resources.

- ✧ There should be a national commitment to determining the ecological requirements of all surface water and groundwater sources (and basing water plans on those requirements)
- ✧ Better information on the interconnection between surface and groundwater systems (and moves toward integrated management of connected resources)
- ✧ Identification and assessment of groundwater dependent ecosystems
- ✧ Assessment of the needs and inputs of estuarine ecosystems

6. Urban water reform.

IRN and NCC support the direction of the proposals outlined in this section however would like to add the following.

Under point one all of the measures outlined will positively impact on urban water demand management if undertaken. A cost -benefit analysis would not enhance the use of these measures considerably. NSW IPART has recently undertaken detailed investigations into various pricing signals for demand management and the other processes would not incur great costs, with the labelling scheme already part of the Federal Government's policy.

Point two could be further strengthened by not only developing guidelines but that these be enhanced and used as a nationally compatible set of planning standards for all new urban developments. All along the coast the same issues are being faced by local governments that is increased urban development and water supplies under increasing pressure, as yet there are

limited methods for local government to enforce water efficient urban design and a nationally consistent standard for planning, design and construction would provide the regulatory framework required.

Sydney is growing at around 1000 people a week. The State Government has plans to release up to 300,000 new lots over the next 10-15 years. Currently there is no planning for the impact that the new homes, people and industry have on the city's water supply other than to outline a need for water efficiency and pricing review. Of more concern is that climate change has been left off the planning agenda.

Urban water reform policy needs to also focus on the following:

- ✧ Impacts of increasing population on water supplies and how this is to be planned for and managed;
- ✧ Impacts of climate change on water supplies and how this is to be planned for and managed;
- ✧ Impacts of land use, bushfire and other events in urban water supply catchments that impact supply and management strategies.

Attachment B: Addressing over-allocation in the Murray-Darling Basin.

A. Outcomes being sought

The \$500 million commitment to address over-allocation in the Murray Darling Basin was highlighted as part of the First Step decision in the Living Murray process and has been promoted and understood as such since the Murray Darling Basin Ministerial Council meeting in November 2003.

Now the Discussion Paper suggests that the funding package may be stretched to address over-allocation in other parts of the basin. While measures to address over-allocation throughout the basin are necessary, NCC and IRN believe that the \$500 million must be left to fund water recovery for the Living Murray, and in the most cost-effective manner achievable. NCC and IRN oppose the proposal to address over-allocation in other parts of the Murray-Darling Basin.

NCC and IRN agree with the statement by the Australian Conservation Foundation in its submission "that a mix of market based (voluntary) and regulatory (compulsory) mechanisms is required to return water to the environment over anything like a realistic timeframe," and refer the reader to the detailed discussion in ACF's submission.

NCC and IRN emphasise that the mix of water recovery mechanisms must be cost-effective. Whilst it would be shortsighted not to take advantage of low-cost opportunities to reduce inefficient water use, such opportunities are likely to be limited. In a recent report, ABARE found that "[s]ince it is

relatively expensive to source water from improvements in water use efficiency, the quantity of water sourced from these investments is likely to be relatively small" (ABARE, *Government Purchase of Water for Environmental Outcomes*, November 2003). Proposals for recovering water must focus on more promising mechanisms such as compulsory acquisition at voluntary prices and bush tender approaches.

NCC and IRN support the general proposal that there be coordinated management of environmental water, with input from local catchment groups. We stress that coordinated central management should also draw on the biological and hydrological expertise within state-based environmental agencies, and the institution ultimately charged with managing environmental flows must be designed to efficiently make use of that expertise.