

An aerial photograph showing a wide river delta with multiple channels and sandbars, flowing into a blue ocean. The coastline is visible with waves breaking on the shore.

# **CEDA Luncheon Address**

## **Challenges for Water Trading in Australia**

**21 March 2006**

**Wendy Craik**  
**Chief Executive**  
**Murray-Darling Basin Commission**



# Murray-Darling Basin - a snapshot

- The Basin covers 1million sq. km
- Major river system by world standards
  - River Murray 2530 km
  - River Darling 2740 km







**Community  
Advisory  
Committee**

**SIX GOVERNMENTS**  
C'wealth NSW Vic SA Qld ACT

**MURRAY-DARLING BASIN  
MINISTERIAL COUNCIL**  
Up to 3 Ministers from each Government  
representing land, water and environment

**MURRAY-DARLING BASIN  
COMMISSION**  
1 Independent President  
2 Commissioners from each Government

**Commission Office**  
Technical and administrative secretariat





# Evolution of MDB Management

- Conflicts
- River development
- Basin wide approach
- River health concerns



# 1994 COAG Water Reform Agreement

- Strategic framework adopted for reform of Australian water industry
  - NRM
  - Pricing
  - More rigorous approaches to future investments
  - Trading in water entitlements
  - Institutional reform
  - Improved public consultation



# **COAG Water Reform Agreement 1994 – Clause 5**

- Water used to maximise contribution to national income
- Trading arrangements
- Consistent and sustainable cross-border trading
- Institutional reform in jurisdictions





# 2004 National Water Initiative

- Increase the productivity and efficiency of Australia's water use
- Certainty for investors and environment
- Adapt to water availability
- Urban and rural



# National Water Initiative 2004 – Clause 63

- i) Take all steps necessary...to enable exchange rates and/or tagging of water access entitlements traded from interstate sources to buyers in their jurisdictions by June 2005
- ii) Reduce barriers to trade in the Southern Murray-Darling Basin



# Why water trade?

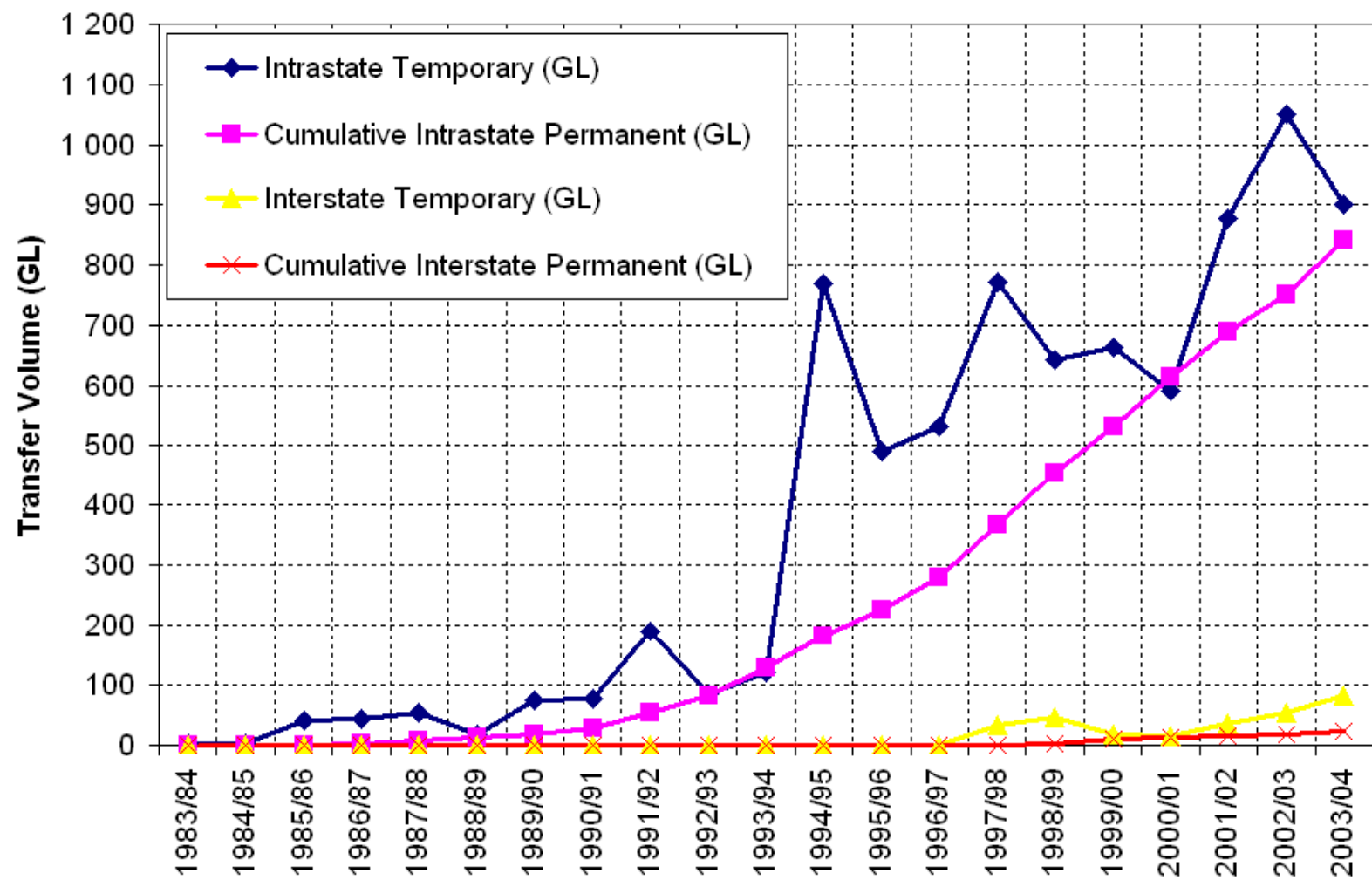
- No 'new' water
- Respond to market
- Respond to environment
- Increase profitability

# History of water trade

- Unofficial local trades since 1940s
- Active trade in Basin since 1980s
- Legislative reform 1983
- Big increase in trade since establishment of Cap in mid 1990s
  - Up to 90% of irrigators in some valleys

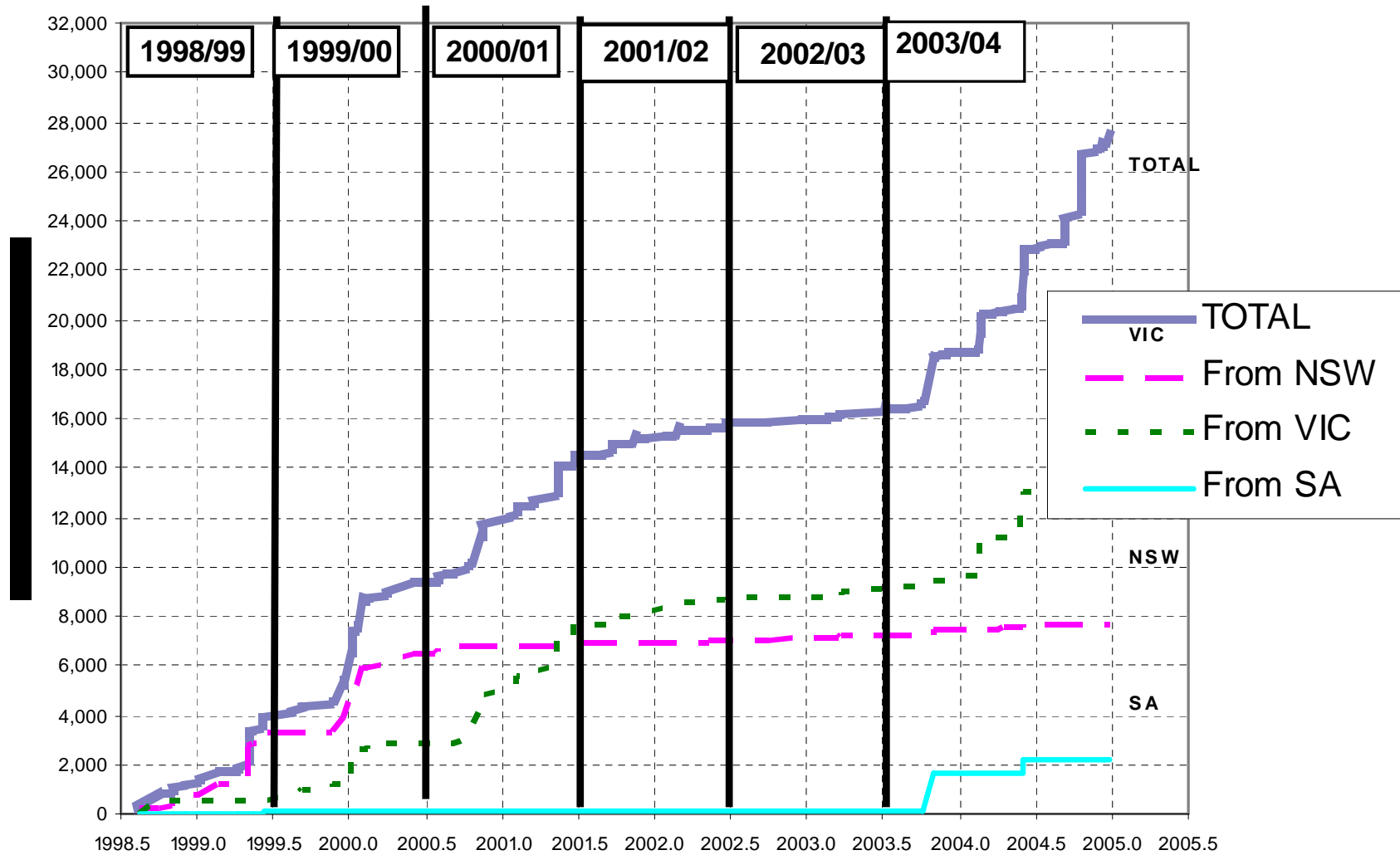
# History of water trade

- Permanent interstate commenced mid 1990s
- Up to 1,000 GL/pa traded
- Trading increase during drought



# Permanent Interstate Water Trade

(combined NSW, VIC and SA trade and trade by state-of-origin)





# Economic/social effects

- Productivity Commission
  - Trade reduces impact of less water (eg. drought) on GRP
- Bureau of Transport and Regional Economics, *below Swan Hill (pilot trade study) 1997-2001*
  - Capital investment: irrigated agriculture up \$466m
  - Capital investment: food processing up \$301m

# Current activity

- Schedule E to Commission –  
15 March 2006
- Work on protocols continuing
- To go to Ministerial Council in  
May 2006
- Unbundling

# Issues

- Transfer procedures
- Exchange rates/tagging
- Environmental clearances
- Stranded assets

# Future issues

- Channel capacity (Murray)
- Trading to environment
- New products
- Simpler or more complex
- Social / economic / environmental evaluation

# FAQs on water trade

- Can't there just be a single product?
- Why couldn't you trade water between the Kimberleys and the Murray?
- Does traded water go to higher value crops?



# FAQs on water trade

- Won't water trade to capital cities take away from rural areas?
- Is the rate of investment in water efficient technology by irrigators 'too low'?
- Does the price differential between the retail price of rural and urban water imply irrigators are subsidised?

