



Goulburn to Murray Trade Review

Victorian Farmers Federation Submission

April 2021

The Victorian Farmers Federation

The Victorian Farmers Federation (VFF) is the only recognised consistent voice on issues affecting rural Victoria and we welcome the opportunity to comment on the Goulburn to Murray Trade Review.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our state's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

The VFF consists of a nine person Board of Directors, with seven elected members and two appointed directors, a member representative General Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based and regionally located staff.

Each VFF member is represented locally by one of the 200 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views on hundreds of industry and government forums.

Emma Germano
President

Introduction:

The Victorian Farmers Federation (VFF) welcomes the opportunity to provide comment to the Department of Environment Land Water and Planning's (DELWP) Regulatory Impact Statement (RIS) on the Goulburn to Murray Trade Rule.

Damage to the Goulburn River:

The VFF recognise the importance of protecting the Goulburn River and believe the Murray Darling Basin Authority (MDBA) and Commonwealth has sacrificed the Goulburn River to deliver increased environmental flows to the Murray Mouth as part of the Basin Plan.

The Basin Plan was supposed to improve the health of the entire Basin, not just one part. Drought conditions in New South Wales over recent years has increased the reliance on the Goulburn River to deliver water into the Murray River. Unfortunately these unseasonable high flows have prevented vegetation from growing along the river's edges and banks, causing significant erosion and reducing habitat for native fish and animals.

Limited Water Availability Impacting the Goulburn:

Pressure on the Murray system due to extreme drought conditions in New South Wales has impacted the health of the Goulburn as many turned to the Goulburn to secure water that was typically sourced from the Northern Basin. The Darling River has not contributed to the Murray system since late 2017, placing more pressure on southern catchments.

The VFF believe the Victorian Government must maintain pressure on New South Wales and those in the Northern Basin to ensure flows from the North reach the Murray River. The VFF has long been critical of the lack of metering of floodplain harvesting and believe the Victorian Government must pursue this issue.

Change to the Management of the Goulburn River is Required:

Currently there are no formal operating rules on the Goulburn for summer and autumn. Historically flows have been kept below 3000ML per day to prevent damage to privately owned in-channel pumps. The trade rule was originally established to manage the risk of storing traded water in upstream storages and spills. The rule prevents spills negatively impacting Victorian Murray entitlement holders and sets the IVT define IVT limit at 200 GL.

Current arrangements see flows of up to 2700ML per day over summer and autumn delivering around 80 GL per month.

The VFF believe that the preferred option put forward in the regulatory impact statement is an acceptable trade off to improve the health of the Goulburn River as well as balancing the needs of irrigators downstream. Every effort should be made to ensure that the new rules enable existing irrigation in the Victorian Mallee can be supplied with minimal restrictions while protecting the environment of the lower Goulburn River.

The preferred option would see variable base flows of around 1100ML per day over summer and autumn, including 3 pulses of 3000ML to 60000 ML per day.. This option would introduce a two-part allocation rule and restrict tagged water use. A rolling winter spring limit (July to mid-December) allows trade to open whenever the IVT account is below 190GL. A fixed summer-autumn limit will apply from mid-December to June capping trade on the Goulburn critically linking the trade rules to the operating rules for the Lower Goulburn. Finally under this model, tagged water use is restricted in line with trade limits, although grandfathered tagged entitlements would continue to be exempt.

This option ensures the Goulburn's 140 GL of annual legacy commitment to the Murray can be delivered consistently. It also allows allocation trade of around 130GL per year or up to 220GL if 6GL per day pulses are enabled.

Tagged Water Entitlements:

The unrestricted use of tagged arrangement became a workaround or loophole allowing water users in the Murray to continue using Goulburn allocations, thereby significantly driving up the IVT balance even though allocation trade was closed.

The Basin Plan Act (2012), under Clause 12.23 creates an exemption from the IVT for tagged water accounts that were established prior to 22nd October 2010. This means irrigators who had dual accounts prior to 2010 are able to push IVT accounts beyond their upper limits which gives them an unfair advantage over other irrigators and can cause third party impacts and environmental damage.

The Victorian Government took steps in 2019 to ensure tagged accounts on the Goulburn will be subject to the Inter valley trades rules and are proposing to restrict them under their preferred option, yet entitlements owned prior to 2010 will still be exempt due to Clause 12.23.

The ACCC in its review of Water Markets recommended that “removing the exemption in the Basin Plan water trading rule 12.23 for ‘grandfathered’ tagged water access entitlements, because it affords a small number of market participants an inequitable exemption from restrictions on intervalley trade¹” (Pg 37).

The VFF welcome this recommendation and encourage the Victorian Government to work with the Commonwealth to urgently remove this inequitable exemption.

¹ <https://www.accc.gov.au/system/files/Murray-Darling%20Basin%20water%20markets%20inquiry%20-%20Final%20report.pdf>

Deliverability

The VFF has lobbied for the Victorian Government to address the risks associated with increased downstream demand on the Goulburn River and Barmah Choke since 2016.

The greatest increase in permanent plantings has occurred in Victoria, with a 19,155 hectare increase in permanent plantings from 2003 to 2018. NSW has increased by 2970 hectares in permanent plantings for the same period and South Australia has increased by 1745 hectares².

While Victoria has taken steps to call in all new irrigation developments, no such controls have occurred in the Mallee region in South Australia and New South Wales, this puts increased pressure on existing irrigators in the Mallee to ensure their water can be delivered.

The VFF urges the Victorian Government to continue to lobby New South Wales and South Australia to curb development and adopt a similar approach to Victoria by calling in new developments in their respective states.

The VFF's intention is to not stop development, it is to ensure that new development occurs in locations where water can be safely delivered without forcing delivery restrictions on existing irrigators.

Scientific Panel and further monitoring and funding

The independent Scientific Panel formed in 2020 to provide advice on the expected environmental and river health outcomes is welcomed by the VFF. Environmental outcomes need to be assessed by sound independent science and then carefully weighed up against the social and economic implications.

The VFF welcomes further funding being made available by the Victorian Government to ensure any rule change is monitored and assessed against its expected benefits.

Clear monitoring of pulses of 3-6000 ML will be required, assessing the frequency and duration.

In-River Pumps:

The VFF note that the preferred model involves the moving of in-channel privately owned pumps in the Lower Goulburn and would enable larger pulses. DELWP's concept planning has shown that costs associated with pump construction is \$10 million with a total budget of \$27.2 million.

² <https://www.mdba.gov.au/publications/independent-reports/irrigation-area-mapping-murray-lower-darling-rivers>

The VFF believe that the costs of moving these pumps should not be met by the pump users. The reform to run higher pulses is a government initiative and therefore government should bear the costs of its reform.

Lower Broken:

The Lower Broken system has also been reviewed by the RIS. If the current exemptions lapse all allocation trade and use of Goulburn water shares tagged for use in the Lower Broken Creek would be restricted under the Goulburn to Murray Trade rule. Lower Broken irrigators that own Goulburn water shares tagged for use in the Lower Broken would not be able to use this water when the trade rule is closed. This does not reflect the fact water can be delivered into the Lower Broken Creek without damage to the Lower Goulburn River.

The preferred option in the RIS would see the same rules for allocation trade from the Goulburn as the rest of the Murray and give all irrigators that own Goulburn entitlements the option to exchange them for local Murray entitlements. However, the use of Goulburn water by irrigators who decided not to exchange their entitlements for Murray entitlements would be restricted by the proposed new rules.

The VFF notes that customers will financially benefit by exchanging Goulburn water shares for the more valuable Murray water shares in the first instances. However, it is critical that the exchange of entitlements from the Goulburn to the Murray does not impact on the reliability of water shares in either system.

The Lower Broken Creek rule change would see the Lower Broken Creek trading in Goulburn water without restriction between July and November, but trading Goulburn water would be subject to the Goulburn IVT rule from summer onwards in line with the Goulburn to Murray trade rule. They would be able to trade Murray allocations in zone 6 over the summer period.

The VFF believe there is still confusion among farmers regarding the impacts of this reform and the VFF believe further consultation is required.

The VFF note there is no more than 1000ML of Goulburn water that could be exchanged for Murray water.

The VFF notes this anomaly was created at the time of unbundling in 2007 and an exchange arrangement provides an acceptable trade off.

Timeframes and Changes:

The VFF note the Regulatory Impact Statement does not touch on implementation timing. The VFF believe changes should not occur mid-season due to impacts on the water market. We saw the interim changes brought in mid-season in 2019, impact the water market and this should be avoided.

Farmers need to enter a new water season with a clear understanding of any new rule so they can plan for their business with certainty.

Equity and Fairness:

The VFF support a principle of equity and fairness for those accessing water through the IVT.

All options will see less water being able to be delivered from the Goulburn to the Murray system, therefore competition for access to this water will be strong.

The VFF are seeking assurances the Government will ensure water in the IVT is accessed equitably. Theoretically, one single large corporate could take up all of the IVT capacity with a single trade. The VFF are seeking assurances that rules will be included that ensure equitable access rather than one that benefits brokers and their favoured clients. A cap and ballot option should be explored.