

Water Market Transparency

Overview

Over the past 5 years I have been invited to provide comment on numerous aspects of Victoria's Earth Resources department community engagement and draft regulations due to my advocacy work for mining reform. However, the changes have only been superficial. As such, mining trumps water meaning mining operations, large and small, hold significant existing bulk and traded water entitlements leading to aquifer depletion and pollutant contamination of waterways upstream of township drinking supplies and farming enterprises via policy endorsed wastewater discharges. Ironically, mining and industry wastewater discharges require significant flows to dilute toxic and pollutant concentrations of our many impacted waterways that are providing some of our major farmlands with contaminated irrigated water.

How can mining, as a landuse, be effectively removed from one part of the legislative framework of the Planning & Environment Act 1987 State Planning Provisions Framework to facilitate mining investment and be declared superior to all other acts and sectors?

How mining is relevant to water trading transparency is the increasing demand on our water resources in the future so it makes no sense that Minister's Discretion via government energy resource policy can overrule such a vital resource for the agricultural industry.

Under current Victoria landuse requirements, Water corporations and Catchment Authorities are beholden, by statutory obligations, to government policy meaning they are to contribute to the development and implementation of Government policy with regard to mineral exploration and extraction. All mining requires a water right for production with most mining occurring on rural, agricultural land, however, mining can no longer claim to co-exist with agriculture as they are both in competition for the same water resource. As a take and use license on a traded water allocation, mining waste water discharges is licenced as a right to return back to the receiving environment. But this water has substantial altered chemistry and can have significant detrimental effects on other downstream beneficial water users.

Caps on water extraction that may be imposed in water systems don't even have to be based on sustainability considerations (in most cases they will just reflect current levels of take, whether sustainable or not). The issue is, if a user can take from the system, have they a right to return treated waste water to the system.

This is no way to protect our environment. These water agencies are rendered ineffectual through legislative overrule.

There is no monetary value put on impacts to water and the environment from mining, yet in a market system where water is the commodity it has enormous value and is priced accordingly.

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Survey Water market transparency

Water, as a natural resource, has never been accorded its rightful capital worth as an accessible, quality supply for the entirety of the sectors that depend of it. Because of this, significant discrimination exists from corporate investor players to the mining sector, through high value cropping down to the small-scale and family-run farms enterprises.

No authority/agency/board can strategically plan for the future if government policy to expand mining is one of the single most detrimental threats to our water security and access.

Future water policy changes to regulation will be problematic if the current cross over in jurisdiction between Earth Resources and DELWP continues to allow the Energy Minister to out-decision all other interests.

How would this plan give scope to conflicting legislation and how would it be resolved to give the public confidence in a more effective water trading system.

I am fully supportive of Option 1:

Full market transparency means making all information in the Victorian Water Register free, publicly available and easy to find and access, including:

- *entitlements and allocations, details and names of holders*
- *transfers of entitlements and allocation, transaction details and names of buyers and sellers*
- *water use and location, amounts and names of water users*
- *allocation account balances, a running balance.*

Full and total transparency should be the objective to provide effectual scrutiny and identification of water trading hoarding and/or misuse. Only through full transparency can any negative transactions be identified so any loopholes in the framework can be actioned.

If water rights are traded and used as intended and with integrity then no water licence holder need be concerned.

If the government is confident that their regulatory oversight and/or compliance enforcement is adequate then full transparency of water trading will compliment this as the best option. Unfortunately, I see too many players just in government depts. and agencies working in an adhoc system of legislative and siloed policy frameworks. This only serves to create barriers for change.

The centralised trading platform is essential for transparency, preventing price manipulations and misrepresentations of available volumes on sale.

It is important for people to know the active buyers and sellers in the allocation market, why they are buying, for whom and for what industry sector.

A disclosure requirement by major players would take account of existing assets to purchase water entitlements rather than a manipulation of paper trading shares that artificially inflate a company's net worth.

Concerns about transparency and manipulation of players to workaround declarations of entitlements would be evident in a fully transparent system for each trading zones. The maths doesn't lie and different trade holdings and their subsidiaries are normally easily detected.

If the goal is to know what the water is being used for and how much is traded then the Victorian State government need to implement a fully transparent water trading system. **Only then can we know who and how water trading is being distorted.**

The current drought has highlighted how active investors have purchased water rights and hold them as an asset to use at times of emergency and at significant profit to them but to the detriment of the farmer.

This is a flawed system that has resulted in foreign countries owning our water assets and dictating the market price based on hardship by the farmers. This is not right and should be avoided at all costs.

Increased and simplified information

How can government simplify existing water market information?

- Note when water is traded from one sector to another permanently or temporarily, particularly mining.
- Note when significant volumes of water are traded to identify hoarding.
- Note when a water entitlement becomes available and which sector is to benefit in consideration of existing and predicted climatic conditions and **complimentary land uses**. **Water** resources have not been able to meet the **water** needed for environmental flows and human requirements.
- Label capped zones to identify when water authorities over allocate water entitlements. This would give greater insight into mismanagement when expansion of irrigation zones extends into dry land farming zones.

This way, the department's set obligations and sustainable targets can be evaluated with more accuracy and purpose to provide the Water Minister and Water Authorities with relevant information that the water is actually managed sustainably for all water users as well as the environment.

The Earth Resources, Water departments and their respective Minister should be able to better assess a water licence's allocation and trading ability to ensure that environmental waters be maintained to preserve the environmental values and health of water ecosystems.

Over the last 5 years, there has been a significant attempt to find out 'sleeper' wells to provide some added volume to the Gippsland market.

There are two issues of concern with this plan.

1. Over allocation

A 720,000 broiler farm was granted in an area with a small groundwater licence only which had higher than desired salinity. Not long after construction started in 2017, surrounding farms (inclusive of mine) was offered irrigation potential yet there was a significant uphill gradient.

Southern Rural Water is looking at opportunities to expand irrigated agriculture in the Latrobe, Thomson, Macalister and Avon catchments in Central Gippsland. The aim of the study is to consider projects that may promote regional development and boost employment for the region in the future.

This study is supported by funding from the Australian Government National Water Infrastructure Development Fund, an initiative of the Northern Australia and Agricultural Competitiveness White Papers. This is a pre-feasibility study.¹

2. For mining

To enable the purchase of unused water rights for expansion in coal, mineral sands and onshore mining yet the system is already fully allocated.

An overestimation of available water now should not be problematic to what is actually available for the future in an increasingly variable climate.

For DELWP to ensure good governance and better policy direction for the benefit of future agriculture, mitigation cannot occur from one department alone. Mining cannot continue to hold priority so that planners and managers are beholden to government policy and act in isolation of each other rather than collectively on a shared vision to protect our water security.

Furthermore, how is the change to a drier climate influencing the assessment value of mining as being more important to the economy than water?

Hoarding

With the increase in wholesale investors bidding for water entitlements on the temporary market and hoarding it against dry times to charge a higher price, means the scales of justice for our smaller independent farmers cannot possibly compete with the increased water costs.

Additionally, the ability for water right holders to use their entitlements as a commodity to trade being more productive than actually growing a crop is fundamentally immoral.

Moreover, the expectation that wholesale water investors can buy up land adjacent to irrigation to keep extending to create new irrigated land is adding to over-allocation of a finite resource that can no longer be relied upon. This means all users in the system will be impacted. These investors have a disproportionate access to more systems to buy.

¹ <http://www.srw.com.au/central-gippsland-irrigation-demand-study-update/>

An example is Kilter Rural growing cotton in Victoria² off Murray Darling water rights This is particularly relevant given the use of irrigated water to maintain high water use crops like cotton to provide shareholders with a high value return.

My concern with wholesale investors that they are not allowed to hold the majority of water entitlements over particular trading zones and states for this would be to the detriment of direct farm ownership and essential traditional farming enterprises. Innovation should be promoted but not at the expense of sustainable & traditional cropping and grazing enterprises just to serve a shareholder profit.

Full transparency here should prevent by governments own systemic failures and/or assumed corruption.

The following is information taken off the Kilter Rural website³.

WHAT ARE WATER ASSETS?

Water Entitlements are perpetual rights to access a share of a defined water resource such as a lake, river system or aquifer. They are issued, regulated and registered by State Governments.

At law the rights of Water Entitlement owners are akin to the owners of land titles. Holders of Water Entitlements are allocated a volume of water each year (Water Allocation) that can be either used or sold to other agricultural, urban or commercial water users.

WHY INVEST IN WATER ?

Increasing demand and scarcity will continue to remain as key economic drivers underpinning the water asset market.

Australia's political stability, strong history of supporting property rights and commitment to improving water trading transparency has formulated one of the most efficient water markets in the world.

These features provide significant strengths for those seeking to invest in Australian water assets.

The Kilter Water Fund is a vehicle through which sophisticated, non-institutional clients access investment opportunities in high quality Australian water entitlements and water allocations in the Southern Murray Darling Basin water market.

² <https://www.fibreshedmelbourne.com/tag/winlaton/>

³ <http://www.kilterrural.com/>

Costs

Of concern is the high cost of temporary water and lack of transparency in the Murray Darling Basin system.

Any ability of non-irrigators to access temporary water or investors who are hoarding water to put up prices must be assessed by the ACCC urgently to prevent manipulation and exploitation of the water market in a farmers desperate time of need.