Submission No 26

IMPACTS OF THE WATER AMENDMENT (RESTORING OUR RIVERS) ACT 2023 ON NSW REGIONAL COMMUNITIES

Organisation: Yanco Creek and Tributaries Advisory Council Inc

Date Received: 7 April 2025

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Inquiry into the impacts of the Water Amendment (Restoring our Rivers) Act 2023 on NSW Regional Communities

The Yanco Creek and Tributaries Advisory Council Inc (YACTAC) has been representing landholders and communities along the Yanco Creek system since 1980, with a board comprised of nine landholders. Prior to 1980, and commencing in 1921, the Yanco Creek Trust provided collaborative and equitable management of water resources. The people that live along the Yanco Creek system have a longstanding relationship with the water resources, agriculture and the natural environment. Before colonisation, aboriginal people lived all around the creek system utilising the food, fibre and other abundant natural resources.

The Yanco Creek system supplies water to a vast area of the Riverine Plains of NSW for agricultural production and water supply for townships of Morundah, Urana, Oaklands, Jerilderie, Conargo and Wanganella. Along the system there are several environmental assets including significant wetland areas. The community along the creek system is highly committed to improving the ecological health of all the system and has initiated and/or supported several studies and environmental restoration programs, particularly for riparian habitat.

The first Yanco Creek System Natural Resources Management Plan was developed in the early 2000s. To implement the plan, a unique levy was volunteered for the environmental management of the system. Water Access Licensees now pay an annual levy which is used for activities to protect and improve the aquatic and riparian ecosystems. A new Strategic Plan was developed and adopted in 2020 to incorporate a fresh approach with adaptive management practices to continue the long-standing local efforts of environmental enhancement and representation.

> ***YACTAC will faithfully represent the people of the Yanco Creek System to secure a vibrant natural environment that enhances the wellbeing of our people and protects the socio-economic needs of our communities for this and future generations.***

Submission

Terms of Reference

a) The social, economic and environmental impact of repealing limits to the cap on Commonwealth water purchases.

BACKGROUND:

The Murray-Darling Basin Plan (MDBP) aims to achieve a "triple bottom line" solution, balancing environmental, economic, and social outcomes by ensuring sustainable water management for the Basin, its industries, and communities.

Key Principles of the MDBP:

- **Sustainable Water Management:**

The plan focuses on managing water resources sustainably, ensuring that enough water is available to support productive industries, communities, and the environment.

- **Sustainable Diversion Limits (SDLs):**

The plan sets limits on the amount of water that can be taken from the Basin's water resources, both surface and groundwater, to ensure the health of the river system.

- **Environmental Watering:**

The plan prioritises environmental watering to support the health of the Basin's ecosystems, including rivers, lakes, and wetlands, and the plants and animals that depend on them.

- **Water Recovery:**

The plan includes water recovery targets, which aim to return water to the rivers to improve their health, measured in gigalitres (GL).

- **Basin-wide Approach:**

The plan aims to manage the Basin as a whole, recognising that it is a complex, interconnected system.

- **Flexibility and Adaptability:**

The plan is designed to be flexible and adaptable, allowing for adjustments as needed to meet changing conditions and priorities.

- **Transparency:**

The plan aims to improve transparency of decision-making.

Triple Bottom Line Focus:

- **Environmental Outcomes:**

The plan prioritises the health and resilience of the Basin's ecosystems, including rivers, lakes, and wetlands.

- **Economic Outcomes:**

The plan aims to support productive industries, such as agriculture and tourism, while ensuring sustainable water use.

- **Social Outcomes:**

The plan aims to ensure that communities in the Basin benefit from the sustainable management of water resources.

SUBMISSION:

The repealing of the cap on Commonwealth water purchases will undermine the triple bottom line, benefiting the environment at the expense of communities and the nation's economic growth (GDP).

This round of Commonwealth water purchases is designed to cover the shortfall in the 605GL target (average annual yield) and the 450GL upwater target (average annual yield). This will mean that approximately 1,000GL is still to be recovered from the irrigation sector. The following irrigation areas in the southern basin hold approximately:

Riverina	610GL	Southern Riverina	550GL	Coleambally	220GL
Sunraysia	140GL	Goulburn	550GL	GMID – Vic	310GL

Removing 1,000GL will have a huge impact on an area that has already been heavily impacted. This does not include water transfers from irrigation to aboriginal water licences.

The environment may flourish but the regions will no longer have the capacity to provide food for Australia/export or regional jobs. The outcome will be decimated regional communities.

b) The risks to the effective implementation of the Federal Water Amendment (Restoring our Rivers) Act 2023 including unlicensed take of water and options to address these risks such as rules for floodplain harvesting.

BACKGROUND:

NSW is notable for its level of transparency when reporting on compliance and enforcement activities and outcomes. Natural Resources Access Regulator (NRAR) publishes a quarterly report on its compliance and enforcement activities. NRAR has also produced an interactive dashboard which can be used to display quarterly enforcement actions going back to 2003. The dashboard report is categorised by local government area, water sharing plan and enforcement type.

The Inspector-General commends NSW for its progress since 2017, particularly regarding the resources dedicated to managing compliance; the level of public reporting on compliance and enforcement activities; and the adoption of new technologies to increase monitoring capabilities.

There have been less than 10 penalty notices in the southern basin since NRAR commenced in 2017. From 1 July 2024 to 11 March 2025 (latest report available) there has been the following **statewide** results in compliance.

Floodplain Harvesting (FPH) is a small but important form of water for communities, with very little activity of this type in the southern basin. FPH in NSW makes up just 3% of the total water in the Northern Basin but contributes approximately 25% of the water used for irrigation in the region.

New FPH rules in NSW will reduce access from 3% to just 2% of the total water in the Northern Basin. This transfer of water from irrigators to the environment will be the largest transfer of water out of industry since the water recovery under the Basin Plan.

This will be a significant adjustment for the impacted valleys in the northern Basin, with independent reports indicating a 14% reduction to irrigators' bottom lines, with flow-on economic impacts to communities, such as 41 job losses per annum in the Gwydir Valley alone.

Irrigators accept the reform because it's important for the environment and helps NSW meet its obligations under the MDBP and other state and federal laws.

SUBMISSION:

The Water Act is being implemented effectively with few risks. NSW is the top state for compliance. There is very little unlicensed water use, as shown by the small numbers of actions taken by NRAR. Compliance is very high, and the resources used to find non-compliance seem excessive given the results.

c) The impact of Planned Environmental Water rules on the reliability of water allocations in NSW and the Commonwealth's environmental water holdings.

BACKGROUND:

The state's water resources are managed through a framework of legislative instruments, strategies, policies and plans which aim to address and mitigate the pressures on water resources. Central to the management and control of demand are water sharing plans which are in force for all water sources in NSW. These plans provide a clear framework and rules for managing inland NSW basin water resources and coastal water resources and provide the basis for sharing water between the environment and extractive users.

Planned Environmental Water (PEW) rules, which are part of water sharing plans, impact water allocation reliability in NSW and the Commonwealth's environmental water holdings by limiting water extraction to ensure water remains in the water source for environmental needs, through both fixed and discretionary rules.

To offset the impact of water extraction and structures that regulate river flows, a share of the water resource is set aside for environmental purposes to maintain the health of natural systems and water sources. The *Water Management Act 2000* recognises and provides for two types of environmental water in the water sharing plans for NSW's regulated rivers:

- planned environmental water (PEW)
- licensed (or held - HEW) environmental water.

Planned environmental water (PEW) is committed to the environment through rules in water sharing plans. The plans limit overall water extraction to ensure an agreed amount of water remains in the water source. The plans also apply specific environmental flow rules.

Planned environmental water rules are either:

- fixed rules that prescribe 'automatic' actions to release water from storage, such as transparent and translucent releases, and limits on extraction
- discretionary rules that set aside water into environmental water allowances, based on specified trigger conditions.

Environmental water managers actively manage discretionary water by ordering releases from environmental water allowances. This gives managers the flexibility to determine when and how watering actions should occur, allowing them to optimise environmental outcomes.

In unregulated rivers, water sharing plans generally rely on rules that limit extraction of river flows to protect a share of water for the environment. In most cases, these rules set an annual extraction limit and a low-flow cease-to-pump level. This threshold is intended to minimise impacts during low flows and protect water for basic ecosystem health and riparian water uses.

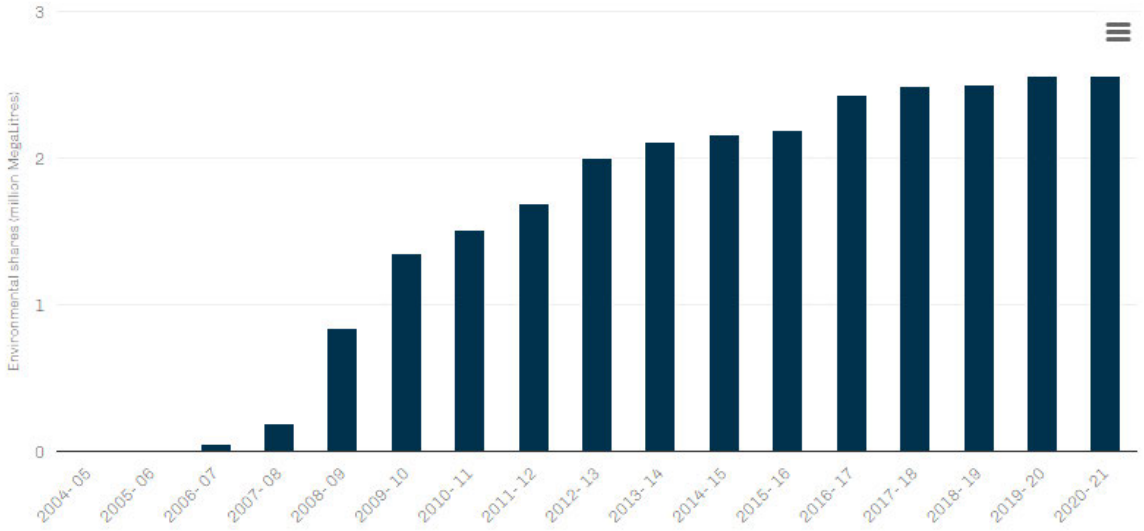
Licensed or Held environmental water (HEW) is committed to the environment through water access licences. It is generally purchased through entitlements of willing sellers or created through water savings. In the latter case, investment in projects or measures can yield more efficient water use, which can be converted into an equivalent licensed entitlement. Held environmental water is actively managed by the NSW Government to achieve specific environmental outcomes. This management includes collaboration on the delivery of water held by the Commonwealth Environment Water Holder (CEWH). Often different sources of environmental water (NSW HEW, CEWH HEW, PEW) are combined to enable releases of water for specific environmental objectives.

Environmental water holdings

Water recovery programs funded by the Commonwealth and NSW governments have purchased or recovered water for NSW's environment. This licensed water contributes to the total environmental water holdings. [1]

Figure 16.2 shows the growth in the volume of NSW environmental water shares from 2005–06 to 2020–21 due to water licence purchases and the creation of new entitlements through water savings infrastructure projects.

Figure 16.2: Environmental water shares in NSW



SUBMISSION:

Planned Environmental Water rules enable water to be released from storage (dams) when triggers are met. This action results in less water being held in the dams, which then impacts the total volume of water available for future use. This occurs through valley allocation announcements.

If water was not released via rule-based triggers, there would be more water allocated to licence holders.

The Commonwealth is the largest water holder in the state. However, as rule-based water is not metered, so it is not counted as environmental water delivery, even though it is. The graph in Figure 16.2 shows an increase in held environmental water shares but does not show all the water that flows through the state for environmental purposes. All water that flows through the state should be measured and metered.

[1] https://www.soe.epa.nsw.gov.au/all-themes/water-and-marine/water-resources#:~:text=Planned%20environmental%20water%20(PEW)%20is,based%20on%20specified%20trigger%20conditions.

d) The impact of rules-based changes on the reliability of water allocations in NSW, including their impact on different water license categories.

BACKGROUND:

Rules-based changes through NSW Water Sharing Plans are recognised as a form of water recovery, particularly in unregulated systems.

Factors for water recovery

Long-term diversion limit equivalent (LTDLE) factors (also known as the Cap factors) were established to accurately assess how much water has been recovered for the environment and to guide future water recovery decisions.

There are over 150 different classes of water entitlements in the Murray–Darling Basin. The factors are a method of comparing each of these entitlements, so they can be considered on equal terms. The factors provide a consistent accounting system to ensure water recovery has occurred as planned and indicate where any future water recovery may be required. These factors are focused on historical patterns, they are not a prediction or a guide of future water use.

Updating the factors

A set of factors across the Basin were adopted by the Murray–Darling Basin Ministerial Council in 2011, to account for the water recovery associated with the development of the MDBP. These factors were derived from a range of different sources and did not provide a consistent basis for water accounting across the Basin. In 2015, all Basin government ministers agreed to update the original 2011 factors, ahead of the accreditation of all water resource plans.

Updated factors are being developed now and consider the most recent information used for the accreditation of each water resource plan. The factors will be used to determine if the water recovery required in each catchment has been completed, as required under the MDBP.

Once water resource plans are accredited, the agreed arrangements for water sharing and water allocation between entitlement classes will begin to operate. The factors will not be used any further, except for additional water recovery where required.

Planning assumptions

To establish the updated factors, planning assumptions have been established for all surface water sustainable diversion limit (SDL) resource units in the Australian Capital Territory, Queensland, South Australia and Victoria and 2 groundwater SDL resource units in Queensland where water recovery is required. In NSW, updated information will be considered as the water resource plans are accredited.

Water usage patterns consistently demonstrate over the long-term that many entitlement holders do not use all the water allocated to them. Usage is an individual business decision, where entitlement holders consider climate and rainfall, the cropping cycle, and their own business plans.

Generally, the assumptions for the updated factors have considered:

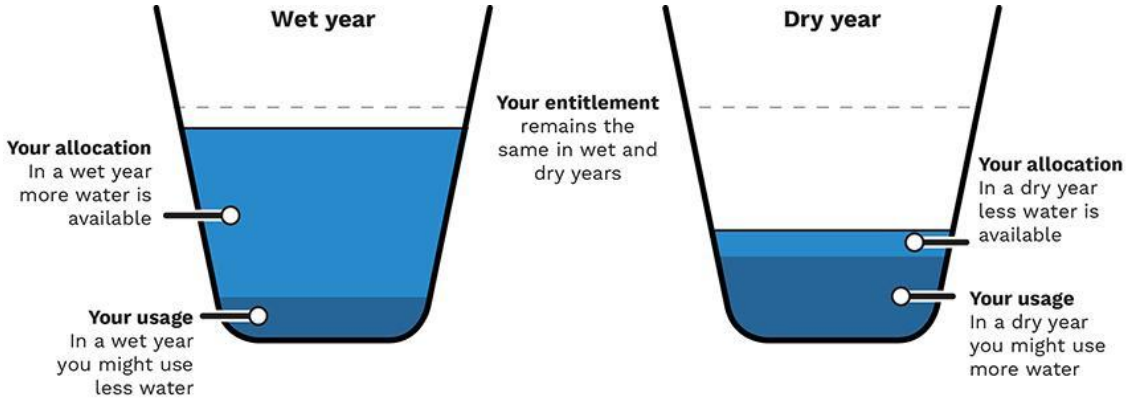
- recent information on water usage, along with historical information on usage and carryover
- climatic patterns over the past one hundred years
- water trade patterns, including interjurisdictional change and trade between entitlement types
- local rules regarding water access in each area through individual water sharing plans.

Entitlements, allocations and usage

Water markets in the Basin were established based on a 'Cap and trade' system, where the Cap represented the total pool of water available for consumptive use. This system has now transitioned to sustainable diversion limits, which set a new limit on water diversion under the MDBP.

Since the introduction of the Cap in water use in 1995, available water in each water year has been distributed to users via water rights administered by Basin states.

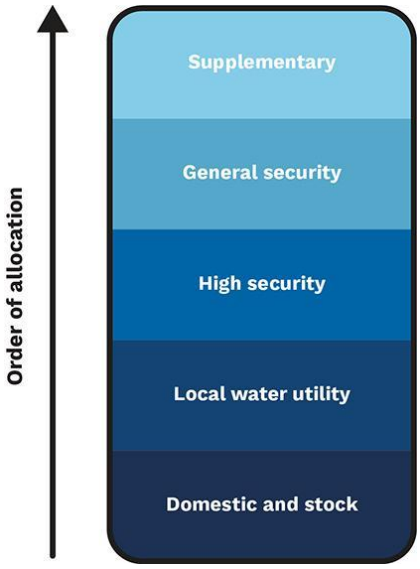
The relationship between aspects of the water market: entitlements, allocations and usage



Water entitlements

Water entitlements are rights to an ongoing share of water in a system. The financial value of water entitlements is determined by the water market, which operates like any other free market. The value of an entitlement is subject to market change. Entitlements are prioritised in various ways across the Basin.

Example of how the arrangements are prioritised by entitlement type (NSW surface water)



Water allocations

Water allocations are the amount of water distributed to users (water entitlement holders) in a water year. Allocations against those entitlements change according to rainfall, inflows into storages, and how much water is in storage.

Reliability

Reliability is a measure of the likelihood of an amount of water being allocated to a particular class of entitlements over time.

Water usage

Water usage is how much water is used from the water that is allocated. When water is allocated to an entitlement holder, they use it as needed – sometimes they only use a proportion of their allocated water – for example, sometimes they will use 30%, sometimes they'll use 95% and sometimes they'll carryover to the next year. This is an individual business decision, where entitlement holders consider climate and rainfall, their cropping cycle, and their own business plans.[2]

SUBMISSION:

Rule-based changes have a significant impact on water allocations, and it is always a reduction in reliability. The order of allocation determines the level of impact, with supplementary and general security licences being the most impacted. This has a direct impact on regional communities as many agricultural licences are of this category. With low allocations, irrigated agriculture is significantly restricted, annual cropping reduces in the first year and moves towards ceasing in subsequent years. However permanent plantings, such as horticulture, require water every year. Irrigators take a conservative approach to water planning using carryover rules to hold

[2] https://www.mdba.gov.au/climate-and-river-health/water-environment/water-recovery/factors-water-recovery

water on their licences from one year to the next. In this way they can access carryover water in the spring when water allocations are extremely low, banking on a water allocation being made available later in the irrigation season (July to June).

e) The effectiveness and impacts of past water reforms, including community-based water reduction adjustment programs such as the Strengthening Basin Communities program and Murray-Darling Basin Economic Development Program.

BACKGROUND:

Past water reforms in the Murray-Darling Basin, including community-based programs, have seen mixed results, with some positive environmental impacts but also social and economic challenges for communities reliant on water for agriculture and other industries. Below are examples from different perspectives: those that are not directly impacted (government perspective) and those that live in the regions and are directly impacted (irrigators perspective).

Government perspective

Environmental Benefits:

- The MDBP, a key component of water reform, aims to improve the health of the Murray-Darling Basin by setting sustainable diversion limits and allocating water for environmental purposes.
- Water recovery programs, like those purchasing water rights, have contributed to restoring flows in rivers and improving the health of water-dependent ecosystems.
- As of June 30, 2022, 2,800 GL (approx) of water entitlements were recovered to achieve environmental outcomes.

1. Sustainable Communities Program Introduction

- The Water Amendment (Restoring our Rivers) Act 2023 commenced on December 7, 2023, providing more options, time, funding, and accountability for the MDBP 2012.
- The Government released a Draft Framework in January 2024 to guide the recovery of 450 GL of additional environmental water, which with a factor of .7 will be closer to 600GL focusing on:
    - Enhancing environmental outcomes
    - Minimizing socioeconomic impacts
    - Achieving value for money
- Sustainable Communities Program announced in June 2024, providing $300 million to support Basin communities in adjusting to water recovery impacts.

2. Program Approach

- Aims to minimise social and economic impacts of water recovery for the 450 GL target.
- Utilises a steady, staged, and adaptive approach to give communities time to adjust.

- Resilient Rivers Program prioritises non-purchase recovery options.
- Community input and lessons from past water recovery programs were considered.

3. Program Outcomes

- Supports diversification and resilience in Basin communities.
- Funding complements other Commonwealth and State Government programs, including:
    - Critical minerals, green industry, Made in Australia Innovation Fund
    - Regional services, drought resilience, housing, and transport projects.
- Community adjustment assistance principles guide investments.

4. Funding & Delivery

- $300 million allocated over four years (July 2024 – June 2028).
- Funding provided through Federation Funding Agreements to Basin states.
- Investment divided into:
    - No-regrets investment for community transitions.
    - Adjustment assistance linked to water recovery programs.
- States receive funding for regional engagement and initiative development.
- Funding agreements will be made public once finalised.

5. Socioeconomic Impacts of Water Recovery

- While the MDBP has brought benefits, different communities have varied experiences.
- Socioeconomic impacts influenced by:
    - Climate and drought, commodity markets, technology, labour competition, demographic trends
- An addendum to the 2012 Basin Plan Regulation Impact Statement examines these impacts.
- The government will monitor and assess socioeconomic impacts over four years.[3]

Irrigators perspective

NSWIC (NSW Irrigators' Council)

Water reforms, particularly those related to the MDBP, have led to significant socio-economic impacts, including job losses, declining school enrolments, and increased water costs, impacting communities and the food supply chain.

[3] https://www.dcceew.gov.au/water/policy/programs/open/sustainable-communities

Below is a more detailed breakdown of the impacts:

- Socio-economic impacts:[4]

Job losses: Water reforms, including water buybacks, have resulted in substantial job losses in rural communities, particularly in the southern Murray-Darling Basin.

School enrolments: Declining school enrolments and poorer school outcomes have been observed in communities impacted by water reforms, potentially linked to economic hardship and population decline.

Increased water costs: The cost of water for irrigation has risen significantly, making it unaffordable for many farmers, especially during dry years, and driving up food prices.

Business impacts: Reduced water availability leads to less expenditure at local businesses, fewer services, and a decline in community morale.

Erosion of morale: The rapid and profound changes to basin communities due to water reforms can lead to a sense of hopelessness and a lack of confidence in the future.

- Environmental impacts:[5]

Focus on "just add water": The MDBP has focused primarily on increasing water availability without addressing other major degradation drivers, such as invasive species and bank erosion.

Declining native fish populations: Despite increased water availability, native fish populations in the basin are still declining, and waterbird populations are static.

Elusive water quality improvement: Improved water quality remains elusive, despite the MDBP's objectives.

SUBMISSION:

The impact of water reform on areas within NSW that rely and have been built on irrigated agriculture should not be understated, however this is exactly what occurs when reports are written for the MDBA and other entities. The highly politicised reports diminish the impact on communities by averaging results. It is not until you live in these communities that you fully understand that impact. Irrigation in the Murray Darling Basin has an economic multiplier of 3.5 – meaning that for every $1,000 of farm gate revenue generated, there is an additional $3,500 of dependent economic activity. It is this co-dependency that is not factored into the full effect of removing water from the irrigation sector. Previous programs have been poorly designed, and some have been delivered in areas where there was little negative impact on the community.

The one-off assistance package will have minimal impact, especially considering that the **annual** farmgate value of irrigated agricultural products will decrease by $600 - $900 million.[6]

[4] https://www.nswic.org.au/socio-economics/

[5] https://www.nswic.org.au/murray-darling-basin-plan/#:~:text=Water%20recovery%20to%20date%20has,erosion%20and%20cold%20water%20pollution.

[6] https://www.nswic.org.au/media_release/unnecessary-water-recovery-to-win-city-votes/

f) options to improve future community-based reduction adjustment programs including next rounds of the Sustainable Communities Program

SUBMISSION:

Adjustment programs must be delivered in the areas that are most impacted. They must be ongoing and provide funding to support new industries that will become the employers of the future. Technology connectivity must be improved in regions so that new industries can function as effectively as they would in the city. Infrastructure such as roads and freight lines must be improved to increase the efficiency of delivery of regionally produced products.

g) Any other related matter

BACKGROUND:

Environmental water delivery

The amount of water available for release into the environment depends on annual allocations available for the different types of entitlement. Managers allocate the water according to the priority of these entitlements, while also considering seasonal water availability.

In NSW, annual and long-term water plans are developed by the DCCEEW. Annual plans outline the priorities for use of water for the environment in the coming year, depending on climatic factors and water availability as conditions change.

Table 16.3 shows how volumes of environmental water released from storages of different regulated river valleys in inland NSW decreased between 2017–18 and 2019–20 due to the severity of the drought. These numbers are for releases made through specific environmental allowances, or because of licensed environmental water. **They do not include water made available to the environment through non-discretionary fixed rules in water sharing plans, such as prescribed end-of-system flows or transparent and translucent releases from storages.**

Table 16.3: Environmental water delivered in inland rivers of NSW, 2017–18 to 2019–20 (ML)

Water source	2017–18		2018–19		2019–20	
	EWA	HEW	EWA	HEW	EWA	HEW
Subtotal	192,756	656,972	290,737	338,156	98,597	180,045
Total environmental water	849,728		628,893		278,642	

The 2017–18 year was the start of a period of the hottest temperatures and lowest rainfall on record in NSW. In July 2017, the water year began with reasonable reserves of water due to widespread rain in 2016. Through active management, around 850,000ML of environmental water was delivered to environmental assets in inland NSW. In the Murray catchment a total of 310,500ML (in conjunction with Victorian water for the environment) was delivered to the Murray River, connected Millewa Wetlands, and the Edward-Wakool river system. Promoting native fish breeding and movement, the connectivity boosted food production, recharged groundwater reserves, supported a myriad of wetland plants and provided important habitat that helped sustain bird breeding events, including colonial-nesting ibis, spoonbills, cormorants, darters and the threatened Australasian bittern.

The following 2018–19 water year, the State, Commonwealth and The Living Murray accounts together delivered just over 628,000ML of water for the environment to key sites across the state. In catchments particularly affected by dry conditions, refuge sites were targeted, with native fish, waterbirds and other wildlife congregating in and around the remaining pockets of water. In the Gwydir catchment, more than 28,000ML of water for the environment was released from Copeton Dam as part of the Northern Fish Flow event, boosting available habitat and food for native fish and the opportunity for them to move within the river system. This event also provided important social and cultural outcomes for communities in the Gwydir and further downstream.

Water availability across the state came under drought operations during the 2019–20 water year. Approximately 278,000 ML was delivered across 40 watering events providing a mosaic of drought refuge sites to support key populations of native fish, waterbirds, plants and other water-dependent wildlife. In the Lachlan catchment over 31,000ML was delivered to 9 separate wetland sites with many sites inundated for at least 4 to 8 months, and deeper wetlands, such as the Cumbung, retaining water to provide an ongoing drought refuge into 2020–21.[7]

SUBMISSION:

The separation of water from land had fundamentally changed the dynamics of regional NSW. No longer can irrigation be seen as a reliable input into the production of food and fibre. Regions that are highly developed for irrigation now face a reduced reliability, reduced access and increased prices for infrastructure that is now underutilised. In some cases, infrastructure could now be deemed a stranded asset as it is now so infrequently used. The Commonwealth government has systematically deconstructed the irrigated agriculture sector and continues to do so. The fact that infrastructure is required to move environmental water, as discussed in the background section, around the state but the bulk of cap-ex and op-ex costs are borne by the irrigator is galling. Previously farmers were drawn to irrigation areas rather than marginal dry land areas due to the reliability of production, however they are now questioning whether that reasoning is still valid. We have had more than one farmer tell us that they regret purchasing land on a creek system due to all the regulations and restrictions.

[7] https://www.soe.epa.nsw.gov.au/all-themes/water-and-marine/water-resources#:~:text=Planned%20environmental%20water%20(PEW)%20is,based%20on%20specified%20trigger%20conditions.

In the 1990s, Senator Bill Heffernan warned that water policy changes would create “water barons” – individuals with no ties to food and fibre production – while driving traditional farmers out of the sector. This prediction has become a reality. The notion of over-allocation and overuse of irrigation water is blatant falsehood. During droughts, both the environment and irrigators receive less water. Over the past decade, there has been a chronic under-use of allocated irrigation water, leading to numerous concerns. Yet, the misleading rhetoric of over-allocation and overuse persists in reports. This is both infuriating and galling.

Trevor Clark – President

Tanya Thompson – Executive Officer