Submission No 31

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

Organisation: NSW Government

Date Received: 11 April 2025

NSW submission to the Parliamentary inquiry into the Impacts of the Water Amendment (Restoring Our Rivers) Act 2023 on NSW regional communities

The Legislative Assembly Committee on Investment, Industry and Regional Development has established the inquiry to examine and report on the impacts of the Commonwealth's *Water Amendment (Restoring Our Rivers) Act 2023* on NSW regional communities.

Introduction – NSW context

The Murray-Darling Basin Plan

Established in 2012, the aim of the Murray-Darling Basin Plan (Basin Plan) is to bring the Basin back to a healthier and sustainable level, while continuing to support farming and other industries for the benefit of the Australian community. The Basin Plan sets out limits to the amount of water that can be taken from the Basin each year to sustainably manage water resources in the Basin for all users, including the environment.

The Basin Plan sets a target of 2,750 GL per year of surface water to be returned to the environment. This target is met through:

- 70 GL reduction through the Northern Basin Review.
- 605 GL reduction through sustainable diversion limit adjustment mechanism (SDLAM).
- Residual recovery of 2,075 GL ('bridging the gap').

The NSW portion of the 2,075 GL target is 989.2 GL. The latest published figures of 31 December 2024 state that 1,033 GL has been recovered in NSW. While this is more than the overall target, there remains some valleys where recovery targets have not been met. Based on the latest update published by the Australian Government in March 2025, the following recovery remains - 1.28 GL in the Barwon-Darling, 3.2 GL in the Condamine Balonne (groundwater), 0.65 GL in the Namoi and 3.82 GL in the NSW Border Rivers. Noteworthy is that with over half of the Basin within NSW, our contribution to water recovery is greater than any

other state. The Basin Plan also sets limits for groundwater, but this will not be considered further in this Submission.

The Basin Plan also provides for recovery of an additional 450 GL/year for enhanced environmental outcomes to be achieved through various methods including efficiency measures and infrastructure projects.

NSW supports implementation of the Basin Plan in full

NSW has been clear that it supports full implementation of the Basin Plan, but it must be done in a way that has a limited impact on local jobs and households and allows for regional communities to prosper.

In August 2023, Basin Water Ministers (except Victoria) re-confirmed their intention to deliver the Basin Plan in full.[1]

The *Water Amendment (Restoring Our Rivers) Act 2023*

The Australian Government's *Water Amendment (Restoring Our Rivers) Act 2023* ('Restoring Our Rivers Act') was assented to on 7 December 2023. It provided more time, more options, more funding and more accountability to deliver the Basin Plan and its remaining water recovery targets. This included extending the deadline for completion of SDLAM projects, allowing more time to recover the 450 GL of additional environmental water and removal of the 1,500 GL cap on Australian Government water purchases. It also broadened the ways that water could be recovered for the 450 GL target, allowing the Australian Government to use buybacks and to assign all over recoveries towards this target.

Under the Restoring Our Rivers Act, the Australian Government released in July 2024 the Restoring Our Rivers Framework for delivering the 450 GL of additional environmental water[2] which outlines three new programs to achieve the 450 GL. These programs are:

1. Resilient Rivers Program
2. Voluntary Water Purchase
3. Sustainable Communities Program

Details of these programs as relevant to the Terms of Reference are covered below.

Water recovery is used for a range of environmental outcomes

[1] https://www.dcceew.gov.au/sites/default/files/documents/agreement-mdbp-delivery-full.pdf

[2] https://www.dcceew.gov.au/sites/default/files/documents/framework-for-delivering-the-450-GL.pdf

Water recovery under the Basin Plan is designed to enhance environmental outcomes across the Basin. More water for the environment means a better chance of achieving a healthy Basin, including:

- restoring and maintaining the health of waterways and internationally significant Ramsar wetlands
- keeping rivers and floodplains connected, especially during dry times
- providing habitat for waterbird feeding and breeding
- supporting native fish spawning, movement and habitat
- flushing algae or salt from river systems
- improving water quality to support social and cultural values and activities.

Issues affecting the Murray Darling Basin

There are a number of risks to the water resources of the Murray-Darling Basin including climate change, droughts and extreme events, land use changes in catchments, competition between users for limited water resources and invasive species. This has resulted in alterations to natural flow, habitat destruction, reduced water availability, changes in water quality and ecological degradation. This has also affected First Nations peoples: their health and wellbeing and care and connection to Country.

The NSW Government supports the environment, communities and water users to adapt to a future with reduced access to water, whether this is due to requirements of water recovery programs or the effects of climate related water variability. This includes activities to improve the efficient use of water, more effective water saving and mitigating the impacts of less water availability.

NSW manages water resources for diverse outcomes

Water management in NSW is delivered by multiple agencies. In the Murray-Darling Basin, this includes the NSW Department of Climate Change, Energy, the Environment and Water (NSW DCCEEW), the Department of Primary Industries and Regional Development (DPIRD) and Water NSW. The Natural Resources Access Regulator (NRAR) is an independent regulator responsible for the enforcement of water laws in NSW through monitoring compliance and education.

NSW seeks to ensure effective protection of river systems and resilient regional communities within the Basin. Therefore, NSW in its delivery of the Basin Plan, aims to meet water recovery targets and improve environmental outcomes while minimising negative social and economic

impacts and supporting NSW communities. The NSW Government approach is informed by adaptive management.

Functional rivers, wetlands and floodplains provide essential ecosystem services to rural and regional communities. The benefits include:

- Direct use values – benefits obtained from visiting an area and taking part in fishing, bushwalking or other activities, and providing water to support agricultural industries
- Indirect use values – include erosion, sediment and flood control; pollination; decomposition; ecosystem resilience; water purification; maintaining genetic resources; carbon storage; pest and disease control via ecosystem biodiversity; soil formation and fertility; nutrient cycling; and climate regulation (commonly referred to as ecosystem services)
- Non-use values – include the value of leaving assets to future generations and the value people gain from knowing the assets continue to exist.

Healthy rivers and wetlands are foundational to underpinning a properly functioning water management framework and water market and should be informed by new knowledge and adaptive management. Given the interrelated nature of environmental, social and economic outcomes in the Murray-Darling Basin, the environmental impact of river and wetland decline will affect the health of rural agriculture and communities (including First Nations).

Responding to the Terms of Reference of the Inquiry

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

The NSW Government does not support water buybacks to deliver the Basin Plan and continues to request that the Australian Government prioritise investment in water recovery through projects, programs, and infrastructure.

In February 2024, the NSW Government released its Alternatives to Buybacks Plan[3] which sets out project ideas we expect the Australian Government to support to recover water, deliver environmental outcomes, and reduce the volume of buybacks. The Plan is focused on:

[3] https://water.dpie.nsw.gov.au/__data/assets/pdf_file/0005/606920/NSW-Alternatives-to-Buybacks-Plan.pdf

1. Maximising the environmental outcomes achieved via the SDLAM that accounts for the 605 GL.
2. Maximising recovery towards the 450 GL of additional environmental water from investment in infrastructure, projects and rules-based changes.

The Australian Government's *Water Act 2007* had a 1,500 GL cap on water purchases by the Australian Government. Through the Restoring Our Rivers Act, this cap was repealed. At this time, 1,253 GL of entitlement had been purchased by the Australian Government (including 519 GL in NSW), which is 247 GL short of the repealed cap.

It is too early to measure the impact of the cap repeal

In July 2024, the Australian Government released its *Restoring Our Rivers – Water Trading Strategy*[4] (Trading Strategy) and released an updated Trading Strategy in February 2025. Table 1 below outlines the water purchasing processes being undertaken as part of the Trading Strategy (with an approved procurement by the Australian Government's Minister for Water amounting to 170 GL), their status and the water purchasing outcome advice that the NSW Government has received.

Table 1: Australian Government Water Purchase Programs

Program	Details	Status
Restoring our Rivers Selected Catchment Open Tender	Australian Government announced in mid-2024 the purchase of up to 70 GL of surface water across 5 catchments in the Southern Connected Basin (excluding irrigation infrastructure operators).	The tender has closed. The Australian Government commenced accepting offers under this tender in December 2024. Tender responses continue to be evaluated by the Australian Government with offers continuing to be accepted. As of March 2025, volumes agreed to be purchased as published on the Australian

[4] https://www.dcceew.gov.au/sites/default/files/documents/restoring-our-rivers-trading-strategy-feb-2025.pdf

Program	Details	Status
		Government's website will contribute 23.2 GL/yr to Basin Plan targets. 20.6 GL/yr of this is in NSW.
EOI 1 – Remaining Southern Connected Basin Catchments	For owners across the southern connected basin ineligible to apply under the July 2024 Open Tender (including IIOs)	The EOI has closed. The Australian Government is evaluating responses received. Next steps on a tender approach will be advised in mid-2025.
EOI 2 – large portfolios of water	For owners of large portfolios of water (around 20 GL or more) focused on selected catchments	The EOI has closed. See below.
EOI 2 – large portfolios of water	The Australian Government announced in February 2025 that it had approved the commencement of a 100GL purchasing program from the multi-staged EOI 2 process.	Duxton Water has agreed to sell 30.6 GL of water entitlements to the Australian Government arising from the EOI 2 process.

Given the limited number of water purchases that have been confirmed and published by the Australian Government, it is in our view, too early to determine the *actual* social, economic and environmental impacts of the repeal of the statutory 1,500 GL cap on NSW communities. There is however an abundance of studies and economic analysis and differing views and conclusions as to the *potential* impact of water purchases towards the 450 GL target.

Section 86ABD of the Restoring Our Rivers Act requires that the Australian Water Minister consider the social and economic impacts on communities before approving a purchase program for the 450 GL. It is imperative that socio-economic reports that inform these decisions assess the cumulative impacts of water purchase programs and that programs are not considered in isolation.

It is noted that if the Australian Government recovers the full 170 GL of water purchase through a combination of their active programs (refer above), the 1,500 GL cap would not yet be reached, even if all outstanding Bridging the Gap water recovery was obtained through water purchase.

Participation in water purchasing is voluntary and water purchasing under the Basin Plan is an Australian Government responsibility. Funding from the Australian Government under the Sustainable Communities Program is designed to provide community assistance to help reduce the social and economic impacts of water buybacks on NSW communities under the Basin Plan. (See section (f) below).

A NSW commissioned report highlighted the importance of program design to mitigate against negative impacts

In February 2024, Aither completed a research report commissioned by the NSW Government[5] that would help to inform our understanding of the social and economic impacts of buybacks in Basin communities and how program design can mitigate or manage these. Specifically, Aither were asked to:

- Examine and identify which NSW communities (or regions) are most likely to be vulnerable to socio-economic impacts that would result from purchasing towards the 450 GL target,
- Analyse the extent of the impacts on those communities based on existing data and analysis,
- Explore elements of water purchase program design which would be most detrimental to the socio-economic welfare of affected communities identified,
- Recommend water purchase program design options that would minimise the socio-economic impact on communities identified.

Of note to this inquiry, the key points from the Aither report were:

- Community vulnerability depends on the impact of a change or event, and the relevant region's adaptive capacity, where the level of adaptive capacity (where it exists) can potentially offset some of the impact, reducing vulnerability. Potential impact is a function of exposure and sensitivity to the change or event
- The impact of water recovery on entitlements varied between the northern and southern Basin. But overall, in the long-term, because less water is available for consumptive uses, water prices will increase and production volumes and value in some crops will decrease.

[5] https://water.dpie.nsw.gov.au/__data/assets/pdf_file/0005/607064/Water-purchasing-programs-report.pdf

- Impacts on communities will be more localised in the northern Basin, with impacts being more transferrable in the southern Basin. The economic impacts are less clear, however the report drew the conclusion that they are unlikely to be zero. The report also identifies the areas that are most likely to be impacted.
- The report concludes that the design of water purchase programs can and should focus on mitigating negative socio-economic impacts.

The overarching finding from Aither is that buyback program design will have a substantial influence over the relative socio-economic impact of water recovery to meet the 450 GL target.

The NSW Government has and will continue to advocate for NSW communities in line with the advice provided by Aither, and will continue to liaise with the Australian Government, and communities and stakeholders in NSW.

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

The Commonwealth has responsibility for implementing the Restoring Our Rivers legislation

Delivery and implementation of the Restoring Our Rivers legislation is the responsibility of the Australian Government. NSW is implementing its Alternatives to Buybacks Plan to support full implementation of Basin Plan targets and minimise water purchases from NSW communities.

The Restoring Our Rivers legislation provides more time to deliver water saving projects

SDLAM

The Restoring Our Rivers Act extends the deadline for completion of SDLAM projects by two and half years (to 31 December 2026) and enables new SDLAM projects to be proposed (to June 2025). NSW is doing everything it can to bring forward new SDLAM projects and deliver existing SDLAM projects by 31 December 2026 to maximise our contribution to the 605 GL.

NSW has sought approval from all Basin Governments to progress four new SDLAM projects to the next stage of development. These projects are:

- Restoring Murray Waterways (project led by Murray Irrigation)

- Mid-Murrumbidgee River Optimisation (project led by Murrumbidgee Irrigation and Coleambally Irrigation)
- Murrumbidgee Airspace Management (project led by NSW DCCEEW)
- Murray Valley Connected Creeks and Wetlands (project led by West Corurgan Private Irrigation District)

These four projects are undergoing a detailed assessment process to determine their suitability as new SDLAM projects. Basin Governments will be required to make a decision on whether or not these projects will be notified as new SDLAM projects by 30 June 2025.

There is a lot of work required to be undertaken in the next few months to prepare detailed assessments to enable their consideration by Basin Governments. If any of these proposals are supported by Basin Governments, funding will be required from the Australian Government for implementation, which if not received in a timely manner, will jeopardise project delivery by December 2026.

NSW was the lead or co-proponent for 21 SDLAM projects out of the package of 36 projects that were originally notified by Basin Governments. The current status of these projects is detailed in **Attachment A** and summarised below:

- 7 projects are complete
- 9 projects are due for completion by 31 December 2026
- 3 projects will not be complete by 31 December 2026
- 2 projects are not progressing or are being rescoped

Funding agreements are in place to support delivery of several projects that are due to be completed by 31 December 2026. The amount of development work, agreements to access private land and the potential for inundation within the timeframe continue to be the greatest risk for delivery of the SDLAM within the timeframe. For constraints projects that will not be complete by the legislative deadline, the Constraints Relaxation Implementation Roadmap, published by the Murray-Darling Basin Authority (MDBA) in December 2024, finds that successfully relaxing constraints across the Basin requires a 10-year program and must include fit for purpose governance arrangements.

Resilient Rivers Water Infrastructure Program (RRWIP)

NSW is also doing everything it can to bring forward new projects and deliver existing projects by 31 December 2027 to maximise our contribution to the 450 GL of additional environmental water under the Resilient Rivers Water Infrastructure Program (RRWIP).

The status of NSW projects under the RRWIP or its former program – the Off-Farm Efficiency Program - is:

- 1 project delivered – Nap Nap Station Water Efficiency Project
- 2 full projects in delivery - Murrumbidgee Irrigation Automation Finalisation (MIAF) and Murrumbidgee Irrigation Urban Channels Pipeline Project (MIUCP)
- 3 projects completed feasibility studies and full project applications in development - Modernisation of the West Corurgan Private Irrigation District (WCPID), Gunbar Hay Booligal Carrathool Goolgowi (GHBCG) Water Group water efficiency and Trangie-Nevertire Co-operative Ltd (TNCL)
- 3 projects funded to complete feasibility studies - Murrumbidgee Irrigation Channel Piping, Lining and Covering Feasibility Project, Murrumbidgee Irrigation Barren Box Channel Feasibility Project, Southern Irrigation Districts: Building Resilient Infrastructure Feasibility Project and funding negotiations are underway on the NSW Water Recovery Start-up Feasibility project.
- 2 full project applications under assessment by the Australian Government out of GHBCG feasibility - Elwah Pumpers Modernisation Scheme and Boxyards Road Water Stock and Domestic Pipeline Project
- Several project applications in development by NSW.

Program Guidelines provide that full project applications will be accepted by the Australian Government until 27 June 2025 and that feasibility projects are required to be finalised by 27 June 2025 in order to inform consideration of future funding. Program application timeframes and eligibility and assessment criteria continue to be the greatest barrier for effective implementation of the RRWIP.

NSW has a robust licensing framework in place

The water management licensing framework in NSW is designed to ensure sustainable and equitable use of water resources. This framework is established through:

- The *Water Management Act 2000*, which governs water management in NSW.
- Water access licences (WALs), which grant the holder the right to access a specified volume of water from a particular water source. WALs are separate from land ownership, allowing for water trading
- Water Sharing Plans (WSPs) which set out the rules for sharing water between different users, including the environment. They aim to protect water-dependent ecosystems while providing security for water users.
- Floodplain harvesting rules which govern the capture of water flowing across floodplains. Licences for floodplain harvesting are included in water sharing plans for

the major regulated river water sources in the Northern Basin as well as the Barwon-Darling Unregulated River Water Source. Finalisation of licensing is now underway in the last valley under the Healthy Floodplains Program, the Namoi Valley.

- Compliance and monitoring with water management regulations. This includes monitoring water use and ensuring adherence to licence conditions. NRAR respond to and investigate reports of alleged breaches and monitor and audit the use of surface water and groundwater. NRAR uses technology to monitor unlawful water take including state-of-the-art satellite imagery, drones, motion-activated surveillance cameras, and intelligent data.

NSW is finalising its roll out of licensing and measurement of floodplain harvesting

Floodplain harvesting is the practice of capturing water that flows across the floodplains, generally during or after periods of heavy rain. Unlicensed floodplain harvesting was previously recognised as a significant risk in the northern Basin, with modelling showing that floodplain harvesting had grown above the legal limits described in NSW WSPs and the Basin Plan. This previous unlicensed floodplain harvesting reduced the volume of water that remained on floodplains and re-entered rivers and creeks, impacting the sustainability of water resources. Water taken through floodplain harvesting activities is the last major form of water take to be licensed in NSW.

The NSW Government has made a commitment to restricting and controlling floodplain harvesting through licensing and measurement under the *Water Management Act 2000*.

Licensing and measurement of floodplain harvesting has been implemented in four NSW valleys - the Border Rivers, Gwydir, Macquarie and Barwon-Darling. In the Namoi, which is the fifth and final northern Basin valley where the NSW Floodplain Harvesting Policy is being currently applied, licences for eligible water users have been created in the unregulated river system and with water being credited into water accounts on 18 March 2025. It is anticipated that licences will be created and water credited in the regulated river system in May 2025. The licensing framework restricts water take to within individual licence limits and imposes conditions requiring water take to be measured and reported. This enables monitoring to be undertaken to restrict any growth in use and ensure water use remains in legal limits.

Floodplain harvesting in the southern Basin is considered to be a lower risk compared to the northern basin as it is considered to occur to a much lesser extent. This view is formed on the basis that the southern Basin has a less significant volume of on-farm storage than the northern Basin. Despite not presenting a significant risk in the southern Basin, implementing floodplain harvesting licensing remains on the forward agenda.

NSW's non-urban metering program

Accurate metering is fundamental to a transparent and robust water management framework. We need to know that water is being taken according to the rules, which now include the measurement of floodplain harvesting.

In 2023-2024, NSW undertook a comprehensive review of the non-urban metering rules and identified interventions to accelerate metering compliance. Key interventions aim to:

- Focus resources where they are needed most, particularly on larger, high-risk water users first
- Expand and better support the workforce of people who can install tamper-evident meters
- Make it cheaper, easier and faster for smaller and low-risk users to comply with the rules
- Strengthen NRAR's ability to enforce the law by removing barriers to compliance.

The *Water Management (General) Amendment (Metering) Regulation 2025* commenced on 7 March 2025 to implement some of the most urgent outcomes of the Review. Implementation of the review recommendations aims to ensure 95% of licensed water take in NSW is measured, recorded and reported by December 2026.

Compliance with water extraction limits

In NSW, WSPs are the statutory instruments that secure water sharing rules (including for the environment) and trade rules. Water Resource Plans (WRPs) are a requirement under the Basin Plan provided to the Australian Government for accreditation and in NSW, these are underpinned by our WSPs.

NSW is responsible for 20 out of the 33 WRPs required across the Basin. NSW has sixteen accredited WRPs. Four WRPs have not yet been accredited – the Gwydir and Namoi Surface and Groundwater WRPs. We are working with First Nations people to update supporting documents and to resubmit these remaining plans to the MDBA as soon as possible.

The Inspector–General of Water Compliance is responsible for monitoring Basin State governments' compliance with the Basin Plan's sustainable diversion limits (SDLs). In the Murray Darling Basin where NSW has WRPs, the Inspector-General of Water Compliance can undertake this assessment. Where WRPs are not in force, NSW operates under a bilateral agreement with the MDBA which enables NSW to report against SDLs in draft WRPs, despite them not being accredited. Where this assessment has indicated non-compliance, action has

been taken, most notably with a reduction in available water determinations in the Gwydir Valley in 2022-23, implemented through the rules in NSW WSPs.[6]

In line with NSW's commitment to sustainable water use, NSW has taken compliance action which is still current to combat growth in use where assessments against Long Term Annual Average Extraction Limits (LTAAELs) show that limits have been exceeded, in accordance with the rules in the NSW WSPs, even when the water resource area has been assessed as compliant against the SDL.

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

Planned environmental water rules are separate to the Restoring Our Rivers legislation

In NSW, planned environmental water (PEW) is water committed for ecosystem health or other environmental purposes through rules in surface and groundwater WSPs. The rules and frameworks that determine how PEW is allocated and delivered in NSW is determined through the NSW *Water Management Act 2000*, which is separate to the Australian Government's Restoring Our Rivers Act.

The *Water Management Act 2000* requires the preparation of statutory WSPs, which include environmental provisions and other rules for sharing water specific to a water source. A key water management principle (section 5(3) of the *Water Management Act 2000*) is that the sharing of water must protect the water source and dependent ecosystems and basic landholder rights. Separate to licensed entitlements, NSW provides for PEW through environmental rules in WSPs which set aside volumes of water or set minimum flows rate that need to be achieved before access occurs.

PEW is also known as rules-based environmental water and can be 'discretionary' or 'non-discretionary'. Discretionary planned environmental water can be ordered by environmental water managers, while non-discretionary is scheduled for delivery or protection in accordance with the rules set out in the WSP. Examples are:

- Non-discretionary: water remaining in the water source after water-sharing – each surface and groundwater sharing plan includes a long-term average annual extraction

[6] https://www.dpie.nsw.gov.au/water/our-work/allocations-availability/extraction-limits/sustainable-diversion-limit-outcomes

limit (LTAAEL) to ensure a portion of the resource remains in the water source for environmental purposes and other downstream uses

- Discretionary: e.g. environmental water allowances – several surface WSPs set aside water in storages that can be used at the discretion of environmental water managers for specific environmental purposes, such as for suppressing blue-green algae, reducing salinity and supporting bird breeding or fish spawning events.

More recently, the NSW Government has implemented a range of reforms to improve water management and protect critical low flows and improve river system connectivity. This includes the introduction of resumption of flows rules and the raising of class A licence thresholds in the Barwon-Darling. The resumption of flow rules ensure that the first flush of water through a waterway after a dry period remains in the water course. Class A licences are the first class to be able to access flows in a rising river. The raised thresholds increased the amount of water that needs to be in a waterway before a licence holder can access their entitlements. These rules protect PEW and provide environmental, social, cultural and economic benefits, which are critically important after a dry period.

Planned Environmental Water is higher priority than consumptive use

In line with the objects and principles of the *Water Management Act 2000*, PEW has a relatively higher priority than most other licensed water allocations. After PEW and basic landholder rights, licence categories are prioritised in the order of (from highest to lowest and when not in drought):

1. Local water utilities, major utility and domestic and stock water supply
2. High security
3. Conveyance (water needed to deliver ordered water)
4. General security
5. Supplementary.

Based on this, any changes to rules which increase PEW will have implications, which may include a reduction in allocations for lower priority licence categories. As significant volumes of held environmental water (HEW) in regulated water sources is through a general security licence, this will impact HEW as well, although because there has been an increase in PEW, the overall water available for the environment and environmental outcomes is likely to be increased.

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

Rules-based changes are continually implemented to improve how water is managed Since the NSW *Water Management Act 2000* was introduced and the first water sharing plans released in 2003, NSW has been continually improving how water is managed, including through rules-based changes. Key changes already implemented to improve water management (focused on the northern Basin) include active management to protect environmental water, metering reforms, licensing of floodplain harvesting, and changes to the Barwon-Darling water sharing plan to better protect low flows in response to the fish deaths at Menindee in 2018/19.

Improving connectivity across the northern Basin at important times is a NSW Government priority, with the Northern Basin Connectivity Program established to progress this. Improving connectivity across the northern Basin and flows into and in the Barwon-Darling is particularly challenging, as over 90% of its flows come from upstream catchments, with most of these occurring during periods of high flows. NSW also has multiple other projects and programs aimed at improving connectivity between river reaches and their surrounding environment and water availability to support the environment, communities and businesses in the Basin.

The Connectivity Expert Panel was convened to provide expert advice to improve connectivity

The Connectivity Expert Panel (the Panel) has provided independent advice to the NSW Minister for Water on changes that could be made to water sharing plans in northern Basin valleys to improve flows across the northern Basin to provide outcomes in the Barwon-Darling in dry and non-dry times[7].

The Panel's report reflects the views of the Panel and is not government policy. It will be one of the multiple factors taken into consideration when the NSW Government determines any changes needed to northern Basin water sharing plans to improve downstream connectivity outcomes.

[7] https://water.nsw.gov.au/__data/assets/pdf_file/0003/616737/connectivity-expert-panel-final-report.pdf

As a first step, the NSW Government is conducting comprehensive hydrologic and economic analyses of the Panel's recommendations to understand the potential benefits and impacts. This analysis will include an assessment of the impact of these proposed changes on different water license categories. Approaches for offsetting the impacts of changes will need to be explored.

Before any decisions are made, NSW will release the results of the analysis and consult with key stakeholders to discuss findings and seek their input. This is expected to occur in mid-2025.

In the NSW Alternatives to Buybacks Plan, the opportunity for this connectivity work to contribute to the 450 GL target to deliver greater environmental benefits that will otherwise not be realised and to minimise impacts on communities from water buybacks was flagged. NSW will continue to explore this opportunity, and no decisions have yet been made.

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

The Aither report commissioned by the NSW Government referred to in (a) above includes insights from past water purchase programs and structural adjustment including the Australian Government's Bridging the Gap water purchase program in 2023.

Multiple reports and reviews have been done in the past and are generally available from the MDBA's website.

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

The Australian Government's $300 million Sustainable Communities Program is providing community adjustment assistance to all Basin states to mitigate the potential socio-economic impacts of water recovery in impacted communities.

On 25 October 2024, the Australian and NSW Governments signed a Federation Funding Agreement (FFA) for the NSW Sustainable Communities Program (NSW SCP). The FFA provides $160 million over 4 years for NSW Basin communities to minimise the social and economic impacts of the Basin Plan, with the NSW DPIRD responsible for the design and

delivery of this program. Under the FFA, the NSW Government will also receive an additional $16 million to support consultation with communities and deliver the program.

The NSW Government is committed to ensuring investments under the NSW SCP retain and create new jobs, establish new industries, support existing industry to diversify, and stimulate economic development that is informed by, and supported by, local communities.

The agreement to deliver the NSW SCP enables outcomes that deliver for the environment under the Restoring Our Rivers Framework whilst also mitigating adverse socio-economic impacts and sustaining NSW Basin communities for the future.

NSW is committed to delivering real and positive outcomes in NSW Basin communities.

The NSW SCP will enable economic diversification and resilience and will make funding available and active in exposed communities as soon as possible. It will create sustainable local economies and encourage region-wide economic resilience over the longer-term.

The NSW Government is undertaking a three-stage delivery approach, matched to the pace of the Australian Government's Trading Strategy:

- **Early Investment Round ($15 million):** targeted support for communities exposed and highly vulnerable to the effects of early rounds of water purchasing by the Australian Government. The Early Investment Round opened on 13 March 2025
- **Consultation:** place-based consultation with exposed Basin communities to understand their priorities and needs.
- **Substantive Investment Round ($145 million):** delivery of multiple streams of support for Basin communities to mitigate adverse socio-economic impacts from water recovery measures.

This three-stage approach is being designed and delivered in alignment with the community adjustment assistance principles in the Australian Government's Restoring Our Rivers Framework and informed by evidence-based design, which considers:

- Best available information and advice to identify communities anticipated to be exposed and vulnerable to anticipated water recovery impacts, including advice from the Australian Government on outcomes from its water purchasing and the published

socio-economic considerations of its purchasing programs 8 9 , NSW-commissioned research by Aither, and community vulnerability analysis10 undertaken by the Australian Bureau of Agricultural and Resource Economics and Sciences

- Regional and local economic development strategies and plans
- Complementary regional development programs and initiatives by both the NSW and Australian governments
- Lessons learnt from previous community adjustment assistance programs
- Place-based consultation with communities and industry to ensure we are taking multiple lines of inquiry into the potential impacts on communities.

The NSW Government will remain responsive, with the NSW SCP design to be refined as new advice and analysis becomes available and insights on local needs and priorities are identified throughout place-based consultation process.

Better outcomes could be achieved with more information, more funding and more time made available by the Australian Government

The current design of the NSW SCP sees support to mitigate the socio-economic impacts of water recovery expected to be delivered concurrently with the water recovery measures.

In order to more effectively deliver the program, NSW recommends the Australian Government provides:

- More granular data on water purchasing outcomes and observed impacts to ensure support is targeted and proportional to experienced impacts.
- Additional funding matched to the anticipated production loss and potential socio-economic impacts in NSW.
- More time to ensure investments deliver real and positive outcomes in impacted communities and that communities are supported to build industries that provide long-term jobs and income so that the NSW Basin remains significant force in Australia's economy.

[8] Socio-economic considerations of a purchase program arising from Stage 2 of the Restoring our Rivers - Expression of Interest 2: Large Portfolios of Water – Southern Connected Basin (EOI – 2), Table 6, ABARES (February 2025)

[9] The impacts of further water recovery in the southern Murray–Darling Basin, ABARES (June 2024)

[10] Baseline relative community vulnerability and adaptive capacity — Murray-Darling Basin: A focus on irrigation in agriculture, ABARES (June 2024)

More information

As demonstrated by the timing of water purchasing in section (a), there is a lag between purchasing programs being approved by the Australian Government, contracts exchanging, and the outcomes of the water purchasing being advised by the Australian Government to the NSW Government.

The NSW Government would welcome the availability of water purchasing outcomes below a catchment level to be provided on a commercial-in-confidence basis at the same time as the Australian Government is undertaking the purchasing. Whilst understanding the drivers behind the strict information sharing protocols and the need to protect the commercial integrity of the water purchasing processes, the limited granularity of water purchasing data provided to NSW prevents program planning and design occurring ahead of the impacts materialising.

More funding

$160 million is a strong starting point to mitigate the socio-economic effects of water recovery but additional funding is required to sustain affected NSW Basin communities and economies over the long term.

The Sefton's review recommends that a change in approach *"match pace of water reform to the capacity of communities to adapt and capacity of systems to deliver water to where it is needed"*[11].

On-farm associated impacts are anticipated in the short-term and may be partially off-set, however the socio-economic impacts are anticipated to evolve over a longer timeframe and affect the broader community beyond the farm-gate. Early feedback from stakeholders has identified potential impacts include contraction of downstream processing facilities, reduced employment opportunities, reduction in population serving businesses and potential population decline of regional communities at the most extreme.

The $160 million in funding provided by the Australian Government lays the groundwork to support NSW communities anticipated to experience impacts to progress towards broad-based economic diversification and resilience. However, it is not enough to ensure that these communities, particularly those which experience more severe impacts, can thrive in the future with robust economic confidence and not just continue to operate in survival mode.

What we know about current conditions and anticipated impacts:

[11] Final Report: Independent assessment of social and economic conditions in the Murray–Darling Basin, Sefton's (April 2020)

- Communities across the NSW Basins are already feeling the cumulative impacts of water recovery under the Basin Plan as well as other variable impacts such as trends in the movement of water through the water market, trade liberalisation, global commodity prices, advances in agricultural technology, deregulation, climate and drought, competition for labour and broader demographic trends; with water recovery for the 450 GL target likely to exacerbate socio-economic conditions further[12].
- Recent modelling by ABARES for the current 170 GL water purchasing processes indicates an annual production loss of $41 million (-1.8%)[13] across affected NSW southern Basin catchments. More funding is needed to match the scale of water recovery in NSW and the likely socio-economic impacts as they evolve over a much longer timeframe than the current 4-year funding period.
- There are concerns that models cannot capture or predict all localised socio-economic impacts of voluntary water purchasing due to a range of complicating factors, particularly the potential intangible impacts of uncertainty of investment and people's mental and physical health and lived experiences, as outlined in the Addendum to the 2012 Basin Plan Regulation Impact Statement which advises *"that there are socio-economic implications from Basin Plan implementation in full and these will differ between communities. This has been demonstrated through lived experience. While the economic costs of different scenarios can be modelled, and inferences drawn about flow-on social impacts, the potential offsetting benefits from adaptation, reallocation of resources and environmental impacts are most difficult to predict"*[14] and as voiced in in stakeholder submissions as part of the Australian Government's consultation on the draft *Restoring Our Rivers* Framework[15].
- Some communities are likely to experience more severe impacts due to a higher concentration of entitlements/volume of water purchased in one location, or the impact that sale of an entitlement may have on an individual local economy (e.g. key employer in the community), as well as impacts of water trading across areas or towns, which are difficult to predict.

[12] Socio-economic considerations of a purchase program arising from Stage 2 of the Restoring our Rivers - Expression of Interest 2: Large Portfolios of Water – Southern Connected Basin (EOI – 2), ABARES (February 2025)

[13] Socio-economic considerations of a purchase program arising from Stage 2 of the Restoring our Rivers - Expression of Interest 2: Large Portfolios of Water – Southern Connected Basin (EOI – 2), Table 6 – NSW Extract, ABARES (February 2025)

[14] Addendum to the 2012 Basin Plan Regulation Impact Statement, Australian Government (June 2024)

[15] Draft Framework for Delivering the 450 GL – Consultation - What We Heard Report, Australian Government (June 2024)

- Stakeholders have expressed concerns that smaller Basin communities will be considered acceptable collateral damage in pursuit of Basin Plan implementation and the 450 target. The Sefton Review recommended that *"funding to support Basin regions and towns impacted by Basin water reforms must be used to build industries that provide long term jobs and income for communities…and that the economic development programs may have limited scope, especially in small towns. Some towns exist almost solely for irrigation and lack other competitive advantages to make them attractive."*

More time

There are challenges with the timing of the Australian Government's water purchasing for the 450 GL target and the provision of support to minimise the socio-economic impacts on Basin communities.

The *Restoring Our Rivers Act* extended the deadline for recovery of the 450 GL target to 31 December 2027 (last date contracts can be entered into), with the NSW SCP required to be delivered by the NSW Government over 4-years in parallel with water recovery activities, and complete by mid-2028.

To meet the current FFA timeframes, the NSW SCP funding will likely need to be committed by early 2026 to ensure sufficient delivery timeframes for investments. This is particularly important for capital and infrastructure projects that require a long lead time to build, and for programs to be delivered to ensure they have sufficient time to deliver outcomes over a meaningful period.

This does not allow time for the socio-economic impacts associated with the 450 GL target to be observed, understood and considered in the NSW SCP program design.

With additional funding, information and time, NSW can provide targeted and proportional support to mitigate the socio-economic effects of water recovery over the long term

The Sefton's Review recommended that *"To empower communities to make longer term investments in their future, the Australian Government should increase the scale of the Murray–Darling Basin Economic Development Program and extend it to 2030. It should also prioritise the program towards more vulnerable and disadvantaged communities most negatively impacted by Basin water reforms. Funding programs must be community driven and focused on reforms and investments that build industries that provide long term jobs and income for communities".*

If NSW has more information, more funding and more time, we can provide more targeted, proportional, and needs-based support to NSW Basin communities which experience more severe impacts from water recovery.

A mid-point review of the NSW SCP to consider the progress of water recovery in NSW and any implications for the SCP is due in second half of 2026 under the FFA. This provides opportunity to review and consider these matters further. In the interim NSW will continue to advocate for more information, more funding and more time.

Attachment A: Status of NSW SDLAM projects

SDLAM Project name	Project type	Project Status
Projects that are complete or nearly complete		
Chowilla Floodplain (TLM)	Joint Project (NSW, Vic, SA)	Complete
Gunbower Forest (TLM)	Joint Project (NSW, Vic, SA)	Complete
Hattah Lakes (TLM)	Joint Project (NSW, Vic, SA)	Complete
Lindsay Island (TLM)	Joint Project (NSW, Vic, SA)	Complete
Mulcra Island (TLM)	Joint Project (NSW, Vic, SA)	Complete
Koondrook Perricoota Forest (TLM)	Joint Project (NSW, Vic, SA)	Complete
Nimmie Caira Infrastructure Modifications	NSW Project	Complete
Projects expected to be complete by December 2026.		
Barmah Millewa Forest EWA	Joint Project (NSW, Vic)	In operation and will be finalised before 2026
Flexible Rates of Fall in River Levels Downstream of Hume Dam	Joint Project (NSW, Vic)	In operation and will be finalised before 2026
Hume Dam airspace management and pre-release	Joint Project (NSW, Vic)	In operation and will be finalised before 2026
Computer Aided River Management (CARM)	NSW Project	In operation and will be finalised before 2026
River Murray Increased Flows (RMIF)	Joint Project (NSW, Vic)	In operation and will be finalised before 2026
Enhanced Environmental Water Delivery (EEWD)	Joint Project (NSW, Vic, SA)	Implementation due by December 2026. Official project closure due Q1 2027.
Koondrook-Perricoota Flow Enabling Works *(accelerated sub-component of the Yarrawonga to Wakool Reach constraints measure)*	NSW Project	Due to be completed by end 2026

SDLAM Project name	Project type	Project Status
Mid-Murray Anabranches *(accelerated sub-component of the Yarrawonga to Wakool Reach constraints measure)*	NSW Project	Due to be completed by end 2026
SDL Offsets in the Lower Murray NSW: Locks 8 and 9 weir pool manipulation	NSW Project	Due to be completed by end 2026
Modernising Supply Systems for Effluent Creeks (Yanco Modernisation)	NSW Project	Due to be completed by end 2026
Murrumbidgee National Park (Yanga) & Murray National Park (Millewa)	NSW Project	Due to be completed by end 2026
Projects that need significantly more time		
Murrumbidgee constraints measure	NSW Project	Partial completion by December 2026.
Yarrawonga to Wakool Reach constraints measure (Murray)	NSW Project	Not complete by December 2026
Hume to Yarrawonga constraints measure (Murray)	Joint Project (NSW, Vic)	Not complete by December 2026
Projects being rescoped or withdrawn		
Menindee Lakes Water Savings Project (incl. Lower Darling constraints measure)	NSW Project	Project being rescoped or may be withdrawn
Improved flow management works at the Murrumbidgee River (Yanco Offtake)	NSW Project	Project officially withdrawn February 2024