Submission No 61

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

Organisation: Ricegrowers' Association of Australia

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NSW Legislative Assembly Inquiry

Committee on Investment, Industry and Regional Development

Inquiry into the Impacts of the *Water Amendment (Restoring Our Rivers) Act 2023* on NSW Regional Communities

RGA Submission – April 2025

Thank you for the invitation to make a submission to this Inquiry. Please find our responses against the Inquiry's Terms of Reference below.

By way of broad introduction, we're keen to point out the following about our industry.[1]

- Virtually all the rice grown in Australia is concentrated in the Murray and Murrumbidgee Valleys of southern NSW (the 'Riverina'). Our headquarters and production facilities are located primarily in Leeton and Deniliquin. Like most irrigated agriculture, rice is a good source of high-paid employment in remote NSW locations.
- Rice is an annual crop. It typically switches 'on' or 'off' with water availability. There's a strong correlation between access to water and the total rice area harvested in any given year. Despite the challenges, Riverina rice production has done an excellent job of establishing itself in the highly variable climate of the Murray-Darling Basin.
- Unfortunately, our water access is not just tied to rainfall. Government policy – especially national policy – pulls an extremely influential lever as well.
- Average rice production was 780,000 tonnes per year between 1998-1999 and 2007-2008, which included a year of almost zero production due to the Millenium Drought.
- Between 2008-2009 and 2018-2019, an average of 629,000 tonnes of rice was grown each year in the Riverina. During this time, our available water was reduced by almost one-third under the Murray-Darling Basin Plan. We've already taken a significant hit.
- Between 2008-2009 and 2018-2019, we've contributed $400 million/year into rice-growing communities, and provided 400 jobs across the Riverina. Over this time, the industry has also been recognised as one of the Riverina's major enterprises and key economic drivers, which – along with dairy in the Murray and horticulture in the Murrumbidgee – has traditionally made-up around 75% - 90% of farm businesses.
- In a nutshell, you can't grow rice without water for irrigation. The primary purpose of the *Water Amendment (Restoring Our Rivers) Act 2023* is to strip even more water from irrigators. As a result, this Act will fundamentally change the nature of rice production in the Riverina, and that's assuming our industry is able to survive at all.

[1] You can read more, and access relevant citations, in the following RGA submissions:

- https://www.rga.org.au/sites/default/files/content-files/Submissions/2022/Employment%20White%20Paper%20(the%20White%20Paper).pdf
- Productivity Commission Basin Plan Review – with attachements.pdf
- Water Amendment (Restoring Our Rivers) Bill 2023 Senate Inquiry - with attachments.pdf
- Australian Government – Productivity Commission (PC).pdf

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1. The impact of repealing limits to the cap on Commonwealth water purchases:

This decision can't be viewed in isolation. The core purpose of *Restoring Our Rivers* is to strip water from irrigators – primarily through the unfettered use of buy-backs. In order to achieve this aim, Federal Labor had to also do the following:[2]

- Neutralise all parts of the *Commonwealth Water Act* preventing a Federal Water Minister from recovering water towards the 450 GL if there's a socio-economic impact. Prior consensus was always that unfettered buy-back had an impact.
- Rewrite the original intent of the 450 GL, so it could be used for any purpose.[3]

This leaves us hugely exposed to material industry impacts that have nothing to do with the original Basin Plan framework, as agreed between governments in late 2012.

Based on recent media announcements by the current Federal Government, its only interest is to buy as much water as possible.[4] Actions to address socio-economic impacts, and to recover water in ways that have no impact, are lagging far behind.

As a result, Basin communities face a reality where almost all of the 450 GL will be bought. This will be done through a process where Government keeps secret the volumes that will be stripped from each community, and when this will take place. Alongside this, no priority will be given to reducing community impact, either through mitigation strategies or by achieving ecological outcomes via alternative options.

For this Inquiry, we wanted to quantify what the impact could be. We've assumed the extreme worst-case[5] for a number of important reasons:

- **It shows what secret buy-backs do to a region and its industries.** We don't know where water will be bought from, how much Government will spend, or what large volumes of buy-back will do to what's left of the market. This is our primary rationale for why broad-scale buy-backs are the worst possible way to recover water for the environment. Everyone potentially impacted has no idea where they stand, which means they can't prepare for their future. As such, in terms of risk mitigation planning, we have no alternative but to start from worst-case.
- Government has stated **southern Basin markets are where the Commonwealth will focus the vast majority of its efforts.**[6] Recent large-volume purchases[7] - which are administratively easier for the Commonwealth because there's less paperwork – have targeted almost 50:50 southern NSW and northern Victoria. We know the Riverina's in the firing line; we don't know how bad it's going to be.
- **Buy-backs ignore all the knock-on effects** of a large, cashed-up player stripping substantial volumes of water out of the market. It's only once the contracts are signed, and the political announcements are made, that we understand the full market impact of what's taken place. What we do have access to[8] is evidence of general trends where, as the market gets smaller prices go up. Broad-scale cropping like rice is very sensitive to this type of price fluctuation. As such, while we may not be hit with the full 450 GL, if our growers are priced out of the market, the impacts we've described in our case-study may still be the same.

[2] Water Amendment (Restoring Our Rivers) Bill 2023 Senate Inquiry - with attachments.pdf
[3] This matters in particular because between 2012 and 2023, communities knew that the 450 GL only had ecological meaning if system constraints were addressed. There was no environmental need to recover water towards the 450 GL where constraints could not be addressed – including in situations where communities didn't support related projects.
[4] Restoring Our Rivers Trading Strategy 2024–25 - DCCEEW
[5] The full 450 GL will be purchased from licence-holders that would otherwise have used that water to grow rice.
[6] Restoring Our Rivers Trading Strategy 2024–25 - DCCEEW
[7] Company Announcements // The Motley Fool Australia
[8] Economic effects of water recovery in the Murray–Darling Basin - DAFF

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Rice Industry Case-Study:

By way of a case-study, given the lack of transparency, industry has no choice but to contemplate a worst-case scenario where up to 450 GL could be stripped away. Justification for why this conservatism is necessary is provided on the previous page.

For rice, this would play out in the following way. We work on the following: *1 ML of water grows 1 paddy tonne of rice*.[9] Using this metric, 450 GL grows an average of 450,000 paddy tonne of rice. If the full 450 GL was stripped from our footprint.[10]

Year	Actual Production	Projected Production	% Reduction
2018-2019	54,801	0	100%
2019-2020	44,813	0	100%
2020-2021	416,820	0	100%
2021-2022	683,898	233,898	66%
2022-2023	500,990	50,990	90%
2023-2024	627,030	177,030	72%

Based on these projections, rice would be grown in only half of the years where we can currently produce a decent size crop given rainfall availability. In addition, in years where rice is grown, production would be reduced by well over 2/3 annually. This would immediately place 400 jobs and $400 m/yr local investment at risk.

In addition, SunRice operates two key mills: (i) Deniliquin (450,000 tonne/yr processing capacity); and (ii) Leeton (350,000 tonne/yr)[11]. We'd have to assume that significantly forcing down average rice production per year would bring the viability of both mills into question. This could likely mark the end of rice in the Riverina.

2. Implementing the *Water Amendment (Restoring Our Rivers) Act 2023*:

We don't accept any version of 'effective implementation' that results in the end of our industry. We maintain our view that further water recovery isn't necessary.

With respect to 'unlicensed take', we note that Basin Plan sustainable diversion limits (SDLs) have been in place since 2019, and compliance rates have been close to 100% every year since. This fact must be strongly emphasised by all Basin governments.

The RGA's position on floodplain harvesting can be accessed here: SELECT COMMITTEE ON FLOODPLAIN HARVESTING – INQUIRY INTO FLOODPLAIN HARVESTI.pdf

[9] Annual_Report_2023.pdf (sunrice.com.au)
[10] Final RMB Annual Report 2023-24.pdf, final page.
[11] A4 Landscape Report (dcceew.gov.au), p. 2.

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More broadly, the RGA has shared its views on good water management in repeated submissions over the years.[12]

- **NO FURTHER ENVIRONMENTAL WATER RECOVERY IS NEEDED.**
  In many cases, complementary measures (e.g. carp control; works and measures), are the only way officials will achieve desired outcomes under *Restoring Our Rivers*. The RGA has a substantial project prospectus, which focusses on outcome delivery without further impacting irrigation.

- **IRRIGATION NEEDS BETTER REPRESENTATION IN KEY NATIONAL DOCUMENTS.**
  Irrigated agriculture received no attention in *Restoring Our Rivers*, despite the Commonwealth expecting the sector to do all the heavy lifting in relation to the 450 GL. Both state and federal governments must do a better job of working with us to ensure our future sustainability.

- **UNDERUSE IS A REAL AND LIVE THREAT.**
  The southern Murray-Darling Basin has complied with government-mandated extraction limits for 30 years. In our part of the world, the concept of overallocation is a myth. In fact, we are consistently underusing the water we're legally entitled to. Once more, the critical need to undo this trend was completely ignored within *Restoring Our Rivers*.

- **LICENCE RELIABILITY MUST BE PROTECTED AT ALL COSTS.**
  Clearly specified, statutory entitlements are fundamental to all water management – past, present and future. They are also critical for successful market operation. Any state or federal policy that undermines entitlement reliability must not be allowed to take place.

3. The Impact of Planned Environmental Water (PEW):

PEW is one of the more perverse outcomes to emerge from the *Commonwealth Water Act* and *Murray-Darling Basin Plan*. The implementation approach specified by these documents bears no direct, material connection to the reality of delivering environmental outcomes in a highly variable system.

The concept of PEW is based on an assumption that specific environmental needs (i.e. flow rates, duration, timing), can be predicted well into the future, and that it's appropriate for rules to be drafted that lock-in those assumed needs in perpetuity.

[12] For example, our views can be accessed in the following:
- RGA Submission FINAL - 110924.pdf
- RGA Submission - FINAL - 020524.pdf
- Murray-Darling Basin Authority – Basin Plan Evaluation.pdf
- Review of the NSW Murray and Lower Darling Regulated Rivers Water Sharing Plan.pdf
- Delivering the Murray-Darling Basin Plan - Innovative Ideas to Deliver the Plan in Ful (1).pdf

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The approach to PEW dictated by the *Commonwealth Water Act* and *Basin Plan* ignores the possibility that ecological needs may change over time – especially under the influence of future climate change. PEW also prevents the exploration and adoption of smarter and more efficient ways to deliver environmental outcomes.

Aside from it being an inflexible, rigid approach to ecological outcome delivery, PEW can also be used by certain actors to claim extra water for the environment by stealth. For example, NSW and the Commonwealth use different definitions of PEW to guide their water management decisions.[13] In the case of NSW, if river operators achieve delivery efficiencies, any water saved can be made available for consumptive water use. However, the MDBA is telling NSW river operators that this arrangement is no longer allowed under the *Basin Plan*. This means that water that once underpinned NSW licence reliability is now being 'garnished' by officials in Canberra.

This type of 'garnishing' is growing within state and federal water policy, and its associated erosion of entitlement reliability must stop. We appreciate the Panel's remit is largely to influence within NSW. As such, we've provided a comprehensive case-study below that outlines where this risk is currently most material within the state's own water management framework. It also demonstrates how poor process, without appropriate checks and balances, can lead to this kind of outcome occurring.

Erosion of Entitlement Reliability – NRC Case-Study:

Our relatively simple description of this act, where officials can use their individual discretion to take water way from irrigators without due process, is intended to be used by the NSW Natural Resources Commission (NRC)[14] to take an axe to what's left of General Security (GS) licence reliability across the Riverina.

Given the importance of GS licences for Riverina broad-acre cropping, it's unclear why the NSW Government is allowing the NRC to operate so far outside its remit.

The NRC must review statutory *Water Sharing Plans* (WSPs) before they expire. For the Riverina, WSPs for the Murray and Murrumbidgee will expire on 30 June 2026, and the NRC has recently released its reviews of these Plans.[15]

Even in the summary documents, the NRC is well aware its review obligations are to: *consider if a Plan's environmental, social, cultural and economic outcomes have been achieved, and what improvements can be made.* This means two things:

- stick just to matters that are relevant to water sharing within the Plan area; and
- give equal weighting to environmental, social, cultural and economic outcomes.

In its advice to Government, the NRC has failed in both aspects:

- It has flat-out ignored consideration of social and economic outcomes, despite this being a key theme of stakeholder submissions, including from the RGA.
- Most of its Riverina recommendations will take water from GS licences and allocate it to the environment instead. This is likely unnecessary because the NRC has ignored water recovery under the Basin Plan, and refuses to accept that best-practice policy thinking is moving away from the 'just add water' sentiment.

Better input must be drawn on for these WSP reviews, and this commitment must be confirmed by the NSW Water Minister as a matter of urgency.

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[13] NSW Natural Resources Commission Murrumbidgee Water Sharing Plan.pdf, last page.
[14] Natural Resources, Australia's Natural Resources
[15] WSP reviews - Recently published

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4. Rules-Based Changes:

The RGA notes that the concept of 'rules-based changes' can have a different meaning in different locations in NSW. In providing comments against this part of the Inquiry Terms of Reference, we note the following:

- As a starting principle, the RGA believes that no more water recovery is needed.
- To ensure industry longevity, licence reliability must be maintained.
- Where any third party impact occurs, it must be fully compensated.

When the RGA talks about 'rules-based changes', we're referring to opportunities to run river systems more efficiently. Where these efficiencies are possible, we support them going ahead because this will create a benefit in terms of saved water.

Given there's already an accounting system in place to recognise the increased efficiency, we don't believe it's necessary that a licence be created for any water that's saved in this way. This is because the creation of a licence would have third party impacts on other licence-holders already in the system.

We make these points because we believe system efficiencies are a key way to ensure the full 605 GL of Basin Plan SDL off-sets is achieved. At present, system efficiencies are being actively prevented by Commonwealth officials because they're demanding that a licence be created. This approach is not consistent with the original intent of the policy as agreed by Ministers. If this unreasonable and unnecessary demand could be addressed, hundreds of GL would immediately become available.[16]

5. Impact of Past Reforms and Future Improvements:

We've merged (e) and (f) in the Terms of Reference as they cover the same topic.

We highlighted the impact of past water reforms on page one of this submission. We've already lost about one-third of our available water to the environment. We've seen a long-term drop in our average annual rice production of 20%. Given the direct correlation between water availability and rice production, we expect to see a further reduction under *Restoring Our Rivers*.

We've endured 30 years of water reform at this point, and in that time we've not seen a single adjustment program that we would described as 'effective'. Effective adjustment means doing everything you can to stop the impact in the first place. This requires community-driven options that aren't fixated on water, and environmental solutions that recognise the need to be adaptable and flexible under climate change.

The current Government's approach to *Restoring Our Rivers* ignores all of the above.

[16] Delivering the Murray-Darling Basin Plan - Innovative Ideas to Deliver the Plan in Ful (1).pdf