Submission No 98

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

Organisation: Nature Conservation Council of NSW

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Nature Conservation Council

Submission Impacts of the Water Amendment (Restoring Our Rivers) Act 2023 on NSW regional communities

29 April 2025

Nature Conservation Council

About NCC

The Nature Conservation Council of New South Wales (NCC) is the state's peak environment organisation. We represent over 200 environment groups across NSW. Together we are dedicated to protecting and conserving the wildlife, landscapes and natural resources of NSW.

www.nature.org.au

For further information about this submission, please contact:

[redacted]

Acknowledgement

The Nature Conservation Council NSW acknowledges that we live and work on the land of First Nations. This land has been cared for since time immemorial by Traditional Owners, whose sovereignty was never ceded. We pay our respects to the Traditional Owners past and present of the many Countries within so-called New South Wales.

We respect the leadership of Traditional Owners in caring for Country and support the development of treaties that meaningfully empower them to do so. We acknowledge the dispossession of First Nations People, and the harm inflicted on people and Country since colonisation began. We acknowledge that colonisation is an unjust and brutal process that continues to impact First Nations people today. As people living and working on First Nations Country it is incumbent on us to play our part in righting the historical and ongoing wrongs of colonisation. Indeed, our vision of a society in which nature and communities thrive together depends upon it.

The Nature Conservation Council of NSW (NCC) respects and supports all First Nations people's right to self-determination as outlined by the UN Declaration of the Rights of Indigenous Peoples (UNDRIP), which extends to recognising the many different First Nations within Australia and the Torres Strait Islands. NCC commits to maintain open lines of communication and to build respectful mutual relationships with First Nations people in all the work we do and wherever possible, seek aligned outcomes with and support the goals of First Nations groups.

We commit, as an organisation, to empower and work together with First Nations people to protect, conserve and restore the land, waters, air, wildlife, climate and culture of the many First Nations people in NSW.

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29 April 2025

Legislative Assembly Committee on Investment, Industry and Regional Development
Jerson Balaton
Committee Manager

By email: investmentindustry@parliament.nsw.gov.au

SUBMISSION: Impacts of the Water Amendment (Restoring Our Rivers) Act 2023 on NSW regional communities

Nature Conservation Council NSW (NCC) is pleased to provide this submission regarding the Impacts of the Water Amendment (Restoring Our Rivers) Act 2023 on NSW regional communities.

Summary

This submission addresses the perception that water recovery programs in the Murray-Darling Basin (MDB) are a major driver of socio-economic decline in rural communities. Drawing on comprehensive findings from "Identifying the water-related economic values of the Murray-Darling Basin and rating the quality of water economic studies" (Wheeler et al., 2023)[1], **it is evident that water recovery is *not* a significant driver of socio-economic decline.** Rather, socio-economic outcomes are shaped by a wide array of factors, with climate variability, commodity prices, and broader economic trends playing far greater roles.

The NSW Connectivity Expert Panel Report 2024 contains a chapter regarding the elements required to accurately model any socio-economic impacts of the rule changes recommended in the report. **It is critical that the modelling consider changes to irrigator behaviour in response to the rules, and the positive benefits of a connected basin.**

[1] *Reference: Wheeler, S., Xu, Y., Zuo, A., Haensch, J., & Seidl, C. (2023). Identifying the water-related economic values of the Murray-Darling Basin and rating the quality of water economic studies. Final Report for the Murray-Darling Basin Authority.*

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Key Points

1. **Water Recovery Impacts Are Often Overstated**
   Many early studies overstated the negative impacts of water recovery by falsely assuming a proportional relationship between reduced water extraction and farm production (i.e., a 1% reduction in water leading to a 1% reduction in production). High-quality studies reviewed in Wheeler et al. (2023) show that the actual elasticity is much lower, indicating significant farmer adaptation and resilience.

2. **Higher Quality Studies Find Nuanced Impacts**
   The systematic review found that high-quality studies generally report small to moderate impacts of water recovery on regional economies, farm profitability, and employment. In contrast, studies predicting large negative impacts were found to be of lower methodological quality.

3. **Multiple Other Drivers Are More Significant**
   Climate variability, commodity prices, technological change, and demographic shifts are the dominant forces affecting rural communities. Drought events, in particular, have far larger effects on economic and social outcomes than water recovery programs.

4. **Positive Economic Contributions of Water Recovery Are Ignored**
   Buyback payments injected significant capital into rural communities. These financial injections helped many farmers restructure, invest, or retire debt, supporting local economies rather than damaging them.

5. **Structural Change in Agriculture Is Ongoing and Multifactorial**
   The decline in farmer numbers and rural employment predated Basin water reforms and has continued independently of water recovery programs. Structural adjustment, increased farm sizes, and shifts to higher-value crops (e.g., horticulture) reflect broader agricultural trends, not merely changes in water policy.

Post | GPO Box 2246, SYDNEY NSW 2001 P | 02 9516 1488 E | ncc@nature.org.au

W | www.nature.org.au ABN | 96 716 360 601

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6. Elements Required for Accurate Socio-Economic Modelling for the Connectivity Report Recommendations

To ensure that the socio-economic modelling that underpins the recommendations in the NSW Connectivity Expert Panel Report is accurate and meaningful, several key elements must be considered:

- **Realistic Representation of Irrigated Production**: Models must accurately capture the full variability of irrigated crop areas and yields, reflecting real-world conditions rather than static assumptions. Industry collaboration in model development is essential.
- **Dynamic Water Use Behaviour**: Models should account for irrigator decision-making under varying water availability and policy environments, including strategies such as deficit irrigation and planting adjustments.

- **Focus Beyond Averages**: Analyses should focus on critical dry periods and periods of transition into and out of drought, rather than simple long-term averages, to better reflect where impacts will be felt.

- **Integrated Assessment of Rule Packages**: Connectivity options must be assessed in combination, not isolation, to understand cumulative and interacting impacts on water users and communities.

- **Inclusion of Floodplain Harvesting and Unregulated Flows**: These components must be incorporated into modelling to present a complete picture of water use and impacts.

- **Multi-Level Impact Analysis**: Socio-economic assessments should occur at multiple scales:
    - Direct irrigated agricultural production impacts at sub-valley scales.
    - Flow-on effects to local communities.
    - Broader regional (e.g., Northern Basin) economic impacts via Computable General Equilibrium (CGE) modelling.
    - Comprehensive cost-benefit analyses incorporating environmental, cultural, and social outcomes.

- **Purpose-Built, Location-Specific Data and Models**: Models must be built using locally collected data to ensure relevance and accuracy in representing economic, environmental, social, and cultural trade-offs.

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- **Use of Advanced Economic Tools**: Optimisation models (e.g., General Algebraic Modelling Systems) and choice modelling should be preferred over simple willingness-to-pay studies to capture nuanced trade-offs between economic and environmental outcomes.

Conclusion

The evidence reviewed indicates that water recovery has had a measurable but modest socio-economic impact, especially compared to broader climatic and economic drivers. Future policy discussions should recognise this nuanced reality, ensuring that water management decisions are based on high-quality evidence rather than disproportionate attribution of rural socio-economic challenges to water recovery alone.

Recommendation

Policy responses should prioritise enhancing rural resilience through diversified economic development, improved service delivery, and climate adaptation strategies, rather than limiting environmental water recovery based on overstated socio-economic fears.

Thank you for the opportunity to participate in this consultation.

Your key contact point for further questions and correspondence is [redacted], Water Campaigner, available via [redacted] and [redacted]. We welcome further conversation on this matter.

Yours sincerely,

[redacted]

Jacqui Mumford
Chief Executive Officer
Nature Conservation Council of NSW