

# Water buyback in the basin

## Water entitlements in the Basin

A range of different entitlements exist across the Southern Murray Darling Basin with varying degrees of reliability.

Entitlements<sup>1</sup> can be divided into high, medium and low reliability. Victoria has a very secure high reliability product which is a reflection of why horticulture and dairy have invested in Northern Victoria.

Victoria's high reliability water shares (HRWS) have also been very attractive to the environment with Victoria's high reliability water shares being disproportionately targeted by the Commonwealth Buyback Program.

The original intent of the buyback program was for the environment to secure a balanced portfolio of water products in the Basin .

Table 1

SOUTHERN BASIN WATER PURCHASES									
	HIGH RELIABILITY WATER			MEDIUM RELIABILITY WATER			LOW RELIABILITY WATER		
	TOTAL ENTITLEMENT (ML) <sup>2</sup>	HR to ENVT	% to ENVT	TOTAL ENTITLEMENT (ML)	General Security to ENVT	% to ENVT	TOTAL ENTITLEMENT	LR to ENVT	% to ENVT
<b>NSW</b>	597,175	22,522	4%	3,642,140	471,351	13%	245,780	49,899	20%
<b>VIC</b>	2,379,380	517,829	22%	0	0	0	798,126	71,012	12%
<b>SA</b>	565,057	99,133	18%	0	0	0	0	0	0
<b>TOTAL</b>		639,484			471,351			120,911	
<b>Total Entitlements Purchased for the environment in Southern Basin : 1,231,746 ML</b>									

**Table 1** shows that over 1,200,000 megalitres (ML) has been purchased in the southern basin.

The bulk of high reliability water purchases has occurred in Victoria. Of the 639,484 ML of high reliability purchased, over 517,000ML has come from Victoria, which represents 22% of Victoria's high reliability entitlements. In South Australia, 99,133 ML has been purchased representing 18% of total entitlement from SA, whereas New South Wales (NSW) has only had 22, 522 ML purchased, which is 4% of total high security entitlements in NSW.

Medium reliability water is represented by general security water products in NSW. Thirteen percent of total NSW general security water has been purchased.

Low reliability water products have been purchased in NSW and Victoria. 49,899 ML of Murrumbidgee supplementary water has been purchased and 71,012 ML of low reliability water shares (LRWS) in Victoria have been purchased.

**Table 2** shows the Northern Basin has had 307,671 megalitres (ML) purchased; these have all tended to be low reliability water products consisting of supplementary and unregulated water products as well as some general security which is of medium reliability.

Seventy five percent of all water purchases across the Basin have occurred in the Southern Basin.

Table 2

NORTHERN BASIN WATER PURCHASES <sup>3</sup>	
<b>NSW GENERAL SECURITY</b>	152,354 ML
<b>NSW LOW RELIABILITY</b>	53,994 ML
<b>QLD LOW RELIABILITY</b>	101,323 ML
<b>TOTAL</b>	307,671 ML

<sup>1</sup> <https://www.pc.gov.au/inquiries/completed/basin-plan/report>

<sup>2</sup> All entitlement figures are from the Murray and Murrumbidgee Water Sharing Plan; Victorian Water Register and South Australian Water Allocation Plan

<sup>3</sup> The MDBA and Commonwealth no longer publish purchased entitlement volumes. These are estimates based on 2016 data and water purchase information contained in the 2019 Productivity Commission 5 year review of the Murray Darling Basin Plan.

## 1500 GL CAP

In 2015, the Australian Government legislated a 1,500 gigalitre (GL) cap on surface water purchases to provide certainty to Basin communities that the government was prioritising infrastructure investment over water purchasing

To date the Commonwealth has purchased 1224 GL of long term cap equivalent water, 276 GL can still be purchased under the 1500 GL cap<sup>4</sup>.

This 1500 GL cap expires in 2026.

## VFF position on buybacks

The VFF does not support water buybacks. Water buybacks lead to:

### Unviable irrigation systems

Buyback results in a Swiss cheese effect of de-watered properties within an irrigation district. This scattering of properties makes it difficult to generate efficiencies in the irrigation system operation and design

### Local community cost

Buyback takes water directly out of production, thereby pushing most of the costs of adjustment onto regional communities and tax payers.

### Drives up the price of water

With the pool of water available to irrigation declining, the price of allocation water is increasing, particularly in dry times. This increase in water price is threatening the viability of some industries.

*“The dairy industry sold more entitlement than any other industry, is now more exposed to higher water prices and relies more heavily on temporary water on the allocation market.*

*Dairy farmers are now using about 60 per cent more water than they own<sup>5</sup>.*



<sup>4</sup> The 1500GL cap and 1224GL of purchases to date are determined as long term cap equivalent water, rather than entitlement volumes as outlined in Table 1 and 2.

<sup>5</sup> [https://www.water.vic.gov.au/\\_\\_data/assets/pdf\\_file/0018/331533/VFMP-options-review-final\\_6-July-2018\\_updated-clean.pdf](https://www.water.vic.gov.au/__data/assets/pdf_file/0018/331533/VFMP-options-review-final_6-July-2018_updated-clean.pdf)

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