

Water ownership in northern Victoria

The mix of who owns High Reliability Water Shares (HRWS) (also known as entitlements) in northern Victoria has changed substantially over the past twenty years. This is mainly due to State and Commonwealth policies seeking to separate land and water, and free up water trade.

Why was water separated from land?

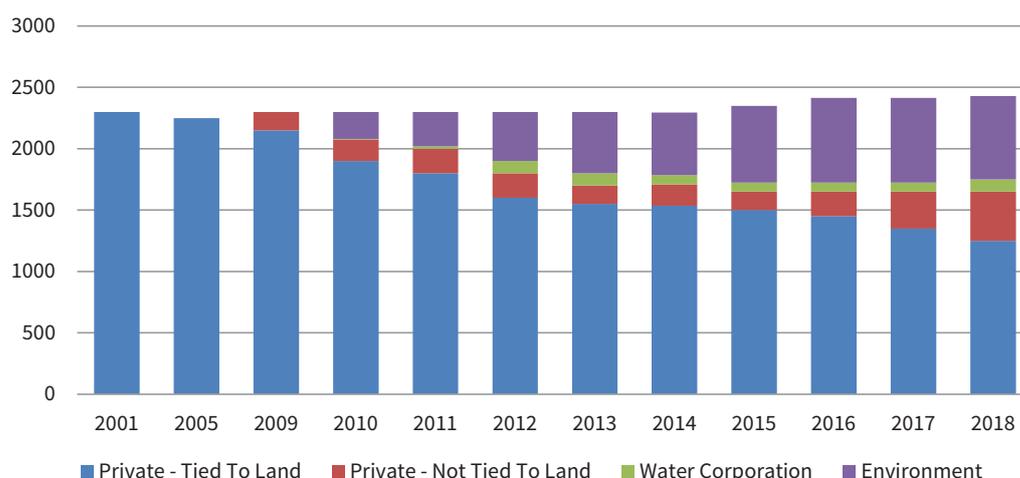
In 1994, the Council of Australian Governments (COAG) agreed to the Water Reform Framework (Framework). The Framework sought to create water markets through the development of tradeable water rights in order to allow water to flow to higher value uses. To enable this, it was necessary to clarify property rights and separate water and property titles.

In 1995, the Framework was incorporated into the National Competition Policy (NCP) with each State and Territory being responsible for implementing it. Consistent with the NCP, a temporary cap was placed on water extraction from the Murray River. This cap was made permanent in 1997.

In 2004, COAG announced the National Water Initiative (NWI), an agreement between the States and the Commonwealth to separate land and water, remove barriers to trade and address over allocation.

In 2007, Victoria met its commitment under the NWI by unbundling water shares, thereby separating land and water.

Ownership of High Reliability Water Shares



Environmental ownership

By June 30 2018, the Commonwealth Environmental Water Holder held 620 gigalitres (GL) of Victorian High Reliability Water Shares (HRWS). Environmental contributions have largely been achieved through water buybacks, modernisation of Goulburn Murray Water through the Connections Project and the Sunraysia modernisation project.

Water ownership in Victoria

The ownership of HRWS continues to change with 57% or 1336 GL remaining privately owned. Twenty eight percent of water (661 GL) is now owned by the Environment. Water corporations own around 3% of water and the proportion of water not tied to land is 12% or 298 GL¹.

However, a lot of water shares not linked to land are most likely held by irrigators who regularly shift allocation between properties.

Do speculators own a lot of Northern Victoria's water?

Speculators' water is disassociated from land. According to the Victorian Government's Water Market Trend report, in 2017/18 the amount of water not tied to land totalled 12% of total water shares or 298 GL. The earlier Water Market Trends report in 2015 noted that 175 GL was disassociated from land, representing 7% of total water shares. Over the last three years, the amount of water not tied to land has increased by 5% to 123 GL.

¹ https://waterregister.vic.gov.au/images/documents/Water-Market-Trends-Update-2018_web.pdf

Are speculators distorting the market?

In 2017/18, 50% of water disassociated from land was sold commercially, 40% was moved to another account for \$0, 8% was carried over and 2% was lost to evaporation. With 40% moved for zero dollars, this indicates irrigators are trading between their own properties.

The VFF believes a deep analysis of the Water Market is required to prove or dispel the “speculator” influence on the market. This should occur as part of the Australian Competition and Consumer Commission’s (ACCC) analysis of water markets in the Southern Basin.

How much of Australia’s water is foreign owned?

The Australian Tax Office (ATO) explored the amount of water in Australia that is foreign owned in its “Register of Foreign Ownership of Water Entitlements 2018”². The ATO found that just over 10% of total water entitlement on issue in Australia is foreign owned. In Victoria only 2.7% is foreign owned. This is made up of 184 GL of surface water and 21 GL of ground water. Ninety three percent of this water is used in agriculture, with the remainder used in mining and other industry.

Impact on the water market

With much less water available in the pool for productive use, and more people competing for less water in the temporary market, it is not surprising that prices are rising, particularly in dry seasons and when other States in the Southern Basin are on very low water allocations.

The allocation available in general security entitlements in NSW each year is the primary driver of water price and trading in the southern connected basin. With general security allocations of zero for 2018/19, it is understandable that temporary water prices have been high.

How do northern Victorian irrigators use their water?

HRWS ownership in Northern Victoria has fallen from about 2283 GL in 2001, down to 1366 GL in 2017/18. Data from 2004/05 shows that the ownership of water shares in the Goulburn Murray Irrigation District (GMID) has reduced by 693 GL.

In 2017/18 the GMID owned 887 GL, yet its use was 1318 GL. Goulburn Murray (GMW) Diverters and Lower Murray (LMW) Districts own more water than they use, however LMW Diverters are using 204 GL more than they own.

Irrigators in GMW districts and LMW diverters are relying on the water market and carryover to help meet their additional water needs³.

The GMID remains a net importer of water through allocation trade, as its production needs have always been greater than the volume of water shares owned by irrigators.

Declining water ownership presents challenges for Northern Victoria. Enough revenue needs to be generated to cover the costs of maintaining infrastructure and growing agricultural production in order to foster local jobs and prosperous communities.

	2004/05		2017/18	
	HRWS	Use	HRWS	Use
GMW District	1580	1686	887	1318
GMW Diverters	241	133	159	96
LMW Districts	179	136	111	104
LMW Diverters	252	196	209	431
Total	2252	2151	1366	1949

² <http2010://firb.gov.au/about/publication/water-entitlements-foreign-ownership-register-2018/>

³ https://waterregister.vic.gov.au/images/documents/Water-Market-Trends-Update-2018_web.pdf

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