



Australian Government

Commonwealth Environmental Water Office

Sale of Water Allocation - Gwydir Frequently Asked Questions

last updated 18 January 2018

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1. Why does the Commonwealth Environmental Water Holder (CEWH) trade water?

As water managers, we need to be prepared to actively manage our water holdings to get the best outcome from every drop - whether that is through using the water for environmental flows or by trading it. In any year, we would expect to use the majority of the water available to us for environmental flows and only expect to trade small proportions of water.

There are a number of scenarios where trade of allocations or entitlements may assist in enhancing the capacity of the portfolio to meet environmental watering requirements. For example, trade may assist in:

- establishing capacity to meet future environmental needs across the Murray-Darling Basin;
- responding to varied conditions across the Murray-Darling Basin;
- adapting to changing circumstances and information;
- dealing with delivery constraints and/or opportunities; and
- realising value where immediate environmental water requirements have been met and carryover is not available.

The funds are retained for future environmental outcomes in the Murray-Darling Basin.

2. When can the CEWH sell environmental water?

The Water Act sets out the conditions under which the CEWH can sell environmental water, along with how the proceeds from sales can be used. The CEWH can only sell water if at least one of the following circumstances applies:

- if water allocations are not required in the current year to meet environmental objectives and cannot be carried over for use in the next year;
- if water allocations are not required to meet environmental objectives and, if retained, would likely reduce future allocations due to account limits being reached; or
- if the proceeds are used to purchase water and/or for environmental activities that would improve the capacity to achieve the environmental objectives set out in the Basin Plan through environmental water use.

Under the legislation, the CEWH can only invest in environmental activities that will improve environmental outcomes, and are undertaken for the purpose of protecting and restoring environmental assets in the Murray-Darling Basin.

3. How does the CEWH balance the different demands for water between agricultural users and the environment?

Decisions to trade the Commonwealth's environmental allocation are based on environmental conditions and related considerations. However, in assessing trading opportunities we do look at agricultural demand for water. Providing the environmental needs are met, it is in our interests to trade when there is strong demand for water from irrigators.

Some Gwydir irrigators have been able to buy much needed water for their farms. The volume of water sold is small compared to the total amount of water that will be used and traded in the Gwydir. Nonetheless, it will increase the amount of water available to other water users in the catchment at a time when conditions are dry.

4. How much water did the Commonwealth sell in this trade?

6.7 gigalitres (GL) which equals 6,700 megalitres.

5. What did the CEWH consider before the decision to sell this environmental water?

The CEWH considered current and forecast seasonal conditions, and the ability to meet foreseeable priority watering actions across the next three years. This sale of allocations has reduced the amount of Commonwealth environmental water available in the Gwydir by around six percent in 2017-18, leaving sufficient water to be carried over to support future environmental watering priorities. The CEWH is confident that water is available to meet all of our planned environmental targets this year and be well prepared for the future years.

6. Why did the Commonwealth sell this water?

Conditions for a sale of water allocations in the Gwydir were favourable because:

- scientific monitoring has consistently shown that environmental water delivered to the Gwydir is providing food, habitat and breeding opportunities for many of the region's unique native fish, waterbirds, plants and wildlife;
- there was sufficient water in our accounts to sell some allocation without affecting our ability to meet current and foreseeable environmental requirements; and
- there was strong demand for water from irrigators due to drier than normal conditions leading into the season.

7. What are the implications for how we support environmental needs in the Lower Darling?

It is a long distance from the Gwydir catchment to the Lower Darling, and water sharing arrangements do not protect environmental flows over that distance. Unlike the Southern Connected Basin where we (and other water users) have flexibility under inter-valley trade rules to transfer water allocations to different catchments, it's not possible for us to transfer an allocation out of the Gwydir and into another storage in any catchment (including the

Menindee Lakes). So there is very little capacity to affect flows downstream of Menindee from the sale of 6.7 GL in the Gwydir, particularly in the short term. However, the proceeds from the sale can be used to achieve environmental outcomes in any catchment throughout the Murray-Darling Basin.

8. Is the decision to trade a sign that you've got more water than you can use?

The decision to sell allocations in the Gwydir demonstrates that the CEWH is using Commonwealth water to its best effect. Operational decisions made by the CEWH, including trade, are based on the short to intermediate time scale of 2-3 years of environmental water needs and the volume of environmental water allocations available to ensure resources can be deployed to deliver outcomes across the Murray-Darling Basin.

So, the decision to sell doesn't mean we have too much water entitlement in the Gwydir. It means we are effectively managing our allocations over a number of years to get the best outcome for the environment.

9. How will trade assist to meet the future environmental needs of the Gwydir River Valley (the Gwydir)?

Sufficient allocations will be retained in the Commonwealth's accounts to meet the expected environmental needs for the Gwydir over several years. The proceeds of the sale in the Gwydir will allow for the purchase of water and/or investment in environmental activities at another time, within either the Gwydir or elsewhere in the Murray-Darling Basin, which will provide greater environmental benefit than retaining the allocations. The reinvestment may not be in the same location. We have to look at opportunities across the Murray-Darling Basin.

10. Who was eligible to buy Commonwealth water?

Bidders were eligible to participate in the Tender if their Bid included an allocation account that could receive Gwydir regulated surface water allocations. Trade of regulated water out of the Gwydir catchment is not permissible under NSW trading rules.

11. What was the process for the sale of allocations?

