

### Australia Must Build the Next Generation of Water Reform



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At a time when the World Economic Forum <sup>1</sup> is urging that water be given high level strategic attention as one of five global issues, it appears our Australian government is walking away from water reform and the strategic management of our water resources. Yet for over a quarter of a century Australia has been at the forefront of progressive water reform from policy to implementation, and the evolution of institutional governance. Now is the time to build on progress, to innovate and to actively construct the next generation of water reform. It is not the time to lose our nerve.

#### Global pressures on water

With global freshwater demand projected to exceed current supply by over 40% by 2030, increasing competition and stress on water poses a significant risk to food, energy and industrial and human security around the world. Australia is certainly not exempt.

Here on the driest inhabited continent with the most climatically variable water supply on the planet, future economic development and ever-increasing competition for water will require ongoing commitment to water reform and sustainable operating principles.

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Water is not only the indispensable ingredient for life, seen by many as a right, but it is also indisputably an economic and social good. It is a commodity in its own right with no substitute and no alternative, but it is also a crucial connector between humans, our environment and all aspects of our economic system<sup>2</sup>.

#### Australia must re-double its efforts in strategic water reform and management.

Largely as a result of the reforms introduced through the 2004 National Water Initiative (NWI) water is now used more efficiently in Australia, finances of water agencies have improved, some of the over-allocation of surface and groundwater systems has been addressed, a market has been introduced to give water users much greater choice, institutional structures are now more transparent, and water law is more comprehensive and consistent in most jurisdictions.

Most importantly, the 2004 NWI provided a nationally consistent framework within which industry and governments had certainty for investment. Collectively these achievements saw Australia emerge as an international icon for water management. The NWI was established by the Howard government following reviews of the earlier 1994 water reforms which found that they had been too limited in scope and that many of the outcomes were hard to achieve and needed renewed commitments by all governments

While the NWI is still accepted by governments as an excellent blueprint, it is the Wentworth Group's contention that the reform effort has lost momentum and, in many jurisdictions, even appears to be in retreat. Many of the harder reforms remain unfinished – water pricing, full implementation of water markets, identification and recovery of over-allocated systems and proper attention to groundwater – while new threats not envisaged at the time of the NWI have emerged or become more prominent. These included shale and coal seam oil and gas extraction, better understanding of climate change, rapid population growth, and renewed interest in

developing northern water resources. Further the NWI principles have not been enacted in legislation in Western Australia and the Northern Territory while the Queensland government has weakened its commitment to careful development of water resources.

Now is a time of relative water abundance. Rather than being seen as the time to retreat from water reform, it should be seen as exactly the right time to put the next round of reforms in place. The 2004 reforms provided the tools by which we could manage the Millennium drought but they took some years to be put in place. Australia already has one of the most variable climates in the world; it will become even more variable as a result of climate change. It will be too late if we wait for the next drought to occur before we take action.

We need to be at the top of our game if we are to maintain prosperity in our highly (and increasingly) variable climate. Water is an economic enabler, and therefore a next generation intellectual framework for managing water is critical if we are to remain a healthy, resilient and prosperous nation. Water reform must be seen as a long term game, rather than a one-off effort that runs its course after 10 years.

While encouraging that the Government's Agricultural Competitiveness Green Paper employs the National Water Initiative principles as a criterion for Commonwealth involvement in developing future water infrastructure projects it is quite uncertain how these principles will be agreed to, implemented and audited with the discontinuation of the COAG Standing Committee on Environment and Water and the National Water Commission.

Government organisations named to absorb responsibilities like the Productivity Commission may be capable of conducting audits, but are not suitably staffed nor designed to work with the states to complete the National Water Initiative reforms and deal with the emerging issues of climate change, emerging need for policy and mechanisms to manage water issues in growing shale and

coal seam gas industries as well as continuing to rectify the over-allocation of water extraction from rivers, streams and associated groundwater systems.

It is not just agriculture that uses large quantities of water. Striking an equitable balance between water users is a debate about the future of growing food vs urban development vs extraction of mineral resources and fossil fuels vs environment and conservation. A failure to build upon our past water management investment will result in a failure to manage the variability of our water over time and space; a problem we have grappled with time after time since Federation.

Combined with the predicted increase in Australia's own population over the next 40 years, along with expected impacts of climate change alone would indicate that the cumulative impacts on water resources are likely to be huge. Rather than this being the time to abandon water reform, it is exactly the right time to put the next generation of reforms in place.

### What's needed now?

Water reform must be treated as an on-going effort rather than a once-off 10 year program. It took 10 years for the first round of reforms to be renewed because they were not broad enough. There needs to be a fresh commitment to complete the unfinished reforms embedded in the 2004 National Water Initiative and to tackle the new issues facing Australian water management<sup>9</sup>.

The steps are:

- All governments to commit to an updated, reinvigorated National Water Initiative Agreement with a focus on completing unfinished tasks and incorporating responses to emerging water resource issues, with a priority on:
  - Moving towards recovering the full cost of water in pricing that includes the scarcity value of water and cost of environmental externalities.
  - Reforming the urban water sector by improving investment decisions, increasing the independence of urban water utilities, streamlin-

ing water regulations, and incorporating environmental externalities in investments and pricing.

- Increased attention to groundwater management including better integration with surface water management.
- Identifying all over-allocated systems and providing adequate environmental water for their recovery.
- Extending water markets to heavily used groundwater areas approaching full allocation.
- Incorporating all mining and petroleum activities, energy generation and carbon sequestration methods in water planning.
- Explicitly including climate change effects in all water planning and investment decisions.
- Institute an independent organisation with sufficient skills and funding to drive the remaining reforms, including the authority to recommend financial sanctions for unsatisfactory performance and to publish regular, fearless reports of progress.
- Combine water (flow) reforms with water quality and associated land management objectives, so that all causes of ecological threat are dealt with in an integrated way.
- Invest in new knowledge so that water planning and management can be based on a factual understanding of the consequences of decisions. Our reputation and expertise as world leading water managers is being eroded. Our failure to invest in water reform now will result in the loss of a great opportunity to market our skills and knowledge internationally as other countries face their water issues.

Water will always be a scarce resource in Australia. Managing water scarcity will continue and become an increasingly complex and demanding challenge for Australian governments. For water is such an important economic enabler. We learnt from the federation debates on water in the 19th century that national leadership is a pre-condition to getting agreements and cooperation between state and federal governments that extend beyond the political timeframe.

Now is the time for renewed thinking, policy development and action wherein governments, industry and communities rise to these challenges and ensure that our hard-won investments in reform are not squandered. We need to build on our water reform record to prepare for the future with foresight<sup>2</sup>. How well we meet that challenge will shape our economic prosperity, social wellbeing and environmental health.

### References:

1. [World Economic Forum Global Agenda Council on Water Security \(2011\) Water Security: The Water-Energy-Food-Climate Nexus.](#)
2. [Australian Government \(2010\) PMSEIC Impact Statement, Challenges at Energy-Water-Carbon intersections, Preparing for the Future with Foresight.](#)
3. Wentworth Group of Concerned Scientists (2014) Statement on the future of Australia's water reform. <http://wentworthgroup.org/2014/10/statement-on-the-future-of-australias-water-reform/2014/>

*Below. Weir on Murray River at Mildura*

