How do water markets function in droughts and other hard questions: Learning from law reform in Australia

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Overview

1. Snapshot of Australian Water

2. Co-operation in water law reform

3. Challenges

4. Opportunities
Snapshot of Australian Water

**Australian Attributes**

- Old continent
- Prone to salinity
- Water relatively scarce
- Supply variable
- Groundwater important
- ‘of droughts and flooding rains’

Map of Australia and Murray-Darling Basin (MDA, 2007)
Snapshot of Australian Water – Diversity

Blanche Mound Springs, South Australia

Typical picture of salinity, Victoria

Fitzroy River, Queensland

Todd River, Northern Territory
Snapshot of Australian Water – Drought

Serious or severe rainfall deficiencies for Australia 2006/2007 (BOM, 2007)
Snapshot of Australian Water – drought

Left top – Sydney catchment, left bottom, Victorian storage (Lake Hume)
Water Consumption

- Total consumption reduction from 2002 to 2006 of 14%
  - Agricultural reduction: 19%
  - Household reduction: 8%

<table>
<thead>
<tr>
<th>Sector</th>
<th>Use</th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>65%</td>
</tr>
<tr>
<td>Household</td>
<td>11%</td>
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<tr>
<td>Water Supply Industry</td>
<td>11%</td>
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<tr>
<td>Manufacturing, Mining, Electricity &amp; Gas</td>
<td>3%</td>
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<tr>
<td>TOTAL</td>
<td>100%</td>
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Current Australian water use by sector (ABS, 2005)
Cooperation in Water Law Reform

Water Reform Framework (1994)
- Introduce Market
- Protect Environmental Uses

*Large focus on water planning including;*
- Adaptive management
- Using best available science
- Public participation
- Transparent decision making
- Indigenous values to water

MacDonnell Ranges, Northern Territory
Continuing Challenges

- Specification of entitlement is incomplete
- Interstate markets inactive
- Ecological considerations still coming last –
  - Case of Gwydir river decision by NSW Court of Appeal in 2005 and subsequent legislation

Seasonal allocation trade in the Murray-Darling basin (Productivity Commission, 2006)
Opportunities

Water security plan (2007)

- **New Governance Arrangements**
  - Overcoming jurisdictional barriers by co-operative federalism

- **Over allocation buy-back**
  - $3 million to buy-back irrigation licenses in Murray-Darling