



# SCOPE OF WORK

## Murray-Darling Basin Water Market Reform – Development of Implementation Roadmap

### Overview

The Australian Competition and Consumer Commission (ACCC) released its final inquiry report on Murray-Darling Basin water markets on 26 March 2021 (ACCC report). The ACCC recommended significant and wide-ranging water market reforms.

The Minister for Resources and Water has engaged an Independent Principal Adviser supported by an advisory group to work with the Australian Government, Basin states, industry, communities and other stakeholders to develop a phased, practical and cost-effective plan for water market reform having regard to the ACCC's findings and recommendations.

### Role of the Principal Adviser

Having regard to the ACCC report, the Principal Adviser is required to:

- 1) Provide advice by December 2021 on actions supported by Basin states that can be implemented quickly to help restore confidence in water markets.
- 2) Develop a phased implementation plan ('roadmap') for water market reform that is practical, cost-effective and supported by Basin states, by June 2022.

The roadmap must include an outline of the rationale for the design of the roadmap.

Note: In providing the two key deliverables, the Principal Adviser must include any dissenting or divergent views of the advisory group to ensure full transparency.

### Role of the advisory group

The advisory group, consisting of technical experts and water market stakeholder representatives, is to provide advice to the Principal Adviser on economics, water markets, and anticipated impacts of proposed reforms on water users.

### Development of the Implementation Roadmap

In preparing the roadmap, the Principal Adviser is to:

- work closely with the Australian Government and Murray-Darling Basin states, including via the Basin Officials Committee and the Ministerial Council
- seek advice from the advisory group on the proposed roadmap and process for developing it

- consider appropriate cost-sharing arrangements between the Australian Government and Basin states and (if appropriate) cost recovery arrangements for water users and other beneficiaries
- engage with industry, communities and other stakeholders
- have regard to
  - opportunities to build on relevant water market initiatives being progressed by Basin states
  - the water trading commitments under the 2004 National Water Initiative, the Productivity Commission inquiry into the National Water Initiative, National Water Reform 2020, the Murray–Darling Basin Compliance Compact and other relevant Commonwealth legislation such as the Water Act 2007, the Basin Plan and the Murray–Darling Basin Agreement
  - the potential for unintended consequences of implementing new regulatory arrangements and administrative processes.

The Principal Adviser is to provide advice on initial actions agreed to by Basin states to the Minister for Resources and Water by December 2021, and a final roadmap by June 2022.

The Australian Government Department of Agriculture, Water and the Environment will provide secretariat support to the Principal Adviser and advisory group.

## Background to Murray-Darling Basin Water Markets Implementation Roadmap

On 26 March 2021, the ACCC released its final report on markets for tradeable water rights within the Murray-Darling Basin. The Australian Government announced the inquiry in August 2019. The ACCC consulted with a wide range of water market participants across the Murray-Darling Basin. The ACCC report concluded that the market had outgrown the underlying governance, regulatory, and information framework, and that these issues are undermining market confidence and diminish the economic output derived from the Basin’s scarce water resources. The ACCC put forward 29 integrated recommendations aimed at enhancing markets for tradeable water rights, restoring confidence in water markets, and improving market operation and efficiency so they work better for participants and the Australian economy.

To enable a clear pathway to be identified for progressing water market reforms it is important that there is consultation and coordination with Basin states and other water market stakeholders. This will ensure that the reforms that are needed meet the expectations of water market participants.

The Australian and state governments share responsibility for the Murray-Darling Basin. Basin state governments are responsible for water licencing arrangements and have regulatory and operational responsibility for water markets under state legislation. Agreement with Basin states and cost sharing will be critical to water market reform, and it will be important that, to the extent appropriate, reforms apply uniformly across the Basin.

The roadmap should clearly identify the initiatives that should be progressed to improve water markets across the Basin and address the findings of the ACCC Inquiry.