



Australian Government
Department of Agriculture,
Water and the Environment

Developing the roadmap for water market reform

Principal Adviser, Daryl Quinlivan
Facilitated by Garry Smith

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Welcome

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Welcome

Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, water and culture. We pay our respects to their Elders past, present and emerging.



Housekeeping

- This session is being recorded.
- Participants are on mute for the session but we are taking questions and comments in the Q&A box.
- Questions and comments in the Q&A box will be recorded by the Secretariat for consideration in developing the roadmap.
- We have limited time together today and will do our best to address your questions.



Agenda

- Setting the scene
- December advice and potential areas for reform
- Q&A
- Next steps



Roadmap for water market reform

Context for the Roadmap – the ‘what’

- ACCC final inquiry report – published 26 March 2021.
- Contained 29 recommendations and 70 specific actions for water market reform
- The roadmap – considering ACCC findings to develop a phased, practical, cost-effective implementation plan

Context for the roadmap – the ‘how’

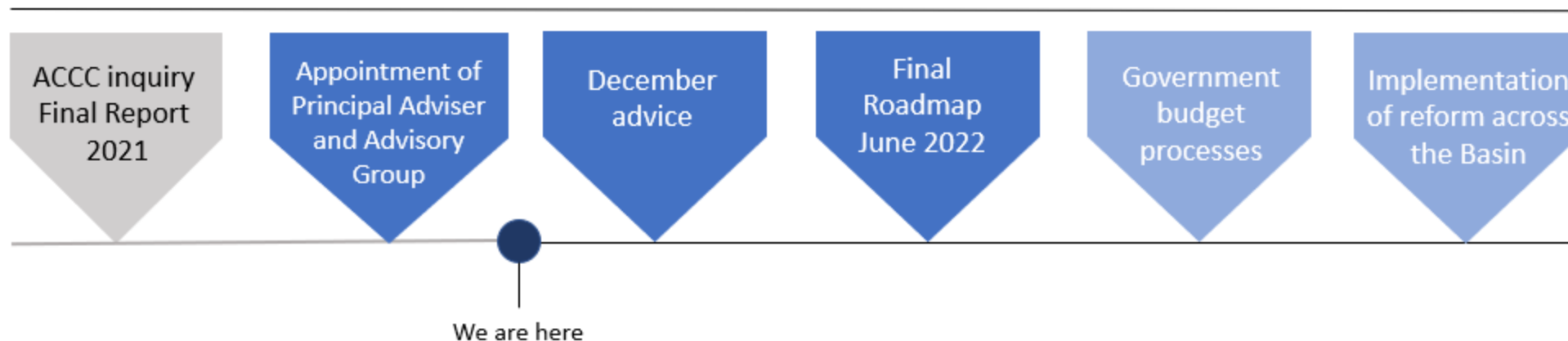
- To be developed by the **Principal Adviser** with the support of the advisory group, and in consultation with Basin states and stakeholders
- **Advisory group** to provide advice on economics, water markets, and anticipated impacts of proposed reforms on water users

Roadmap for water market reform

Context for the roadmap – the ‘when’

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

Water market reform process



The initial December advice – a progress update

- Progress to date by Basin governments
- Establishing an evidence base for reforms
- Identifying key potential reform opportunities to be explored:
 - Basin wide water market education
 - Intermediary code and conduct regulation
 - Improved access to information: data & system integration
 - Institutional arrangements

Key potential reform opportunities

- **Basin wide market education:** Ensuring availability and accessibility of information to enable communities and individuals to have confidence in the operation of water markets and their ability to enter those markets.
- **Mandatory Intermediary code:** a mandatory intermediary code would potentially regulate all parties carrying out intermediary services, including some Irrigation Infrastructure Operators (IIOs).
- **Conduct regulation:** new Basin-wide legislation to strengthen and broaden insider trading prohibitions, as well as new market manipulation prohibitions will regulate the conduct of market participants.
- **Digital infrastructure for trade:** Improving digital infrastructure and water market data is expected to have considerable benefits to water markets, but is likely to also require significant investment. DAWE has engaged the CSIRO to assess the benefits and costs in detail with trade service providers.

Conduct regulation

- The ACCC recommended strengthening and broadening insider trading prohibitions, as well as new market manipulation prohibitions.
- December advice: potential commitments to support these measures in-principle.
- Implementation details (scope of prohibitions, who will regulate) to be worked out for the June 2022 roadmap.

Why have a mandatory intermediary code?

- The ACCC recommended introducing an enforceable mandatory code for intermediaries, including water brokers, exchange platforms and Irrigation Infrastructure Operators (IIOs).
- Voluntary code has not been sufficiently effective.
- A mandatory code will support effective operation of water markets by promoting confidence and ensuring a consistent baseline for consumer protection
- December advice: potential commitments to support a code in-principle.

Mandatory intermediary code

What obligations will be included?

- Duty to act in client's best interests or to disclose if acting for both parties
- Complaints handling process
- Record-keeping obligations
- Trust accounts if handling money on behalf of clients
- Professional indemnity insurance

Mandatory intermediary code

What services could potentially be covered?

- Advisory
- Information
- Settlement
- Matching
- Submitting trade applications
- Exchange

Mandatory intermediary code

Matters still under consideration:

- Application - beyond the basin?
- Who will enforces the code?
- Appropriate exclusions (if any)?

Digital infrastructure & reporting for trade

- The ACCC recommended improvements to digital infrastructure for trade including water market data standards and system integration.
- December advice: potential new commitments to increase collection and publication of trade data (reasons for trade and 'strike-date' information).
- Most recommendations regarding data and systems for trade are yet to be considered.
 - CSIRO has been engaged to assess the benefits and costs in detail with trade service providers, recognising potentially significant impact on trade service providers.
 - Consequential issue of how to make this information available to meet various needs

Institutional arrangements

- The ACCC recommended creating a new 'Water Markets Agency' to centralise all water market functions in one agency.
- The new and improved functions would span:
 - Market surveillance, compliance and enforcement
 - Advisory and advocacy functions
 - Information and reporting functions
- Need to test this proposal against the need to ensure reforms are practical and cost-effective, and having regard to the number of existing regulatory agencies in the water management sector

Q&A

We want to hear from you

Please submit your question or comment in the Q&A box



Next steps

Thank you for your participation today

- Feedback from today's session will help inform advice as part of the roadmap.
- The first piece of advice is due December.
- Plan for 2022 is under development



Thank you for attending

- Contact us: Water.Markets@agriculture.gov.au
- Stay involved: <https://www.awe.gov.au/water/policy/markets/reform>

