



**Australian Government**

**Department of the Environment,  
Water, Heritage and the Arts**



---

# Australia's water entitlement and trading system

Presentation by Ms Katy Nicholls, Director, Water Strategies Section

Photo credits (from L-R) Farm Irrigation (DEWHA), Murray-Goulburn (J. Baker), Murrumbidgee River Corridor (J. Houldsworth), River Murray at Bunyip Reach (J. Baker), Rainwater tank (M. McAulay), Agriculture in the Murray-Darling Basin (J. Baker).



# Water management framework

---

## State governments

- Lead role for management of water and other natural resources on land
- Water belongs to the State

## Australian Government

- Limited direct role under Constitution
- Leadership, coordination and research
- New role in the MDB



## Agricultural water management framework

- State Governments issue rights ('entitlements') to extract water
  - perpetual 'shares' in the available resource
  - annually real water is allocated to these entitlements according to the amount of water available at the time
  - in the most important water use areas, the entitlements and the allocations are tradeable
  
- The rules governing the use of these entitlements are set out in 10-15 year 'water sharing plans'
  - catchment and aquifer based
  - plans control how much water needs to be reserved for the environment and other priority uses, and how much is allowed to be extracted



## Water trading snapshot

---

- In 2007-08
  - ~32,000 water trades
  - involving ~2500 GL of water
  - valued at ~A\$1.7 (US\$1.5) billion
  
- How does it work
  - for example, see <http://www.waterfind.com.au>



## Characteristics and benefits of water markets

---

Successful water markets have:

- Clearly defined property rights
- Efficient regulation to facilitate trade by individuals
- Planning frameworks to ensure:
  - water use is within acceptable limits
  - clear mechanisms for adjusting to changes in future

Reliable information = Investor confidence



## Markets and trading

---

Two main objectives of water market reform:

- Charges based on full cost recovery
- Trade allowing water to be used efficiently where it is most valued

Objectives pursued through:

- Removing barriers to trade
- Improving regulations
- Enhancing information



## Climate change adaptation and response

Australia has learnt a lot as it adapts to climate change

- Extraction caps based on sustainability principles, not historical water use
- Contingency planning and measures to ensure critical human needs met
- Water markets enable people to self-adjust
- Improved irrigation infrastructure efficiency
- Better information for decision makers



Photo: Steve Wray