

Drought relief for southern Murray-Darling Basin irrigators

Outcome

To provide water for some southern Murray-Darling Basin (MDB) irrigators at less than market prices to help them to maintain minimum production during the current drought, aiding capacity to rebuild after the drought breaks and the resilience of the communities that rely on them.

Proposal

Through the South Australian Government, the Commonwealth will fund SA Water to increase production of water from its Adelaide Desalination Plant, releasing allocation in the MDB, which will be made available to irrigators at a nominal price for immediate use.

Principles

- No adverse impact on Adelaide's water security
- No adverse impact on Adelaide's water prices
- SA Water not to incur a profit or loss from this arrangement
- No adverse impacts on flows to South Australia's Lower Lakes
- The arrangement is once-off, recognising the impact of current drought conditions
- Water users will be responsible for covering the cost of any water delivery fees and charges
- The operation of the arrangement would be reviewed before the commencement of the 2020-21 water year to assess effectiveness, costs and risks

Supply of water

- The Commonwealth will provide funding (with the specific amount to be negotiated separately) to South Australia to cover the marginal costs incurred by SA Water in producing 100 gigalitres of water over 2019-20 and 2020-21 and, if required, 2021-22.
- SA Water will provide access to water over two instalments – 40 gigalitres of water in 2019-20 and 60 gigalitres in 2020-21, subject to the outcomes of the program review that will be completed before 15 April 2020.
 - The release of 60 gigalitres will be subject to a review by the Commonwealth and South Australia, completed before 15 April 2020. The review will focus on the effectiveness of Round 1, water availability in the Basin, South Australia's water security and allocations and the risk exposure of water dependent agricultural sectors across the Basin.
 - There is no guarantee that the full 60 gigalitres can be provided in 2020-21 (Round 2) until the review is complete and the program is agreed by the Commonwealth and South Australia. Any remaining water necessary to meet the 100 gigalitres commitment will be provided in 2021-22 [subject to the agreed principles being satisfied].
- The Essential Services Commission of South Australia will independently review the price of supply to provide public confidence that SA Water is not profiteering from the arrangement.

Dispersal of water

- In round one (2019-20 instalment), water will be dispersed by seeking expressions of interest from irrigators in the southern connected Basin for them to purchase water at a price of \$100 per megalitre to be used in 2019-20 for the purpose of growing fodder, silage and pasture.
- Round two (2020-21 instalment), subject to the outcomes of the review, will see water dispersed to irrigators for use in 2020-21.

- Any water delivered by South Australia after 15 April 2020 will be accounted for in the 2020-21 water year in line with current practice. The quantity of water available will be subject to the review. The Commonwealth will operate the tender process including; communications; receipt and assessment of tenders; making decisions on successful tenders; and, compliance with water use.
- South Australia will administer water trades on behalf of the Commonwealth. The Commonwealth will advise South Australia of outcomes of the tender process and provide sufficient funds so that there will be no cost impact of South Australia operating this component of the program.

Support of MDB Ministerial Council

- The arrangement is dependent on MDB Ministerial Council endorsing trade from SA Water's Metropolitan Adelaide River Murray Licence.

Drought support for South Australia

- A South Australian Drought Resilience Fund will be established and funded by the proceeds from the water sale up to a maximum of \$10 million. Any reduction in allocation from 100 gigalitres would reduce the Fund proportionally.
- The Commonwealth Government agrees to exclude the \$10 million of drought assistance funding provided under this agreement to South Australia from the assessment of GST relativities and will take all necessary action to inform the Commonwealth Grants Commission of this decision.