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John Feil  
Executive Director  
National Competition Council  
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Dear Mr Feil

**Re: Lakes R US application for declaration**

WWF opposes this application on the grounds that it pre-empts the National Water Initiative (NWI) and because potential environmental impacts, especially the impact of fewer dam spills, are uncertain.

Summary of WWF's reasons for opposing the application:

- There is insufficient understanding and explanation of the potential impacts of the proposal on environmental water security in the connected Murrumbidgee and Murray systems
- In the absence of any comprehensive modelling analysis, WWF is of the view that the most likely overall environmental impact of the proposal would be a net reduction in the availability of water for the environment.
- WWF supports implementing NWI reforms as a priority and ahead of any serious consideration or approval of this (or similar) proposal(s).
- The proposal vitiates existing carry-over and trading regulations (i.e. it is effectively "carry-over by loophole") leading to unknown and unregulated outcomes, potentially to the detriment of the environment.
- Without proper safeguards, the proposal potentially undermines government investment in water recovery (e.g. Living Murray and Snowy Water for Rivers/Joint Government Enterprise).
- Given the national significance of this proposal WWF supports a full environmental impact assessment of the proposal.

**Some details**

**Lakes R Us application involves complex and interacting issues**

WWF recognises the issues relevant to this proposal are highly complex. WWF has not undertaken a detailed technical analysis of its own and therefore views the application from a fairly superficial level. In this regard, WWF has also noted the absence of any publicly available technical/modelling analysis, which would be needed to allow a comprehensive assessment of the potential risks and benefits of the proposal for a range of stakeholders (one being the environment).



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Relevant authorities need to undertake detailed modelling analyses under a range of scenarios to determine the risk of environmental damage and make these results publicly available. WWF is concerned that uncertainty and complications at a number of levels would make it difficult to work out what data and assumptions to put into the model and would mean any modelling undertaken today would be, at best, a guess.

### **National Significance**

WWF agrees that this is a matter of national significance. It involves nationally significant volumes of water, it is also interrelated with national water reforms and it could have significant impacts on the efficacy of major government spending to recover water in the region.

By any Australian standard the potential volume of water involved, 800 000 ML or 800 GL, is large. It is equivalent to

- About 11% of the entire storage capacity of the Snowy scheme (7000 GL)
- One and half times the Living Murray first step target for water recovery (500 GL)
- Two and half times the volume needed to restore 28% annual average flows to the Snowy (c. 300 GL)

### **National Water Initiative**

Over the next 5-10 years the NWI seeks to ensure water planning, accounting and trading arrangements provide much greater precision and certainty in how water is allocated, used and traded. An important consequence of the NWI reforms is to provide a platform to drive innovative ways to improve the efficient and productive management and use of water, which might include a proposal like Lakes R US.

Under the NWI a number of safeguards will be established to ensure there is transparency and accountability in water sharing arrangements, trading and environmental water security. Some broad environmental objectives of the NWI are to achieve environmentally sustainable water extraction and ensure the health of river and groundwater systems. Among other things, the NWI seeks to:

- address all over allocation and over use of water resources,
- define specific environmental requirements in statutory water plans,
- establish environmental water accounts and managers,
- manage environmental water to meet environmental outcomes, and
- protect aquatic ecosystems systems as they come under increasing pressure of development.

The NWI encourages innovation that will drive water use efficiency. To achieve this in an environmentally sound and socio-economically responsible way the smart sequencing of water reforms (the platform) and the development of innovative projects (the outcomes) is critical.

WWF supports innovations to drive productive and efficient use (a suggested benefit of Lakes R US proposal), however, we feel critical programs and reforms (especially the NWI and Living Murray)



which are designed, among other things, to safeguard environmental health in relevant water systems must be implemented as a priority.

Attached to this submission is a summary and checklist of WWF's interpretation of some key elements and actions in the NWI, based on the IGA.

WWF is of the view that Lakes R Us is premature, not only because it could impact/complicate the implementation of the Living Murray and NWI, but because a comprehensive assessment of the proposal would actually be facilitated once the NWI arrangements are in place (especially accounting; trading rules etc)

### **Water sharing plans and existing arrangements**

It is important in terms of public confidence that the water sharing plans (which were developed without Lakes R Us in mind) are implemented according to the conditions upon which they were agreed. The planning process would need to properly consider Lakes R Us issues and contingencies; the appropriate time to do this is at the next scheduled adaptive management review of plans.

Third party access may affect current extractive water use rights and require governments to alter the existing water management and allocation systems because of the practical need to implement access via a water 'swap'. The swap would require changes to an individual's water extraction and use rights and would potentially alter the rights to or share of water for all other users because, among other things, it would vitiate existing regulatory constraints on water trading and carryover.

### **Potential environmental impacts**

The proponent suggest that "The activity of Lakes R Us P/L using Snowy Hydro Ltd's spare water storage capacity will not increase the extraction of water from river systems." Moreover, the proponent claims "In the event of a spill it would actually reduce the extraction from the river system to the benefit of the environment." However these statements do not appear to take into consideration any analysis of where the current unused water allocations typically flow and spill.

WWF understands that higher regulation of water in the Snowy scheme is likely to decrease current spills from downstream dams (and by doing so decrease environmental water). Hence, the net result of the proposal without proper safeguards and accounting in place will be to increase extractions for irrigators and therefore a reduction in water available to the environment. The potential impact of increasing security for participating users at the expense of other (non Lakes R Us) users could also create even further pressure on the environment's allocation (political pressure by the disadvantaged "other users").

The proposal, for example, would extend carryover to high security entitlement holders. Such extension would reduce the overall share of water available to other water users because unused high security water allocations form part of the water allocation for general security licence holders in the subsequent water year.

Currently carryover of water credits is allowed in NSW but not in Victoria and SA. Lakes R Us storage gives SA, Victoria and NSW (high security) users the option of carrying over unused water



allocations from a particular water year. This could fundamentally alter the security for all users, including the environment, in subsequent year(s).

Above “target water” is the difference average annual releases and minimum notified releases by Snowy Hydro. Above “target water” releases average 322GL per year including a large proportion of unused allocation water, which allocation holders have not used in an allocation year. (Per LRU submission). If the project goes ahead, this water will be made available to users rather than the environment.

### **Possible environmental benefits**

Clearly, the key driver of the Lakes R Us proposal is not the environmental water stakeholder. For example, the proponent says “The company has had discussions with interested parties in the water usage industry, farmers and financiers.”

Nevertheless, the proponent suggests environmental benefits of their proposal might include:

- Storage in the scheme is cheaper and more efficient (less evaporation) than on farm storage
- Stops unproductive use of water at the end of the season
- Provides a mechanism to carry over and better manage environmental allocation
- Drive efficiency and productivity of water use

While these may appear to be legitimate potential benefits, in the absence of any hard analysis and without NWI systems and safeguards in place, WWF is not confident that the environment would win at the end of the day.

The proponent does not analyse how these preported benefits, including the interaction between various water management changes, could in fact impact on the availability of water for the environment. For example, if not accounted for properly water efficiency gains do not necessarily equate to environmental benefits and could in fact be to the detriment of the environment (i.e. the vexed issue of accounting for “return flows”).

It is possible that enhanced opportunity for targeted environmental water management could be achieved by utilising the Lakes R Us storage capacity. An environmental water manager, which would usually be the government or government agencies, or possibly an independent environmental water trust, could store water in the Lakes R Us. We would support this sort of activity, however, as mentioned above we support implementation of NWI accounting and planning requirements as a priority.

The proponent states that water stored in the scheme would be cheaper than water stored in farm dams. However these farm dams do not currently exist and are unlikely to be financially viable. In addition, WWF does not support the building of on farm storages without thorough analysis of consequential impacts.

### **Public availability of water resource data**

Data must be made available by Snowy Hydro so that the full impacts can be explored. WWF has become aware that since corporatisation of the Snowy scheme, Snowy Hydro has become less inclined to make data publicly available.

### **Other**

There is huge investment being made in the national interest to recover water for the environment under the NWI and Living Murray. WWF suggests great caution needs to be taken to avoid somehow compromising those investments.

In general the application has been written from a NSW-centric perspective, which assumes a much lower level of water allocation security than the Victorian and South Australian systems.

A useful public interest test of the proposal might be to pose the following question:

*How would water users react if a similar proposal was lodged by an environmental water manager to gain first priority access to 800 GL of storage space in the Snowy Scheme?*

At the very least the irrigation community would be asking whether their security would be undermined.

### **Some questions**

- What are the environmental impacts of carrying over unused consumptive allocations?
- Under current arrangements what happens to the water that is unused by irrigators? Does it go primarily to the environment? If so, are the environmental impacts of those flows no longer being available for the environment?
- How would this proposal impact on investment decisions/results already made in Living Murray to recover water for the environment?
- Lakes R Us will increase temporary trade pool and could encourage the increased activation of sleeper/dozer licences – how will their regular activation and storage in Lakes R Us impact on environmental and other users security?
- How does Lakes R Us impact on relevant water sharing plans?

WWF does not rule out this type of approach in the future, but urges a precautionary approach. Waiting until key NWI reforms are in place would make the assessment of this type of project more reliable and less risky.

The NWI will enhance the capacity of regulators to properly elucidate the long-term consequences of the Lakes R US proposal, not only from the environment's perspective but for other users.

Yours sincerely,

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Freshwater Manager WWF

**Tony Trujillo**

Economic Policy Officer WWF