



Member Briefing Note: SDL Adjustment Mechanism Reconciliation

Key issues:

- The MDBA has now determined that a SDLAM reconciliation will occur (31 December 2026).
- The MDBA anticipate this will result in a reduction to SDLs in the impacted water sources.
- The method for how water use will be reduced to comply with the new adjusted SDLs will be up to the Federal Government to determine. It is generally assumed that this will occur via further water recovery (i.e. buybacks) to bridge the new gap. However, this is yet to be determined.
- The MDBA says there will be no impacts to reliability as a result of the reduced SDLs, as Basin States will be able to claim a 'reasonable excuse' for SDL non-compliance on the grounds of incomplete water recovery. However, this will be up to the Inspector-General to adjudicate. It will also depend on the method for water recovery determined by the Federal Government. There are many uncertainties.
- The process has just been published (January 2025) [Sustainable Diversion Limit Adjustment Mechanism \(SDLAM\) Reconciliation Framework](#)

NIC Policy Position:

NIC is of the position that the full 605 GL must be delivered – so that a further reduction in the SDL is not required (note: previous and re-drafted position open for comment/feedback).

NIC emphasises that SDLAM projects are important programs as they reduce the risk of further water recovery directly from communities, but also important environmentally, and failure to deliver will undermine important environmental outcomes that cannot be replicated by just adding more water.

NIC Advocacy response:

For now, NIC will engage directly with the MDBA and Federal Government, to highlight our concerns with the language and the timing of the framework, prior to the Federal Election.

We will urge the Authority and Governments to fulfil commitments to delivering on SDLAM – it is part of our election strategy, and was part of our positions during the Restoring our Rivers Bill to have a SDLAM Roadmap (of sorts to plan for ensuring these offsets can be maintained and implemented).

We will highlight the ongoing risk of Government administration failure, as irrigators and communities should not carry the burden or impacts of Governments failing to deliver on SDLAM projects.

Our Basin Plan Insights response and engagements in the Basin Plan review, will focus on a pathway to maintain the full 605GL offsets going forward.

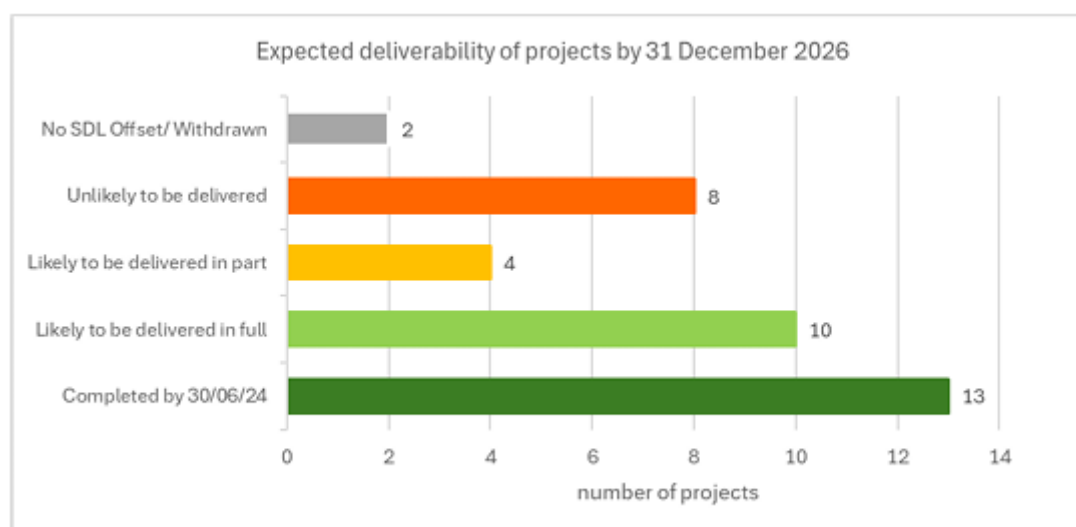
Background:

- In 2017, surface water SDLs in the Southern Basin were adjusted on the basis that ‘SDLAM projects’ would come into operation, offsetting the need for greater reductions.
- The original timeframe for these projects to be operational was 30 June 2024, but this was extended to 31 December 2026 as part of the *Restoring our Rivers Act*.
- The package of measures increased the SDLs by 605 gigalitres per year (GL/year). This was based on outcomes from a package of 36 supply and constraints measures. Note: this is assessed as a total package, not individual projects.
- The Basin Plan limits the amount that SDLs can be adjusted, to up or down by 5%.
- At the time of the original determination, the Basin-wide SDL was 10,873 GL, so 5% of this is approximately 543 GL.
- Therefore, a minimum of 62 GL of additional water savings through efficiency measures or additional held environmental water is required to pass the 5% rule (i.e. from “the 450 GL”), and achieve the full effect of the 605 GL.
- SDLAM enables efficiency measures to be progressively developed until 2026, and additional held environmental water to be acquired until 2027.

Progress:

Recent estimates (MDBA SDLAM 2023 Assurance Report) showed an estimated supply contribution of between 209 to 415 GL/y (assessed for delivery by 30 June 2024) – therefore a **shortfall of 190-315GL/y** (likely to be at the higher end of the range) from the 605GL/y contribution.

However, with the *Restoring our Rivers* amendments (more time and new projects) this will likely change. Note: projects are assessed as a package, not on a project level.



1

¹ [independent-assessment-murray-darling-basins-supply-constraints-measures.pdf](#)

Reconciliation:

The Basin Plan requires the MDBA to undertake a 'reconciliation' if it considers the adjustment volume as of 31 December 2026 would be different to what was originally determined in 2017.

The MDBA has now determined that a reconciliation in 2026 will be required. This is because:

- The *Restoring our Rivers Act* enabled new supply measures as part of the package, these must be applied for by 30 June 2025 and operation by 31 December 2026.
- The [Murray–Darling Basin Authority \(MDBA\) 2023 assurance report](#) found some projects have changed since 2017 and others may be withdrawn.

Process

The process for this has just been published by the MDBA in the [Sustainable Diversion Limit Adjustment Mechanism \(SDLAM\) Reconciliation Framework](#).

In determining the final SDL adjustment amounts the MDBA will:

- Determine adjustments that will reflect: the notified measures, the additional supply measures, the additional efficiency measures and the additional held environmental water entitlements as expected on 31 December 2026 and the varying held environmental water contribution.
- Comply with the SDL adjustment limit - the '5 percent rule' and calculate for each affected SDL resource unit the difference between the 2017 SDLs and the current SDLs.
- Determine the amounts of the proposed adjustments for the water source and the Basin as a whole.

Further details of this Framework are below:

- The amount an SDL is adjusted will reflect the sum of the apportioned supply contribution (as calculated during reconciliation), minus any efficiency or additional HEW contributions for that SDL resource area as expected at 31 December 2026.
- The apportionment of the supply measure contribution between Basin States is: **South Australia 8.6%, Victoria 44%, New South Wales 47.4%**. This was agreed in 2017 by Basin States and the Commonwealth. This is further apportioned by SDL resource unit (Schedule 6A Table 1).
- The **apportionment is not related to a Basin State's success in SDLAM delivery**, the total volume reflects the entire suite of measures delivered by all states and their implementation.
- Adjustments for efficiency measures and additional held environmental water (i.e. from 'the 450 GL') will be calculated for each SDL resource unit, based on how much has been registered.
- The Basin Plan allows the MDBA to reduce the total supply or efficiency contribution for an SDL resource unit if it is not satisfied that a determination of the proposed adjustment would **otherwise meet the criteria for neutral or improved socio-economic outcomes** or use of the approved approval process.

- The MDBA must consult prior to finalising the adjustment volumes. The MDBA will publish a draft determination of the proposed adjustment amount, and reasons for decisions, no later than the 31 October 2026. This will be open for public submission.
- The MDBA must prepare an amendment of the Basin Plan that sets out each proposed SDL.

Impacts

- It is anticipated that the total supply adjustment volume will be less than the 605 GL identified in 2017.
- Therefore (if this occurs), the SDLs for the affected southern Basin SDL resource units will decrease.
- The SDL accounting provisions allow this changed SDL to be adopted in the SDL accounts. If legislative amendments are in effect by 30 June 2027, new SDLs will apply for the 2027 – 2028 water year.
- The MDBA says:
 - “The Basin Plan’s existing SDL accounting arrangements will mean that with lowered SDLs **there will be no impact to the reliability of entitlements**. This is because the Basin Plan allows for an adjustment for incomplete water recovery.”
 - This refers to enabling the States to claim a ‘reasonable excuse’ for not complying with an SDL if it is the result of incomplete water recovery (suggesting new water recovery targets would be set to bridge the new gap of the SDLAM shortfall).
 - **However, NIC has remaining concerns regarding this, as the method for how water use will be reduced to comply with the new SDLs is not outlined in the Basin Plan. It will also be open to the Inspector General to ultimately adjudicate these claims.**
- The MDBA also says:
 - “The Commonwealth will need to consider its future recovery options in light of the increased water recovery targets.”