



# National Irrigators' Council

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## ***Trading between Groundwater and Surface Water***

*Caution must be exercised in the development of policy on the issue of  
groundwater – surface water trading due to the body of knowledge regarding  
surface water being greater than that of groundwater*

### **Position Statement**

*Statement ratified 1 October 2014*

# **National Irrigators' Council**

## **Position Statement**

### **Trading between Groundwater and Surface Water**

#### **Introduction**

The Murray Darling Basin Authority (MDBA) proposes to allow trading between groundwater and surface water as set out in the Basin Plan, provided certain conditions are met. While the National Irrigators' Council has developed this Position Statement based on current knowledge, the release of more detailed information from the MDBA will enable the NIC to further develop this Statement.

#### **NIC Principles Relevant to this Position Statement**

- No negative third party impacts on reliability or availability
  - Potential negative impacts must be compensated or mitigated through negotiation with affected parties
- Irrigators must be fully and effectively engaged in the development of relevant policy
- Irrigators expect an efficient, open, fair and transparent water market
- Irrigators expect Government policy to deliver triple bottom line outcomes

#### **Guiding Questions**

1. What is the proposed scope of trading between groundwater and surface water?
2. Will trading between groundwater and surface water negatively affect the timing, reliability or volume of water entitlements?
3. Does the Murray Darling Basin Authority (MDBA) framework for trade between groundwater and surface water provide assurance there will be no negative third party impacts?

#### **Key Messages**

- As the body of knowledge regarding surface water in Australia is greater than that of ground water, the NIC urges the MDBA move forward carefully on the issue of groundwater – surface water trade, in large part due to the complexities around ground water.
- The MDBA must clarify the scope of proposed trading between groundwater and surface water as a first step
- Irrigators must be engaged with Commonwealth and State agencies in the development of the trading framework at an early stage
- NIC recognises that trade between groundwater and surface water may be beneficial providing the trading framework ensures water entitlements retain their characteristics of timing, reliability and volume
- The trading framework should ensure there are no negative third party impacts as a result of trading between groundwater and surface water.
- NIC does not believe the further development of groundwater trade rules, particularly for surface/groundwater trade and inter-aquifer trade, should be a high priority work program for the MDBA.
- Where trade rules are developed, the priority should be on ensuring the rules codify existing market practice.
- Any development of trading rules must be done with extensive consultation with entitlement holders at a catchment level.

## **Background Information:**

The Murray Darling Basin Authority proposes to allow trading between groundwater and surface water provided certain conditions are met. While there is little further information available in this regard, the following references provide some contextual background:

### Section 12.26 of the Basin Plan states: **Trade between groundwater and surface water**

The trade of a water access right between a groundwater SDL resource unit and a surface water SDL resource unit is prohibited, unless all the following conditions are met:

- (a) There is sufficient hydraulic connectivity between the 2 units;
- (b) Any resource condition limits in the groundwater SDL resource unit specified in a **water resource plan** will not be exceeded as a result of the trade;
- (c) Measures are in place to account for the trade;
- (d) Either:
  - (i) Water access rights in the 2 units have substantially similar characteristics of timing, reliability and volume; or
  - (ii) Measures are in place to ensure that the water access right to be traded will maintain its characteristics of timing, reliability and volume;
- (e) Measures are in place to address the impact, as a result of trade, on water availability in relation to a water access right held by a third party.

### Section 10.39 of the Basin Plan states: **Circumstances in which conditions in section 2.26 are met** (Water resource plan)

- (1) A water resource plan must set out the circumstances in which trade between a groundwater SDL resource unit and a surface water SDL resource unit is permitted. In setting out the circumstances, a water resource plan must ensure that each condition set out in section 12.26 will be met in relation to proposed trade.
- (2) If the water resource plan applies a conversion rate to meet the condition in paragraph 12.26(e), the water resource plan must either:
  - (a) Specify the conversion rate; or
  - (b) Set out the way in which the conversion rate will be determined from time to time and made generally available.

### Section 6.3.2 of the MDBA document titled *The proposed Groundwater Baseline and Sustainable Diversion Limits: Methods report, 2012* states as follows: **Highly connected systems with the potential for groundwater/surface water trade:**

Of the 23 highly connected systems, there are 5 SDL resource units (3 in NSW and 2 in Victoria) that are considered to be highly connected where the PEL is greater than the BDL. In these systems an increase in groundwater extraction would have an impact on the KEF (i.e. base flows), however the preliminary extraction limit suggests that further development could occur in the groundwater resource without compromising the other ESLT characteristics.

To allow further development of the groundwater resource there would be a need for an offsetting reduction in surface water extraction. This would ensure that the KEF values of the relevant surface water system will be maintained. Put simply, it is the Authority's view, that although the groundwater SDL is set at the BDL, further development could occur through trading surface water entitlement to the groundwater system.

In these systems there is the opportunity to increase surface water extraction through the purchase of groundwater entitlement and vice versa. For the potential trades to occur there must be an understanding of the connectivity of the system.

An example of a water management plan that deals with the issue of groundwater/surface water trade is the Victorian draft water management plan for the Upper Ovens River Water Supply Protection Area. This draft plan proposes trade between groundwater and surface

water in zones within the Upper Ovens River catchment (Upper Ovens WSPA Consultative Committee 2011).

Section 6.3.2 of the MDBA document also nominates the following *Highly connected systems with the potential for groundwater/surface water trade*:

- Murray Highlands
- Ovens Highlands
- Liverpool Ranges Basalt
- Orange Basalt
- Warrumbungle Basalt