



National Water Reform 2020

Submission to the Australian Government
Productivity Commission

August 2020

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1. Introduction

The South Australian Chamber of Mines and Energy (SACOME) is the peak industry body representing companies with interests in the South Australian minerals, energy, extractive, oil and gas sectors and associated service providers.

SACOME welcomes the opportunity to make this submission to the Productivity Commission's (the Commission) National Water Reform Issues Paper (the Paper).

The importance of the Australian resources sector and its significance to the Australian economy is well documented.

In South Australia significant work has been undertaken by both industry and the Government to identify the location of the abundant mineral and petroleum resources across the State. However, jurisdictional challenges such as water availability continue to operate as a deterrent to investment and to unlocking this potential.

The critical importance of water to South Australian resources sector operations cannot be understated.

Similarly, SACOME also recognises water's importance to other industry, the community and the environment; and the need to manage water resources responsibly.

SACOME understands the Commonwealth Government has asked the Commission to assess jurisdictional progression in achieving the objectives and outcomes of the National Water Initiative (NWI) and evaluate the need for future water reform.

SACOME's submission to the Issues Paper focuses on the key NWI element of water entitlements and planning. Further, SACOME's emphasises the importance of investment in new water infrastructure to existing resources sector operations, project development/expansion and unlocking new provinces.

SACOME is committed to working collaboratively will all stakeholders to improve water policy outcomes.

2. Water entitlements and planning

The 2017 Commission's National Water Reform Inquiry Report (the 2017 Report) highlighted concerns that the resources sector's significant growth could adversely affect the environment and consumptive water users if not properly accounted for in water entitlements and planning frameworks.

SACOME notes the 2017 Report recommended ensuring that water entitlement and planning frameworks incorporated extractive industries (mining and petroleum) and alternative water sources, such as recycled water.

Alternative water sources are important for the augmentation of domestic and industrial water supply, with desalination and associated pipeline infrastructure playing a critical role in the continuing development of the South Australian resources sector.

2.1 Landscapes South Australia – natural resources management reform

A key election commitment of the incoming South Australian State Government was to reform the manner in which natural resources were managed across the State.

From 1 July 2020 the *Landscape South Australia Act 2019* (the Act) replaced the *Natural Resources Management Act 2004*, as the principal framework for managing the state's land, water, pest plants and animals, and biodiversity.

Throughout April 2020, the South Australian Government undertook consultation on the Regulations that underpin the new Act.

Specifically of interest to the resources sector were the *Landscape South Australia (Water Management) Regulations 2020* that aimed to improve flexibility around consumptive pools, water access entitlements, and allocations as required by the NWI and recommended by the 2017 Report.

SACOME's consultation on the new Regulations with member companies indicated that they did not negatively impact industry and are therefore supported.

2.2 Far North Prescribed Wells Area Draft Water Allocation Plan (WAP)

The South Australian Arid Lands NRM Board (now the Landscape South Australia SA Arid Lands Board) conducted a review into the Far North Prescribed Wells Area Draft WAP in 2018/19.

SACOME noted that the Draft WAP proposed some significant alterations to the previous WAP (including for this inquiry's purposes) the creation of a new water licensing system that will enable the 'unbundling' of water rights and create 'consumptive pools' in line with NWI principles.

unlike the *Landscape South Australia (Water Management) Regulations 2020*, the draft WAP does not seem to allow the transfer of water allocations across different consumptive pools within the same region.

On advice from member companies, SACOME submitted¹ to the review that all licensed groundwater users should be able to trade water in the region irrespective of industry and the pool within which their water allocation sits.

SACOME reiterates this position to the Commission.

2.3 South Australian Water Register

SACOME notes the 2017 Report states *"In South Australia, progress has been made to enhance aspects of water planning and management, such as Indigenous engagement. South Australia also plans to undertake a project to upgrade its water register and associated systems."*

On 27 July 2020, the South Australian Minister for Environment and Water approved the release of the draft *Landscape South Australia (Water Register) Regulations 2020*.

The draft regulations will underpin a new South Australian Water Register which will become operational in 2021 and offer a suite of new water asset management features including new registration and electronic lodgement services.

SACOME remains committed to engagement with this process of implementing NWI reforms.

2.4 Planning for long-term changes in climate

The Paper notes *"...climate change is expected to lead changes in water availability and reliability, and an increase in the frequency, severity and duration of droughts across much of Australia."*

SACOME's Climate Change Policy² *"recognises that climate change will have potentially significant although uncertain implications and accepts that the resources sector has an obligation to reduce its carbon footprint through adopting less carbon-intensive energy, encouraging innovation and investigating new and more efficient technologies."*

Adapting to climate change will also require improvements in water use and resilience against extreme weather events that may impede production. Environmental stewardship and responsibility are key pillars of sustainable

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https://www.sacome.org.au/uploads/1/1/3/2/113283509/sacome_draft_far_north_water_allocation_plan_prescribed_wells_area_submission_final_17.04.20.pdf

² <https://www.sacome.org.au/climate-change.html>

development and essential to the resources sector meeting its community obligations.

Better balancing of economic, environmental and social needs under extreme events, alongside improved stewardship methods, will avoid competition between communities and industry for water.

SACOME supports further discussion on how jurisdictions' can account for climate change in their water allocation and planning frameworks, including opportunities for collaboration between industry on both climate change planning and enhancing water use efficiency.

3. Investment in new water infrastructure

The Paper's terms of reference require the Commission to consider the necessary principles for government investment in major water infrastructure, with the 2017 Report finding a number of new infrastructure projects had not met a requirement for transparent benefit-cost analysis prior to government funding being committed.

SACOME submits that key principles for government investment in water infrastructure should be the overall delivery of an economic benefit to the industries reliant on the investment; opportunities for multiple stakeholder benefit; and the potential for improved environmental outcomes.

SACOME has already highlighted how a lack of existing infrastructure, such as water availability is a key challenge for resources sector projects.

SACOME understands that the National Water Grid Authority was established to deliver on the Commonwealth Government's \$3.5 billion commitment to identify and build new water infrastructure via the National Water Infrastructure Development Fund and the National Water Infrastructure Loan Facility.

SACOME submits that given importance of water as input into resources sector operations, greater consideration needs to be given to its availability and transmission to project sites as a prerequisite for unlocking greenfield provinces and driving economic growth; and the role government has to play in ensuring investment in new water infrastructure is established with surplus capacity to preserve future growth.

Prior to COVID-19, the South Australian State Government had launched their *South Australian Growth Agenda* which set a target of sustaining annual growth in Gross State Product (GSP) at 3% over the next 5-8 years, equating to approximately twice the average growth rate for the State in the 10 years to 2018.

The resources sector was identified as one of nine industry sectors with potential to meet the State Government's growth targets, placing significant expectation on the sector to drive unprecedented growth outcomes.

In response to this SACOME member companies had called for the development of a South Australian 'industrial water strategy' to provide a consolidated understanding of the amount of water required for use across economic sectors identified as contributors to the 3% growth target; and which provides direction on provision of this water for industrial use across relevant economic sectors.

SACOME submits that a "national industrial water strategy" could facilitate resource sector project development and economic growth as the Commonwealth Government seeks economic stimulus measures in response to COVID-19.

In addition, a national strategy provides an opportunity to assess cross-sectoral and environmental outcomes in considering economic development opportunities.

4. Conclusion

SACOME reiterates to the Commission that water is of vital importance to the resources sector and SACOME's member companies, going to the very viability of resources sector operations and project development.

SACOME thanks the Commission for the opportunity to make this submission to the Paper and remains committed to ongoing dialogue with the Commission in relation to these matters.