

**Craig Knowles  
Chair**

TRIM Ref: D12/19876

The Hon Tony Burke MP  
Chair, Murray-Darling Basin Ministerial Council  
c/- Parliament House  
CANBERRA ACT 2600

Dear Minister

I am writing pursuant to s43A of the Water Act 2007 (Cwth) to provide the Ministerial Council with a revised version of the proposed Basin Plan, following amendments made by the Authority in light of the recent 20 week public submission process and associated consultations with state officials and the community.

As you may be aware, s43A(4) of the Act provides that the Ministerial Council be given six weeks (ie. until 9 July 2012) to provide any written comments to the Authority on the proposed Basin Plan, and to indicate whether one or more of its members disagree with one or both of the following issues (and the nature of the disagreement):

- the long term sustainable diversion limits (SDLs) proposed in the proposed Basin Plan;
- any other aspect of the proposed Basin Plan in relation to which the Minister may give a direction under subparagraph 44(3)(b)(ii).

To assist the Council with its deliberations, please find the following documents enclosed:

- a revised version of the proposed Basin Plan
- a report prepared under s43(11) of the Act summarising the public submissions received and the broad changes made by the Authority to the proposed Basin Plan in light of those submissions
- a report prepared under s43A(3) of the Act containing the Authority's advice to the Ministerial Council on the likely socio-economic implications of any reductions in the long term average sustainable diversion limits proposed in the proposed Basin Plan.

I am sure you will agree that the above documents represent a large body of work. They contain changes arising out of the consultation process which, we believe, further improves the proposed Basin Plan released last November.

I wish to record the Authority's appreciation for the input of the many individuals and agencies who made submissions about the Plan. I would also like to thank the contribution made by state officials over the past 12 months via the Basin Plan Working Group in refining aspects of the Plan.

In coming to its view about the content of the proposed Basin Plan, the Authority has weighed up the many and varied submissions it received, including those from state governments, with the

requirements of the Act. While the Authority is very satisfied with this new version of the proposed Basin Plan, we are also conscious of two specific issues for which a number of alternate approaches were advocated in some of the submissions from state governments. As these two issues – downstream apportionment and an SDL adjustment mechanism – have potential policy and financial implications for governments, the Authority would particularly appreciate the consideration and advice of the Council on these issues during this six week comment period. A short description of the issues is below:

**1. Downstream apportionment:** a number of submissions asked that for reasons of improved certainty, the downstream portion of the proposed SDL reduction be attributed to specific upstream catchments. The Authority's view is that the ability to recover water from a range of upstream catchments in order to achieve the SDLs is an important market based mechanism founded in NWI principles that will minimise the overall economic costs of the Basin Plan. However, the Authority recognises that an agreed apportionment mechanism could improve certainty for some stakeholders, and we would welcome the Council's advice on a workable approach to this issue.

**2. SDL adjustment mechanism:** a number of submissions raised concerns over the amendment process needed to capture any outcomes associated with the proposed 2015 SDL review, and sought the inclusion within the Plan of an SDL adjustment mechanism that could capture those outcomes without needing an amendment to the Plan. Such outcomes could include the benefits arising from work underway by governments to improve river operating rules, new infrastructure to water key sites more efficiently, and addressing some of the key physical constraints to achieving environmental flows.

The Authority is open to a workable SDL adjustment mechanism, and has investigated several options. Starting from the proposed 2750GL reduction, such a mechanism could operate on the basis of:

- allowing for a decrease in SDLs only if the social and economic outcomes are at least equivalent (or better than) those proposed in the final Plan; or
- allowing for an increase in SDLs only if the environmental outcomes are at least equivalent (or better than) those proposed in the final Plan.

For example, if an SDL adjustment mechanism were in place, it would be possible to increase the reduction in surface water SDLs to, say, the 3200GL reduction as modeled in the Authority's sensitivity analysis, on the basis that additional water for the environment was sourced only from further investments in more efficient infrastructure, and key constraints were removed in order to realize the benefits from additional environmental water.

Similarly, the mechanism could operate so as to reduce the SDL reduction to, say, the 2400GL reduction as modeled in the Authority's sensitivity analysis, on the basis that investment in works and measures enabled the achievement of environmental outcomes with less water.

The Authority would appreciate advice from the Council as to the desirability of such a mechanism, and would be pleased to provide governments with technical advice in the

development of a workable approach, and the risks and benefits compared with the Authority's proposed 2015 review.

I would appreciate advice of the Council on the proposed Basin Plan, including the above two specific issues, by 9 July 2012. As usual, the Authority would be pleased to offer technical briefings or advice to Ministers on any aspects of the proposed Basin Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Knowles', with a large initial 'C' and 'K'.

The Hon. Craig Knowles  
Chair

28/05/2012

CC:

The Hon. Andrew Cripps MP, Minister for Natural Resources and Mines (QLD)

The Hon. Katrina Hodgkinson MP, Minister for Primary Industries (NSW)

Mr Simon Corbell MLA, Minister for the Environment and Sustainable Development (ACT)

The Hon. Peter Walsh MP, Minister for Water, Agriculture and Food Security (VIC)

The Hon. Paul Caica MP, Minister for Water and the River Murray (SA)