

Australian Federal Government Budget – An analysis from a Waterfind perspective

Waterfind has now reviewed last week's budget through our unique understanding of Water regulation in the country. Following is our first high level assessment of the key points of the budget from a water perspective. Firstly, it is important to point out that getting a good handle of Water impacts to the country resulting from the federal budget is very difficult. Any insights do require high levels of prior knowledge of legalisation and policy and programs which Waterfind do host and is challenging to convey, even in a simple high-level overview. However, we have done our best to do this below and are more frequently being requested to provide our water knowledge to family farms, corporations, boards and irrigation entities. We do this via informal and formal arrangements with our clients through our 'Water Management Support Service' which enables interested parties to get the benefit of our unique oversight for their business strategic & risk planning. To learn more and or express your interest in these services please [CLICK HERE](#).

The Budget & Changes in Australian Government Direction: The Commitment to Northern Australian Dam and Water Development is the most notable change (from a money point of view) in the direction of the Australian Government with over \$6billion in funding cut by the federal government from projects such as the: Hells Gate dam development, the Dungeowan dam and pipeline development, the Emu Swamp Dam and pipeline development, the Hughenden Irrigation Scheme development and the Wyangala dam development.

Water Recovery: It is unfortunate we cannot provide more informed comment on the budget dollars to the water recovery measures. This is due to the introduction of a line item that we have never seen before in the water portfolio budget measures, namely the term 'nfp' standing for Not for Publication. We do however note that the term 'nfp' is inserted into the current fiscal year 2022/23 and believe that as this project has the potential to have largest impact to the market, we have used this review and our understanding of the National Water Policy to estimate the numbers below. To achieve this you firstly need to estimate the size of the water recovery target, then understand the different buckets those targets sit in and the legislative / policy constraints that apply to each of those buckets, this is done below.

Estimating the Water Recovery Target: In the budget papers, the government does reaffirm their pre-election commitment to bridge the gap of water recovery. Waterfind understands that 'the gap' is made up broadly of two components which we refer to latter in our analysis as the 'down-water' and up-water' gaps. Down-water is the water recovery deficiencies to the original 2750gl target, which Waterfind estimates to now be approx. 160gl of Long-Term Cap Equivalent LTCE* remaining to recover. Up-Water is the additional 450gl commitment made by Australian state governments of which Waterfind estimates to be mostly undelivered (approx. 5gl to date). Waterfind therefore estimates the total 'gap' of water recovery to address the states over-allocation, (the purpose of the Commonwealth Water Act 2007 and the Basin Plan) to be approximately 605gl or 605,000 mega litres or 605 billion litres of water.

**Note. Long Term Cap Equilivant (LTCE) is the average allocation delivered on the water entitlement type over a long term planning period ie 50 to 100 years. For example, NSW High Security Water has a higher LTCE than a General security water product. All water recovery targets are in LTCE values.*

Estimating the number for, 'Not For Publication' nfp in the budget (up-water):

When estimating the budgetary impact of the water recovery it is important to understand that the Commonwealth is currently constrained through legalisation and policy in the way in which they recover the 'up-water' and 'down-water' targets. It is fair to say that these constraints are far more extreme for the 'up-water' target than the down water. Waterfind understands that the legislative and policy constraints of the 'up-water' component (approx. 445GL) currently requires the Government to recover this water solely through Water Efficiency measures, with socio-economic neutrality. Recent performance of the small amount of water recovered for this bucket to date (on a \$ per ML basis) represents a recovery cost circa \$22,000 per ML. Without taking into account water value inflation and increases to construction costs (pipes, pumps, steel, concrete, labour etc.) the cost to recover this target would therefore be \$9.79billion. Waterfind however estimates that the real cost of this recovery through using this mechanism only for the remaining 445,000ML to be upwards of \$15b to \$20b and take over 5 years.

Estimating the number for, 'Not for Publication' nfp in the budget

(down-water): The 'down-water' targets do not share the same legislative & policy constraints of recovery mechanisms as the 'up-water' component. This means that amongst other mechanisms direct buy-back and on-farm water efficiency projects are able to be used to achieve the 'down-water' gap. Based upon previous performance and current market pricing, an average LTCE of 0.7 of recovered water (Not taking into account inflation of water values that occur naturally or accelerated artificial inflation which would result from an aggressive Government Program), this value today would be at \$7,500 per ML or \$1,7 billion. It is important to note that it has been independently reported that direct buy-back of water rights will have extreme negative socio, economic impacts to our regional communities if this was the only mechanism to be used, click link

Total potential budget impact: Taking into account the current constraints to water recovery mechanisms (legislative / policy), recovery timing, water value inflation, construction cost inflation etc. Waterfind estimates that the real impact to the current budget of the water recovery commitment (the potential number not being published 'nfp') could be upwards of \$20 to \$25 billion. To put this in context this is a number bigger than the skill shortages, technology, small business and manufacturing budget measures combined or a number bigger than the whole environment and energy national plan. Given the original National Water Initiative budget (Howard's \$10billion 10 point plan – later expanded by Rudd to circa \$13 billion plan) that funded a host of measures including the 2750gl 'down-water' recovery (approx. 40% of that budget) this is a very large number and one that will now impact our National Accounts.

Other notes that Waterfind took interest in: There were ten other relevant points that we noted in the budget but none of them have the brevity of impact nor the fear to our regional communities that buy-back carries, therefore, we have chosen to focus our high-level briefing on the water recovery and costing aspect of the budget.

As Waterfind frequents Canberra and state / local based water policy discussions, if you would like to share your comments / concerns about the current water policy / budget environment, please do so here. If you are interested in expressing your interest to buy or sell water at this time you can log into our live market. If you are interested to long term lease water at this time you can [CLICK HERE](#).

Waterfind would like to acknowledge and share our compassionate thoughts with our clients (who are now many and geographically varied) that are experiencing extreme hardship because of the recent flooding. Our thoughts are with you at this time, please reach out if there is anything that we can do to support you.