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## ROADMAP TO WATER MARKET REFORM

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On 11 October 2022, the Australian Government released the highly anticipated 'Water market reform: final roadmap report' from independent Principal Adviser, Mr Daryl Quinlivan AO. The roadmap report outlines pragmatic actions for water market reform that consider the recommendations of the Australian Competition and Consumer Commission's Murray-Darling Basin water market inquiry final report.

The Australian Government's response accepted the final roadmap report's 23 recommendations in full. Basin state and territory Ministers then agreed in principle to implement the recommendations at the Murray-Darling Basin Ministerial Council meeting on 12 October 2022.

The roadmap report notes that critical deficiencies in access to quality and timely water market information, a lack of conduct and integrity regulation, and shortcomings with other administrative and governance arrangements affect trust and confidence in Basin water markets. In response, the final roadmap report recommendations aim to deliver reforms that:

- + improve the functioning, governance and transparency of water markets
- + improve integrity and trust in water markets through the introduction of Commonwealth legislation and a code of conduct for water market intermediaries, including brokers, that are comparable with other markets

- + improve confidence and participation in water markets through more accessible and useful water management, price and trade information.

Consistent with Aither's longstanding commitment to improving the understanding, transparency, integrity and performance of Australian water markets, we welcome the roadmap report's recommendations as a targeted, practical and proportionate approach to water market reforms. The roadmap addresses the policy intent of the Australian Competition and Consumer Commission's Murray-Darling Basin water markets inquiry recommendations and identifies work considered necessary, practical and cost-effective. This includes work that aligns with existing institutional settings and work already underway by Basin states while seeking to minimise regulatory and cost burdens on market participants and government.

The roadmap report's recommendations are for short to medium-term work across four areas: integrity and transparency, data and systems, market architecture and governance.

Given our ongoing interest in water market reforms in the Murray-Darling Basin, we are pleased to see broad support for the implementation roadmap from Basin state and territory governments and market stakeholders.

Implementing these reforms would represent an important step forward for the water market.

Nonetheless, there is still a significant implementation challenge ahead. Implementation of the reforms will require leadership as well as significant resourcing in terms of budget, skills, and capability. Getting the implementation plan, governance and oversight for the reforms right will be an essential first step for successful implementation. We understand the Commonwealth and Basin state and territory governments will be working through important implementation details over the coming months, including activities, milestones and funding contributions. We look forward to seeing those details.

We support a phased approach to implementation, noting that actioning a few of the recommendations could provide significant benefits and establish solid foundations for future water market reforms. Examples include:

- + improving confidence and trust in the water market by introducing new integrity legislation and a mandatory code for all water market intermediaries (including irrigation infrastructure operators and brokers), to apply to all tradeable water rights and be enforced by the ACCC.
  - + driving transparent reporting of water trade prices for all tradeable water rights to the Bureau of Meteorology, including by trade approval authorities and irrigation infrastructure operators, to fill existing large gaps in water market information.
  - + establishing a new National Water Commission to provide water market expertise, champion and support the proposed reforms, and lead public engagement, while drawing on existing institutional settings to deliver other new water market functions.
  - + enhancing the capability and role of the Bureau of Meteorology to provide reliable, timely, useful and accessible water management and water market information as a strong foundation for broader understanding, participation and decision making.
- + Aither is pleased to have contributed to the development of the Australian Competition and Consumer Commission's report and the roadmap. This includes Aither Principal Consultant Ben Williams, through his past role as President of the Australian Water Brokers Association, playing an integral role in ensuring the voice of industry was represented throughout the development of the roadmap.
  - + Aither understand the context of the water markets reforms, the status of work already underway to address key concerns, and the impacts of initiatives through our work with Basin governments and market intermediaries and participants. Feel free to contact us if you have any questions about the reform options and their implications.