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Submission

IPART Information Paper Prices for WaterNSW bulk water services

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Submission

NSWIC represents 20 member organisations across NSW, many of which will provide separate submissions to this inquiry. This document was developed in discussion with NSWIC members and outlines issues and views common to members across the state. This submission is broadly consistent with our members' submissions, but there will also be some valley-specific differences that should be recognised.

1. Do you agree with the draft decision to set a three-year determination period?

NSWIC supports IPART's decision to set a three-year draft determination period, as long as this time is properly used for a wholesale review of the WaterNSW business structure and cost-sharing arrangements. A 3-year determination period allows for a thorough investigation of cost-drivers and gives more time to fix issues permanently, rather than applying temporary solutions.

IPART must use this determination period to ensure WaterNSW customers are not paying for inefficient service delivery or being forced to fund public goods. All options must be looked at, including whether the state-owned-corporation model is appropriate, the impactor pays principle, cost-sharing arrangements, and whether water users should pay for non-commercial WaterNSW service obligations.

We appreciate that IPART has acknowledged many of the concerns raised by NSWIC and its members. The existing WaterNSW business structure is clearly not fit for purpose and in need of a root-and-branch review.

NSWIC asks that we and our members be closely involved in this review as representatives of water licence holders that fund the much of WaterNSW's work. An equitable and cost-effective solution will only be found if it involves all parties, including the irrigators that make up much of WaterNSW's revenue base.

We also agree with IPART's assessment that a 1-year review would not be long enough. Given the scale of reforms needed to address issues of affordability and the long-term financial viability of WaterNSW, ample time must be allowed to work all the problems identified by IPART.

WaterNSW proposal

WaterNSW's proposed price increases were unaffordable and would jeopardise the viability of farming operations across the state. Many of WaterNSW's costs were poorly justified and did not represent an 'efficient' water business. The largest drivers of costs were identified as, among others, "changes in our operating model and structure" and "increase(d) regulatory requirements in our 2024 WaterNSW Operating Licence issued by IPART" but WaterNSW offered little detail on these drivers.¹ It was difficult to accept such large price increases, without a better understanding of the cost drivers.

NSWIC detailed its concerns in our previous submission and we are pleased that IPART appears to have acknowledged many of these issues.² As stated by IPART, "some broader issues" arose during the review process and we support allocating more time to work through these. Given the magnitude of price increases initially proposed, we agree with IPART's decision to delay the determination and ensure a thorough review.

What NSWIC would like to see during the three-year review

During this three-year review, a thorough stocktake of programs and services needs to be conducted, with a focus on ensuring that WaterNSW customers have access to quality services at an affordable rate. Our

¹ [WaterNSW, Attachment 10, Revenue requirement](#)

² See NSWIC ['IPART Issues Paper: WAMC and WaterNSW pricing proposals'](#)



members feel the customer service and local presence of WaterNSW has declined, despite the ever-increasing water fees. This three-year review period will allow time for a wholesale review of operations and costs.

NSWIC believes that this review should not just tinker at the margins but should be a deep review of the fundamental business structure of WaterNSW. We outlined in our submission that WaterNSW's corporate structure is not working, as it is unable to deliver affordable services to water licence holders. WaterNSW acknowledged that even if it could reduce some costs under alternate scenarios it posed, bringing price hikes down from an average 22-24% year-on-year plus CPI to 15% annually plus CPI, this was still unaffordable.

Consultation process 2025-2028

NSWIC sees that the consultation process over the next three years is crucial. We believe all key customer stakeholders, IPART, WaterNSW and relevant shareholding Ministers must be involved around the table, and that all options should be on the table to ensure the long-term financial sustainability of both WaterNSW and irrigated agriculture in NSW. This review represents a huge opportunity to find lasting solutions to budgetary issues and safeguard irrigated food and fibre production in NSW.

We ask that this review is conducted openly, with key stakeholders being given access to adequate information to scrutinise cost drivers and WaterNSW operations. As representatives of thousands of water licence holders, NSWIC and its members are the core customer base of WaterNSW's rural business and deserve a seat at the table in mapping out a lasting solution. NSWIC and its members will not accept a situation whereby WaterNSW, IPART and WAMC conduct the review behind closed doors

IPART should begin this process as soon as possible and allow for enough time to work through the deeper issues identified in its Information Paper to ensure an enduring solution. NSWIC does not wish to see this three-year period wasted.

NSWIC requests for three-year review period

- Review process begins as soon as possible to allow for a thorough investigation of cost drivers and budget forecasts.
- All stakeholders are involved, including IPART, WaterNSW, shareholding Ministers, peak bodies, NSW-DCCEEW and NSW-DPIE.
- Peak bodies, including those at a valley level, must be given a seat at the table in the review process.
- All options are considered, including a review of WaterNSW's corporate model, cost-sharing arrangements, the impactor pays principle, commercial vs. non-commercial costs, what is causing reductions in water sales volumes, the increasing cost of water regulation and the importance of irrigated agriculture for food security.
- Legacy debt, land tax payments and interest payments are addressed in a way that does not shift an unfair burden onto WaterNSW and its customers.
- That this review is used as an opportunity to fix the pricing model on a lasting basis, rather than tinkering around the edges.
- WaterNSW needs to demonstrate that it is operating efficiently and that its non-commercial operations are not unfairly impacting licence holders (through higher fees).

Impactor pays model

NSWIC believes that the user-pays principle needs to be considered as part of this review. Under the National Water Initiative, 'Best Practice Water Pricing' must "give effect to the principle of *user pays*". Under this



arrangement, when water planning and management expands beyond what is required for water storage and delivery to include climate change adaptation, fish passageways, environmental flow management, recreation and other public good services, then those additional costs should be borne by the public beneficiaries of those additional services.

National Water Initiative (NWI) principles state that under the user pays approach, users should not pay for “costs created by other impactors”. As outlined in our previous submission, the construction of inland dams decades ago was not driven solely by irrigators but was an exercise in nation building and to shore up food security for Australia. Adopting the impactor pays principle also ignores the public benefit that arises from dams (for example, keeping rivers running more regularly).

This tension needs to be addressed comprehensively in a way that ensures the long-term financial viability of water resources in NSW. Making small changes to WaterNSW’s budget will not address this shortfall but will simply delay the problem a few more years. We believe that IPART must take this opportunity to do a serious review into the cost-sharing arrangements so that water can be managed in a way that does not undermine food and fibre production in Australia and that community expectations around environmental, safety, cultural and other public good matters are also met.

WaterNSW non-commercial service delivery costs

NSWIC’s previous submission identified that under the current arrangements, licence holders are paying for many non-commercial costs that should be borne by the public. IPART also noted that it had “identified several non-commercial activities that may be contributing to an escalation in WaterNSW costs”. As per the *Independent Pricing and Regulatory Tribunal Act 1992*, water customers should “pay only what an efficient water business would need to deliver quality water services”.³

As an example of these non-commercial costs, in Attachment 7 of WaterNSW’s pricing proposal outlines cost drivers on its top 10 programs. For example, 66% of the costs are attributed to “Changing Community or Regulatory Expectation” and only 24% towards “Water Supply Needs”. These top 10 programs are worth \$1,274 million – some 59% of WaterNSW’s budget between 2026-30.⁴ For rural valleys, these include investments in fishways, cold water pollution and improvements in various dams, weirs and pipelines. While NSWIC is supportive of infrastructure upgrades like fishways in principle, these do not fall within core service delivery and hence should be funded by the wider community (as the whole community benefits from improved water quality and greater biodiversity, not just WaterNSW customers).

Likewise, Attachment 25 outlines that 50% of ‘Environmental planning and protection’ and ‘Dam safety and compliance’ were proposed to be paid by customers. The budget for ‘Environmental planning and protection’ was forecast to increase from an average of \$8.9 million per annum, up to \$29.6 million (230% increase).⁵ We acknowledge that WaterNSW has sought to reduce the cost-share burden from 80% to 50% under alternative scenario 1, but even this scenario led to unaffordable 15% year-on-year price increases.⁶

Taken together, it is clear that these large non-commercial costs are being driven by community expectations around environmental water management yet are being largely paid for by a dwindling number of water users. This goes to the core issue of the current cost-sharing arrangements and is a clear explanation for the unaffordable price rises. The burden of water regulation and the increasing community expectations for

³ [IPART, Prices for WaterNSW bulk water services, Information Paper, May 2025](#)

⁴ [WaterNSW, Attachment 7, Project summaries for top 10 major projects](#)

⁵ [WaterNSW Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal, 30 September 2024](#)

⁶ [WaterNSW, Attachment 25, Proposed user and government cost shares](#)



environmental outcomes need to be scrutinised and a fairer split in costs between the customer and public must be found.

Impact of public policy on reducing sales volume and increasing budget deficits

A number of government policy changes are having a negative impact on WaterNSW's budget. This is because on one hand, the consumptive pool of water is declining, due to environmental water recovery, climate change and more conservative approaches to water allocations.⁷ Conversely, water regulations continue to increase in line with community expectations around compliance, environmental and social outcomes, water quality and disaster risk management.⁸ These two aims are at odds with one another, leading to decreases in revenue but increases in spending.

NSWIC has outlined the decline in allocations that has been taking place in recent years in its report 'Climate Change & Water: Irrigated agriculture on the front line', on top of the water recovery that has taken place in the Basin Plan. Two major reviews are also underway in NSW, namely the Connectivity and Minimum Inflows reviews. The Connectivity Review could see reductions in supplementary water of 6% in the Namoi, Border Rivers and Gwydir Valley,⁹ while modelling done in 2020 showed that changes to minimum inflows calculations could reduce general security allocations by between 13-25%¹⁰. NSWIC has also outlined other rules-based changes that have impacted water allocations in its submission to the current Parliamentary Inquiry into the impacts of the Restoring our Rivers Act 2023.¹¹ All these taken together display a clear trend of less water use and in turn, lower revenue for WaterNSW.

In the case of climate change, it is driving increasing regulation with more obligations on WaterNSW for planning and mitigation. The additional costs drive the need for more revenue. Climate change is also raising insurance rates, putting further pressure on WaterNSW budgets.¹² Climate change, however, is driven by the actions of all people, not just irrigators, and should therefore be paid for by the public purse. Yet in the previous pricing determination (2021-2025), water licence holders paid at least 80% of WaterNSW's climate change impact costs.

Some other examples of increased spending for social and environmental outcomes in WaterNSW's submission include more funding to manage Commonwealth Environmental Water, budgeting for Environmental, Social and Governance (ESG) requirements, and climate change.¹³

WaterNSW also outlines the impact of State and Commonwealth regulations, including the Water Management Act 2000, Water Sharing Plan Implementation, Natural Resources Commission (NRC) audits, the National Water Initiative and the NSW Water Strategy, among others.¹⁴ While environmental regulations are an unavoidable aspect of operating any business, sustainable water management is considered an important public good and should be funded as such. These regulations represent 60% of WaterNSW's capital program.¹⁵

⁷ See NSWIC report 'Climate Change & Water: Irrigated agriculture on the front line'

⁸ [WaterNSW, Attachment 22, Compliance and regulatory drivers of expenditure](#)

⁹ [Connectivity Expert Panel Final Report, July 2024](#)

¹⁰ 13-25% estimate in 2020 Departmental briefing to NSWIC members.

¹¹ [See NSWIC Submission: Impacts of the Water Amendment \(Restoring our Rivers\) Act 2023 on NSW regional communities](#)

¹² [WaterNSW, Attachment 8, Base-Trend-Step operating expenditure](#)

¹³ See [WaterNSW Attachment 8, Base-Trend-Step operating expenditure](#) and [WaterNSW Attachment 15, Climate change risk assessment and adaptation planning](#)

¹⁴ [WaterNSW, Attachment 22, Compliance and regulatory drivers of expenditure](#)

¹⁵ [WaterNSW, Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal](#)



Cost-sharing model

NSWIC believes that the cost shares between water users and other taxpayers is unreasonable, as users are forced to contribute the majority of revenue for programs that benefit the broader community. As noted earlier, when water planning and management expands beyond what is required for water storage and delivery systems, to include climate change adaptation, fish passageways, environmental flow management, recreation and other public good services, then those additional costs should be borne by the public beneficiaries of those additional services.

WaterNSW's community engagement supports this position. In Attachment 25 of the WaterNSW pricing proposal, 84% of respondents thought water users should pay less for the costs of dam safety and compliance and environmental management. Yet of the 18 activity categories in the WaterNSW Pricing Proposal, 15 are funded by users at 80% or above.¹⁶

As noted earlier, the NWI proposed that 'user-pays' is the best practice approach to water management. Under this principle, users would pay only for the service of delivering water and its associated costs in the maintenance, operation and replacement of infrastructure, and for water planning and management only to the extent needed to deliver the water. Anything beyond these core activities would be funded by the community at-large. We believe that this approach is more consistent with IPART's mandate for users to "pay only what an efficient water business would need to deliver quality water services".

2. In your view, what should WaterNSW focus on over the next three years?

NSWIC believes that WaterNSW should focus on delivering water to users in an efficient and affordable manner during this three-year review period. We hope that WaterNSW can stick to core business and look for ways to improve efficiency. We understand that delivering new infrastructure or programs may be difficult under IPART's proposed prices for the next three-year review period, but NSWIC feels that this period is an opportunity to look for savings or efficiency gains.

We agree that IPART should first look at how much revenue is required to deliver an efficient water business model "to avoid passing on inefficient costs to customers". Some issues identified by NSWIC in its previous submission were high transaction costs, diminishing local presence and declining in-valley knowledge. Delays and failures in infrastructure projects like fishways should also be addressed, as was noted by IPART in its Information Paper. We are also concerned that core administrative tasks such as processing water licence and works approvals and amendments appear to be under-resourced with long delays, process complexity and poor record-keeping.

The consultation process should likewise be improved. NSWIC and many of its members expressed frustration with the Customer Advisory Group (CAG) and felt that the process did little to convey the various trade-offs involved in setting water prices. If WaterNSW asks for customer input, it needs to come with more concrete examples that allow for participants to allocate preferences in a way that makes clear the relative costs of each action. Responses are meaningless if not clearly attached to figures and clear service outcomes.

¹⁶ [WaterNSW, Attachment 25 Proposed user and government cost shares](#)



3. Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Rural Valleys prices from 1 July 2025?

NSWIC is willing to support the proposed 1.9% increase in licensing fees for safety costs, assuming that these costs are efficient and represent value for money for customers. We do not have a detailed cost breakdown of this project, but trust that IPART has done its diligence in assessing the costs of this work. Dam safety is an important component of water management and if IPART has deemed this work as vital and costs as efficient, NSWIC is prepared to support the increase.

6. Should IPART further adjust WaterNSW's current Rural Valley prices to account for changes in water sales volumes from the 2021 price review (ie, 3,964,658 ML/year) to this draft decision (ie, 3,806,128 ML/year)?

NSWIC would prefer to keep the current 3,964,658ML figure for this determination period, as we believe the lower sales volumes are not the most representative projection of future sales. Because the 20-year rolling average includes the Millennium Drought and northern 'Tinder Box' drought of 2017-2020, the sales figures are dragged down significantly. However, these dry periods are outliers without precedent in recent decades and have a significant impact on average sales volumes.

While it is difficult to speak for the entire state, many valleys have good water availability outlooks in coming years. For example, the Lachlan Valley has a -32,767ML (-18%) reduction in projected sales, despite the fact that over the next few years, it will likely have decent allocations (Wyangala dam is currently 79% full with a wet July-August predicted).^{17,18,19} This shows that using the 20-year rolling average does not always give the most complete picture. Given this, NSWIC would prefer to keep the current sales volumes and price increases.

Causes for reduced water sales volumes

It also worth mentioning that this gradual decrease in water use is a structural issue that needs to be comprehensively addressed by IPART and WaterNSW. As outlined in question 1, consumptive water use is decreasing due to the water allocation methodology, climate change, water recovery and various government policies. This represents a serious risk to the long-term sustainability of WaterNSW and WAMC budgets and the viability of irrigated agriculture.

Irrigators are not driving the gradual reduction in water use and, as such, irrigators should not be paying more to maintain government revenue. For one, climate change is leading to reduced dam inflows and in turn lower allocations. Numerous policy decisions, past, present and future, have also reduced or will reduce water availability for growing food and fibre. Policies include water recovery through the Basin Plan, rules-based changes in NSW and upcoming reviews like minimum inflows.

Because of these factors, irrigators have in many cases gradually adjusted planting forecasts down in line with these decreases. This conservatism is also impacting water use, with NSW currently underusing water on a large scale. In 2022-23, NSW used only 63% of the water that is lawfully accessible for take.²⁰ NSWIC and its members have consistently drawn attention to this issue but to date, neither the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) nor the NRC have taken it into account.

¹⁷ [WaterNSW, Attachment 21, Forecast customers numbers, entitlements and demand](#)

¹⁸ [Wyangala Dam, Water NSW](#)

¹⁹ [BOM forecast predicts major climate driver could boost winter rainfall, ABC News](#)

²⁰ [Murray-Darling Basin Authority, Annual Water Take Report 2023-23: Report on water availability and take under Sustainable Diversion Limits in the Murray-Darling Basin](#)



This is a fundamental tension that needs to be addressed by IPART in this three-year review. On the one hand, compliance costs are increasing while on the other, revenue is decreasing. This gap will only be bridged with a serious look at cost drivers and seeking funding beyond WaterNSW customers.

7. Should the Yanco Creek levy remain constant in nominal terms at \$0.90 per ML or be changed (for example, indexed to CPI)?

Please refer to the submission from NSWIC member, Yanco Creek and Tributaries Advisory Council (YACTAC).

8. Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Rural Valleys 2021 price review?

Fishways and Cold Water Pollution

NSWIC agrees with IPART that WaterNSW should complete this work but that “customers should not have to pay more than once” for the Fishways and Coldwater Pollution program. As a general principle this should apply to all programs that are not delivered efficiently – if users have already paid for a WaterNSW program or works during a pricing determination period, the program or works should not need to be funded again via licence fees in the next determination because they were not completed (or sometimes not even started).

While we are supportive of fish passageways, NSWIC does not agree with the current cost-sharing arrangements, whereby water users currently pay 80% of the costs (noting that WaterNSW has asked for this to be reduced to 50% in scenario 1 of this determination).²¹ We view that the benefits of fish passageways extend into the whole community and hence should be paid for by everyone.

Murray-Darling Basin Authority and Dumaresq-Barwon Border Rivers Commission costs

We support the decision to carry forward the costs associated with the Murray-Darling Basin Authority and Dumaresq-Barwon Rivers Commission. Previous 30% increases proposed by WaterNSW were not sufficiently justified and would have presented yet another exorbitant fee hike on irrigators. These charges should similarly be scrutinised as part of the WaterNSW three-year review to ensure that they represent value-for-money and that the activities associated with these charges are necessary.

Aboriginal licences

While only one Aboriginal Special Purpose Access Licence (SPAL) is presently in use, we note that \$100 million in federal funding has been set aside for the federal Aboriginal Water Entitlements Program (AWEP). This program will greatly increase Aboriginal ownership of water licences. However, it is unclear who will pay for licensing and other costs associated with these entitlements and any state-issued SPALs. IPART must be aware that while at present, SPALs have “a minor impact on prices”, it will not necessarily remain this way into the future.

²¹ [WaterNSW, Attachment 25, Proposed user and government cost shares](#)



Secondly, we believe that if licensing fees are waived for Aboriginal water licences, this cost should be paid for by the community at large, not subsidised by other water licence holders. Aboriginal ownership of water is a social goal driven by the wider community values and hence, taxpayers should pay the cost. We acknowledge that at present, SPALs are not a major factor in WaterNSW's budget, but out of principle, the costs of these licences are a community obligation and should be funded as such.

Community Service Obligation on NSW Coast

NSWIC firmly supports maintaining the Community Service Obligation (CSO) subsidy payments by the NSW Government for North Coast and South Coast regulated customers. This will ensure that prices in these valleys remain constant in real terms and affordable during the upcoming determination period. While outside the scope of the WaterNSW determination, we request that the CSO subsidy payments be extended to unregulated customers in the North Coast and South Coast.

NSWIC also requests that IPART work with WaterNSW to consider a CSO subsidy payment by the NSW Government for the Hunter Valley regulated and unregulated customers. In the 2017 determination, the Hunter Valley had achieved cost-recovery through a change in pricing structure. However, in the 2021 determination these benefits were lost and entitlement charges increased by 40.9% for high security, 41.1% for general security, and 40.7% for usage charges.

NSWIC considers that the Hunter Valley has a profile of primarily small agricultural water users who are being priced out of irrigation, similar to that of the North Coast and South Coast. With recognition that the WaterNSW pricing model is inefficient and unaffordable, we ask WaterNSW to investigate the capacity to pay for Hunter Valley regulated and unregulated customers within this three-year determination period.

Non-urban metering

We await the WAMC draft pricing determination for detailed information on metering charges. Customers should not pay for the non-urban metering framework rollout that has been fraught with unaddressed compliance barriers beyond the control of water users. NSWIC outlined numerous issues with the metering rollout, including inconsistent policy tools, cost burden for low volume and low risk water users, a lack of Duly Qualified Persons (DQPs) and impractical telemetry and floodplain harvesting requirements, in its December 2024 submission.²² The non-urban metering program has not been an efficient use of water agency resources and we do not support its imperfect implementation being funded by WaterNSW customers.

9. Do you agree that IPART's draft pricing decisions are likely to provide adequate revenue to support WaterNSW's financability for up to three years?

NSWIC cannot comment on the specifics of WaterNSW's budget for the next three years but believes that it should be able to deliver baseline services during this review period. IPART has stated that its assessment "is that our draft decisions are likely to provide adequate revenue to support WaterNSW's financial sustainability in the short-term". While we acknowledge that new infrastructure and programs may be unachievable under the temporary determination, core business should still be possible. In its 2024 Annual Report, WaterNSW reported a net profit after tax of \$44.9 million and paid \$82.8 million in returns to shareholders, suggesting that its budget situation is not dire.²³

²² See NSWIC '[IPART Issues Paper: WAMC and WaterNSW pricing proposals](#)'

²³ [WaterNSW, Annual Report 2023-24](#)

NSW Irrigators' Council

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigation farmers and the irrigation farming industry in NSW. NSWIC has member organisations in every inland valley of NSW, and several coastal valleys. Through our members, NSWIC represents over 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems.

NSWIC members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton and horticultural industries. NSWIC engages in advocacy and policy development on behalf of the irrigation farming sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

Irrigation Farming

Irrigation provides more than 90% of Australia's fruit, nuts and grapes; more than 76% of vegetables; 100% of rice and more than 50% of dairy and sugar (2018-19).

Irrigation farmers in Australia are recognised as world leaders in water efficiency. For example, according to the Australian Government Department of Agriculture, Water and the Environment:

“Australian cotton growers are now recognised as the most water-use efficient in the world and three times more efficient than the global average”²⁴

“The Australian rice industry leads the world in water use efficiency. From paddock to plate, Australian grown rice uses 50% less water than the global average.”²⁵

Our water management legislation prioritises all other users before agriculture (critical human needs, stock and domestic, and the environment with water to keep rivers flowing), meaning our industry only has water access when all other needs are satisfied. Our industry supports this order of prioritisation. Many common crops we produce are annual/seasonal crops that can be grown in wet years, and not grown in dry periods, in tune with Australia's variable climate.

Irrigation farming in Australia is also subject to strict regulations to ensure sustainable and responsible water use. This includes all extractions being capped at a sustainable level, a hierarchy of water access priorities, and strict measurement requirements.

²⁴ <https://www.agriculture.gov.au/ag-farm-food/crops/cotton>

²⁵ <https://www.agriculture.gov.au/ag-farm-food/crops/rice>