



SA Policy Statement

WATER FOR GOOD

Water Licensing: Risk Assignment Policy

This document provides information about the South Australian Government's position on risk assignment for water planning in South Australia.

What is risk assignment?

Risk assignment is the term used to describe who bears the risk if the volume of water made available to holders of water licences is permanently reduced or becomes less reliable on an ongoing basis. Reductions of a temporary nature, such as reductions to water allocations (e.g. annual restrictions due to variations in seasonal water availability) are not relevant to risk assignment considerations.

Why is risk assignment important?

A clear definition of risk assignment provides greater certainty to holders of water licences about how future changes in water availability will be managed, enabling appropriate investment and planning decisions to occur.

What does the National Water Initiative say about risk assignment?

The Intergovernmental Agreement on the National Water Initiative (NWI) seeks to establish clarity for licence holders around the assignment of risk arising from future changes in the availability or reliability of water. The NWI calls for all parties to adopt a risk assignment framework to apply to any future reductions in the availability of water for consumptive use.

Under the NWI, parties may either:

- Adopt the NWI model which distributes risks between governments and licence holders according to three categories of cause to which the need for a reduction is attributed: 'natural events' including climate change, bushfires and drought; improvements in knowledge; and changes in government policy. (clauses 48 – 50), or
- Develop an alternative risk sharing model. (clause 51)

What is South Australia's position on risk assignment?

- South Australia has adopted the NWI risk assignment framework by using an alternative risk sharing model. The *Natural Resources Management Act 2004* (NRM Act) provides a robust and statutory risk assignment framework for the State.
- In accordance with the NRM Act, the South Australian Government has consistently used, and will continue to use, the water allocation planning process to manage the State's water resources sustainably to adapt to changes in water availability due to climate change, new knowledge about the resource and changes in government policies.
- The NRM Act provides a transparent statutory consultation process that allows the community to be informed about the capacity of a resource, the demands on that resource and to contribute their views on the development of policy for delivering reductions, i.e. reductions to protect the integrity of that resource. Through this process, the State takes into account community and stakeholder input to balance the social, economic and environmental needs for water and aims to ensure that water use is sustainable.

Contact details:



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- In certain circumstances it may be necessary to reduce the amount of water available for licensed water use on an ongoing basis to protect the resource base due to reduced water availability or improved understanding of the water resource and/or environmental water requirements. Where reductions have been made in the past, they have occurred after extensive investigation of resource capacity, user and environmental requirements and engagement with the community to enable reasonable time to adjust to any permanent reduction or reduced reliability of licensed water use.
- The NRM Act provides that the Minister may reduce the volume of water made available to holders of water licences on an ongoing basis where necessary to protect the sustainability of the resource and/or water dependent ecosystems. Ensuring that the water made available for licensed water use is set at a level that is sustainable in the long term is fundamental to underpinning the integrity and reliability of rights to access the resource, which in turn supports investor confidence. Compensation is not payable by the South Australian Government for permanent reductions to water on water access entitlements.

What happens in the Murray-Darling Basin?

South Australia's risk assignment policy applies statewide. However, licence holders in the Murray-Darling Basin should refer to the Commonwealth Government's proposals to recover water to 'bridge the gap' between Baseline Diversion Limits and Sustainable Diversion Limits in the Basin Plan. Refer to the Basin Plan section at www.environment.gov.au.

Further information

The Natural Resources Management Act 2004 (South Australia)

www.legislation.sa.gov.au

Intergovernmental Agreement on the National Water Initiative

www.nwc.gov.au

The Water Act 2007 (Commonwealth)

www.comlaw.gov.au

The Murray Darling Basin Authority

www.mdba.gov.au

The Department of Sustainability, Environment, Water,
Population and Communities

www.environment.gov.au