



# Water allocation trading strategy 2021-22

July 2021

## Acknowledgement of Traditional Owners

The VEWH proudly acknowledges Victoria's Aboriginal communities and their rich culture and pays respect to their Elders past and present.

We acknowledge Aboriginal people as Australia's first peoples and as Traditional Owners and custodians of the land and water on which we rely. We recognise the intrinsic connection of Traditional Owners to Country, and we value their ongoing contribution to managing Victoria's landscapes. We also recognise and value the contribution of Aboriginal people and communities to Victorian life and how this enriches us.

There is a meaningful intersection between the aims of the environmental watering program – healthy waterways, healthy communities – and the deep and enduring obligations Traditional Owners have to Country and community. We acknowledge the ongoing contribution that Aboriginal people are making to planning and managing water for the environment. We also recognise that this contribution is largely through frameworks and processes that have not been determined by Traditional Owners, and contribution does not imply endorsement of those frameworks and processes – including water trading. More can be done to increase Traditional Owners' contributions and enable progress towards self-determination within and beyond the environmental watering program. The VEWH will continue to play its role to support and enable this where it can.

Over millennia, Aboriginal people have shaped, managed and cared for the land and waterways that sustain them.

The VEWH embraces the spirit of reconciliation, working towards equity and an equal voice for Traditional Owners.

collaboration

integrity

commitment

initiative

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Cover photo: Loddon River at Bridgewater, by North Central Catchment Management Authority



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## Executive summary

The VEWH's water allocation trading strategy 2021-22 provides a high-level overview of the types of water trading activities that the VEWH may undertake across Victoria and interstate in 2021-22.

Water allocation trade is one of the tools the VEWH uses to effectively manage environmental water. Water trading allows the VEWH to move water to the systems where it is most needed, and to smooth out some of the variability in water availability across systems and across years.

This strategy covers both commercial water allocation trade (selling and purchasing water allocation), and administrative water transfers ('internal' transfers of VEWH allocation or transfers between the VEWH and other water holders).

Environmental water availability is expected to be highly variable across the state in 2021-22, based on June 2021 climatic outlooks and carryover. Generally, average to wet conditions and associated inflows to storages will be required to increase water availability to moderate to high levels in the western and northern regions, as well as some catchments within the central region such as the Maribyrnong and Werribee. A dry winter-spring 2021 will likely see low to moderate supplies in these regions. If dry conditions persist in the western region there will only be enough supply to support critical environmental needs in the Wimmera and Glenelg systems. For Gippsland and most of the central region, a relatively wet 2020-21 means supply will be high and carryover can offset the impact of a dry 2021-22.

Opportunities to purchase allocation may be considered in the Maribyrnong system, depending upon assessment of seasonal conditions and environmental need. Opportunities to trade or transfer in the Wimmera-Glenelg system and across northern Victoria to increase supply may also be investigated, particularly if dry conditions occur in 2021-22.

The VEWH may consider selling part of its allocation in northern region systems if foreseeable environmental demands can be met. If this occurs, it would most likely be from summer 2021-22 onwards and be more likely following an average to wet winter-spring. The VEWH can also sell water to invest in complementary works, measures, technical studies or other priorities, where these projects optimise environmental watering outcomes for enduring benefit.

In 2021-22, the VEWH intends to implement a range of administrative transfers to facilitate the delivery of environmental water across Victoria and for carryover purposes. These transfers may include water held by other environmental water holders and other entities who may choose to partner with the environmental watering program for delivery of water. Administrative transfers will also be undertaken to transfer allocation available for use in the Snowy River.

For further information on environmental water trade, as well as where, when, how and why environmental water is being released in Victoria, visit [www.vewh.vic.gov.au](http://www.vewh.vic.gov.au).

# 1 Purpose

The VEWH's 2021-22 water trading strategy provides a high-level overview of the types of water trading activities that the VEWH may undertake across Victoria in 2021-22.

Water allocation trade is one of the tools the VEWH uses to effectively manage water for the environment. Water trading allows the VEWH to move water to the systems where it is most needed, and to smooth out some of the variability in water availability across systems and across years.

As a public sector organisation, the VEWH takes its trade responsibilities extremely seriously. In undertaking any water trading, the VEWH aims to avoid negatively impacting on other market participants, while ensuring environmental outcomes are achieved. The VEWH ensures its trading activities are carried out in a manner that is consistent with trading rules under the *Victorian Water Act 1989* and the Basin Plan water trading rules under the *Water Act 2007* for the Victorian part of the Murray-Darling Basin.

The Murray-Darling Basin Plan water trading rules place obligations on government agencies, including environmental water holders, regarding the management of water market sensitive information (known as a 'water announcement' under the trading rules – see Chapter 12, Part 5, Division 5 of the Basin Plan). The intent of these rules is to ensure that persons or organisations with prior knowledge of market sensitive information that will be publicly announced, do not have an unfair market advantage over other water market participants. Under these rules, persons or organisations may be prevented from trading when they have knowledge of water market sensitive information before it is made public.

Some of the decisions and actions the VEWH may take in relation to water allocation trade (including its administrative transfers) may be considered a 'water announcement' within the meaning of the Basin Plan trading rules. The rules allow that such information is not considered a water announcement if it is consistent with a publicly-available trading strategy. This document forms the VEWH's trading strategy.

## 2 Trade types

This trade strategy covers water allocation trade, but does not consider entitlement trade. The VEWH can trade its water entitlements, however, this has not occurred to date. Entitlement trade requires the approval of the Minister for Water and would be assessed on a case-by-case basis.

This strategy covers the following types of allocation trade used by the VEWH:

- commercial water allocation trade (selling and purchasing water allocation), and
- administrative water transfers, including:
  - 'internal' transfers of VEWH allocation between VEWH entitlements for carryover or water delivery
  - transfers with other water holders without financial consideration (e.g. transfers with the Commonwealth Environmental Water Holder [CEWH]).

Trade of allocation can be facilitated via established water markets, or by agreement between entitlement holders. Water markets in the irrigation supply systems in the northern region and the Murray-Darling Basin are well established and are commonly used by entitlement holders to manage water for irrigation, towns and the environment. In other regions in Victoria, while trade is possible, there are not always well-established processes. The Victorian water grid, which connects water sources within and across different regions, can provide opportunities that enable transfer or exchange of water allocation between systems.

Decisions to trade environmental water are made by the VEWH Commission as part of VEWH's standard portfolio management practice. The primary focus of VEWH operations is the delivery of environmental water to meet environmental outcomes. Carryover and trade are important tools that help the VEWH manage seasonal water availability and maximise benefits to the environment. The VEWH can also sell water to invest in complementary works, measures, technical studies or other priorities, where these projects optimise environmental watering outcomes for enduring benefit. The VEWH consults with the Department of Environment, Land, Water and Planning (DELWP) where these projects have Government policy or program implications.

The VEWH regularly assesses its environmental demand and supply position throughout the year, considering factors such as environmental condition and demand, current and forecast climate conditions and water availability, carryover capacity and market conditions. Figure 1 shows the key considerations that guide the VEWH's use, carryover and trade decisions.





Figure 1 - Considerations guiding use, carryover and trade decisions

The following sections detail trade actions that the VEWH may take based on current water availability assessments and seasonal forecasts. Decisions to undertake the actions identified in this strategy will depend on unfolding seasonal conditions and environmental water demands in 2021-22 and into 2022-23.

## 3 Northern Region

Water markets in the irrigation supply systems in the northern region and the Murray-Darling Basin are well established and are commonly used by entitlement holders to manage water for irrigation, towns and the environment. This section covers VEWH trading activities in the following systems:

- (Victorian) Murray
- Goulburn
- Campaspe
- Loddon
- Broken
- Ovens.

The VEWH coordinates with other environmental water holders in northern Victoria, New South Wales and South Australia to deliver environmental outcomes at the broader Murray-Darling Basin scale. The VEWH liaises with the Murray-Darling Basin Authority (Living Murray program) and the Commonwealth Environmental Water Office to maximise the benefits of environmental water delivery in Victorian systems. When Commonwealth water is to be delivered in Victoria, the CEWH transfers the agreed amount of water to the VEWH. That water is held by the VEWH until used or transferred back. Excluding trade application fees, there is no financial consideration associated with such transfers.

Transfers between environmental water holders occurs to:

- facilitate the efficient and coordinated delivery of environmental water
- maximise availability across the whole environmental water portfolio
- return unused water to the source environmental water holder
- account for delivery of water to South Australia.

Further information about Commonwealth environmental water priorities, including its Annual Water Use Options and commitments can be found here:

[www.environment.gov.au/water/cewo](http://www.environment.gov.au/water/cewo)

### 3.1 Expected water availability in 2021-22

Rainfall across northern Victoria in 2020-21 was close to the long-term average in most areas, although slightly below the long-term average in the north west and parts of the eastern ranges. Seasonal determinations for high-reliability entitlements reached 100 percent for all systems. The Broken and Bullarook systems also received allocation to low-reliability entitlements, both reaching 100 percent.

The Northern Victoria Resource Manager's May 2021 outlook for 2021-22 suggests that early-season water availability will be low, meaning carryover from 2020-21 will be critical to support environmental demands in winter and early spring.

Average inflows are needed for all systems to ensure 100 per cent allocation to high-reliability entitlements in 2021-22. Average or above average rainfall would potentially

provide some unregulated flows that could benefit the health of the rivers, floodplains and wetlands across the region.

Under dry inflow scenarios in 2021-22, allocations in the larger Victorian Murray and Goulburn/Loddon systems are forecast to reach around 60 percent allocation to high-reliability entitlements for the year, while the smaller Campaspe and Broken systems will probably reach around 30 to 40 percent allocation. Under an extreme dry scenario, water allocations are forecast to be very low or remain at zero in the smaller systems, and available water will be used to avoid severe environmental degradation and loss of critical environmental values. The Murray and Goulburn systems are forecast to reach 25 to 30 percent allocation, under extreme dry conditions.

Most recent climate and rainfall forecasts from the Bureau of Meteorology (as at mid-June 2021) suggest above average rainfall and above average temperatures across the major catchments of the northern region during winter 2021. Longer-term climate indicators are neutral, not favouring either wetter or drier conditions.

Environmental water demands in the northern region are usually highest in winter and spring. Carryover from 2020-21 is expected to meet most early-season environmental water demands, noting demands are usually lower under drier scenarios. Careful planning and management of carryover means that even with lower allocations under dry scenarios, priority environmental flows and wetland deliveries can be met. In systems such as the Broken, Campaspe and Loddon, the ability to move (deliver or transfer) enough water into those systems to meet environmental demands may be a limiting factor.

The available volume of water for the environment is unlikely to exceed foreseeable demand in winter-spring 2021, unless wet conditions occur. However, availability may exceed demand in summer-autumn 2022, particularly under average or wet climate scenarios due to increased allocation and unregulated flows downstream of storages meeting a higher proportion of environmental needs.

## **3.2 Commercial allocation trade**

The VEWH can buy or sell water allocation where it is in line with the VEWH's statutory objectives: that is, if it benefits the environment.

The VEWH may consider purchasing allocation where deficits exist for critical environmental needs in 2021-22 or 2022-23. For example, a purchase may occur to meet a deficit within a system where trade-in of held environmental water from another system is not a viable option.

The volume of any required purchase is likely to be relatively small (less than ~1,000 ML) and will only be used to meet a high-priority need. The most likely systems where a purchase may be considered to meet a deficit is the Broken and Loddon systems. The VEWH has only undertaken one purchase in northern Victoria to date; 300 ML in the Loddon system in 2013-14 to ensure a key spring flow benefiting native fish could be delivered.

The VEWH may sell allocation in 2021-22 in the Murray (zone 6 and/or zone 7), Goulburn (zone 1A) and/or Campaspe (zone 4A) systems. The VEWH will be less likely to sell allocation under drier scenarios when water availability is limited and more likely to sell

under wetter scenarios when water availability may be greater than the environmental demand.

Revenue from the sale of water can be used to invest in a project that optimises environmental outcomes for enduring benefit. This may occur under any scenario, where the environmental benefit of the investment is considered greater than environmental benefit of delivering or carrying over an equivalent volume of water to a river or wetland.

As environmental water demand is highest in winter and spring, decisions to sell allocation to date have typically taken place from late November onwards, once the peak demand period has passed. This is likely to continue to be the case in 2021-22. Decisions to sell allocation in the northern region in 2021-22 will generally be announced via the VEWH website at <http://www.vewh.vic.gov.au/news-and-publications> (see Section 7.2).

The VEWH's commercial trade announcements will cover the system in which the trade will take place, the volume, timing and mechanism (e.g. brokers, online exchange) of the allocation trade. For example, see our 2018-19 announcement <http://www.vewh.vic.gov.au/news-and-publications/news/water-sale-in-northern-victoria-2019>

## 3.3 Administrative water transfers

Administrative water transfers are transfers of water allocation that have no financial consideration and therefore are not publicised. These are the most common trades the VEWH undertakes. VEWH uses administrative transfers between VEWH entitlements (or accounts) to move water to where it is most needed for delivery or carryover purposes.

### 3.3.1 Administrative transfers between VEWH accounts for environmental water delivery

Administrative transfers between VEWH accounts sometimes occur to enable delivery of an environmental watering action. These transfers do not occur for every environmental water delivery, but are undertaken on an as-needs basis to optimise use of the VEWH's portfolio.

For example, in 2020-21:

- a total of 288 ML of environmental water was transferred from the Goulburn system (trading zone 1A) to the Broken system (trading zone 2) to support delivery of low flows in the upper Broken Creek to maintain the environment through summer and autumn.
- a total of 1,935.9 ML of environmental water from the Goulburn system (trading zone 1B) was transferred to the Loddon system (trading zone 5A) to deliver a spring high flow event to the Loddon River.

### **3.3.2 Administrative transfers to maximise carryover opportunity**

Carryover is an important tool the VEWH uses to help ensure environmental water can be delivered at a time that is of the greatest value to the environment. For example, environmental water demand is often highest in winter and spring, and so carryover can help ensure those demands can be met, particularly when there is a risk there will be a low seasonal determination at the beginning of the season.

At the end of each year, the VEWH may undertake administrative transfers between VEWH accounts to maximise carryover opportunity. Such transfers may occur within particular systems or trading zones, or across systems or trading zones (subject to system trade limits). Carryover decisions will be undertaken to maximise benefit to the environment, and are informed by:

- priority environmental demands identified for 2022-23
- the seasonal outlook for 2022-23 (e.g. Bureau of Meteorology climate and streamflow forecasts and Northern Victoria Resource Manager seasonal determination outlooks)
- carryover limits (i.e. entitlement volume and entitlement rules)
- spill risk
- carryover costs.

Most administrative transfers to facilitate carryover are likely to be undertaken in June 2022, to ensure environmental water availability is optimised for the new season opening on 1 July 2022.

### **3.3.3 Administrative water transfers to enable reuse of return flows**

Trade is the mechanism used to 'shepherd' environmental water flows down the Murray and across the border from Victoria to South Australia, so that environmental flows can meet multiple targets along a river and are not re-regulated for supply to consumptive users.

This reuse policy, known as 'return flows', is available for environmental water delivered from VEWH's Goulburn, Murray, Campaspe and Loddon entitlements in the northern region. It increases the efficiency of environmental water use and helps reduce the volume of water needed to be recovered for the environment.

For example, environmental water is delivered in the Goulburn River to provide environmental benefits such as stimulating fish to breed and promoting the growth of vegetation on river banks. The water flows down the Goulburn River and into the Murray River. The VEWH can apply to the storage manager (Goulburn-Murray Water) to have the volume of environmental water that reached the Murray River re-credited in VEWH Murray accounts as a return flow. This water can then be re-used at a priority environmental site in Victoria (such as at Hattah Lakes near Mildura) and then used again for environmental outcomes in the Murray in South Australia.

If the water is to be reused in South Australia, the VEWH trades the re-credited return flow volume to environmental water managers in South Australia. This may include return flow transfers to South Australia for the CEWH and Living Murray program, when the VEWH delivers water on their behalf.

During the season, the VEWH makes regular transfers (e.g. monthly) of environmental return flows to South Australia to account for the water that flowed on after meeting Victorian environmental objectives to be reused downstream – providing whole-of-system benefits. For example, in 2020-21, the VEWH transferred about 393,400 ML of environmental return flows to South Australia (progressively traded over the year). This water was initially delivered to achieve environmental benefits at Victorian sites such as the Goulburn and Campaspe rivers, lower Broken Creek, and Barmah Forest, before continuing down the Murray River. Excluding application fees, there is no financial consideration for these transfers.

The conditions of VEWH's access to return flows are in the VEWH's Campaspe, Goulburn, Loddon and Murray entitlements. These entitlements can be viewed online at: [waterregister.vic.gov.au/water-entitlements/bulk-entitlements](http://waterregister.vic.gov.au/water-entitlements/bulk-entitlements).

### 3.3.4 Administrative transfers for the Snowy River

Water from the Snowy hydro-electric scheme is made available to the Murray system to support consumptive water deliveries.

The VEWH holds entitlements in the Murray, Goulburn and Loddon systems that form part of the Victorian government's commitment to recover water for the Snowy and Murray rivers. The water recovery project aimed to increase environmental water availability to the Snowy and Murray rivers by recovering water in the Murray and its tributaries that can substitute for Snowy water to supply Murray water users.

A substitution arrangement is in place to enable the VEWH entitlements in the Murray, Loddon and Goulburn to increase environmental flows in the Snowy River. Allocation trade is the mechanism used to give effect to this substitution arrangement.

Each year, water is allocated to entitlements held by VEWH in the Murray, Loddon and Goulburn systems in line with seasonal determinations in those systems. At the end of each season (around the end of June), any water allocated to these entitlements to 31 January of that year must be traded by the VEWH to a holding account for the Snowy. Similar arrangements are in place for the New South Wales Murray and Murrumbidgee systems.

The volume of water the Snowy 'owes' the Murray for consumptive purposes is reduced by the equivalent amount of the transfers. This offsets the volume of water that must be supplied from the Snowy system to the Murray and Murrumbidgee rivers, thereby freeing up water for environmental flows in the Snowy, while ensuring the equivalent amount of consumptive water is available in the Murray.

In 2020-21, the VEWH traded the following volumes from each system to the Snowy inter-valley transfer account:

- Murray system – 47,059 ML
- Goulburn system – 43,152 ML
- Loddon system – 470 ML.

The volumes were equivalent to allocations made to the VEWH from 1 February 2020 to 31 January 2021 (high-reliability allocations in the Murray, Goulburn and Loddon systems, totalling 90,681 ML).

As the Snowy transfers are required annually and as there is no financial consideration associated, the transfers will not be publicly announced.

### **3.3.5 Commonwealth Environmental Water Holder transfers**

Environmental water committed by the CEWH to a Victorian environmental watering action is transferred to the VEWH for delivery once the environmental water demand and water availability is confirmed. Unused Commonwealth environmental water is transferred back to CEWH accounts if it is not needed for delivery in Victoria before the end of the water year.

Such transfers may occur within a particular system or trading zone, or across connected systems or trading zones. The transfer of water between environmental water holders in Victoria is subject to the same allocation trade opportunities and limits as consumptive water users, in accordance with Victorian trading rules.

In 2021-22, transfers between the VEWH and CEWH are likely to occur in the Goulburn, Murray, Campaspe, Loddon, Broken and Ovens systems to facilitate environmental water delivery. Due to the large size of environmental watering activities in the Murray and Goulburn systems, volumes transferred from CEWH to VEWH can be large (i.e. greater than 100 gigalitres) but will vary depending on CEWH commitments and water availability. In the Ovens, Broken, Loddon and Campaspe systems, transfers are generally smaller (i.e. less than 10 gigalitres). Potential transfers are assessed for their impact on any trade limits that apply, to avoid significant impact on other water market users when possible.

VEWH transfers to CEWH are generally relatively small in volume, as they are associated with returning unused water held by the VEWH at the end of the water year (June).

For information regarding CEWH water commitments and portfolio management activities, see [www.environment.gov.au/water/cewo](http://www.environment.gov.au/water/cewo)

### **3.3.6 Living Murray program water**

VEWH environmental water entitlements held on behalf of Living Murray may only be used to deliver environmental water to Living Murray icon sites. Trade of Living Murray environmental water cannot be conducted for financial gain.

Further information regarding Living Murray's trading activities can be found on the Murray-Darling Basin Authority website at [www.mdba.gov.au](http://www.mdba.gov.au).

## 4 Western Region

The VEWH holds an environmental entitlement for the Wimmera-Glenelg supply system, which is used to meet demands across the Wimmera and Glenelg river systems, and to supply small wetlands in the region.

There is no mature water market in the western region, however, allocation trades can be conducted between entitlement holders within the Wimmera-Glenelg supply system with the permission of the Minister for Water (or their delegate).

### 4.1 Expected water availability in 2021-22

Dry conditions from 2017-18 to 2020-21 have resulted in well below average inflows to storages in the western region. Allocations against the VEWH's Wimmera-Glenelg entitlement reached 57% in 2020-21.

The Storage Manager's outlook indicates zero opening allocations are expected in 2021-22, with no allocations until August 2021 under an average scenario or September 2021 under a dry scenario. New allocations combined with carryover from 2020-21 may not be sufficient to meet critical environmental needs in 2021-22 and 2022-23 under ongoing dry conditions.

### 4.2 Trade opportunities

The VEWH may investigate opportunities to trade to increase the water available for the environment in the Wimmera-Glenelg system in 2021-22 if dry conditions continue. The VEWH purchased water in this system in 2016 to help manage the risk of dry conditions on priority waterways. However, the lack of a well-established water market in the western region may limit opportunities for the VEWH to increase supply through trade in 2021-22.



# 5 Central Region

This section covers potential VEWH trading activities in the following systems:

- Yarra
- Tarago
- Maribyrnong
- Werribee
- Moorabool
- Lower Barwon.

There are a range of trade opportunities in the central region, including through established water markets in the Werribee and Bacchus Marsh irrigation districts, or through commercial or substitution arrangements with other bulk water entitlement holders (such as urban water corporations).

## 5.1 Expected water availability in 2021-22

With most inflows into storages in the central region occurring in winter and spring, the likely water availability in these systems should be evident early in 2021-22.

The western systems of the central region are generally drier than those in the east and rainfall and water availability can vary markedly between systems. Entitlements in some systems (such as the Yarra) are more reliable than others, providing greater certainty of water availability irrespective of catchment conditions. No environmental water entitlement currently exists in the Maribyrnong system, meaning purchase is required to deliver water for the environment.

Large carryover volumes and secure water allocations will allow a wide range of watering actions to be delivered in the Yarra, Tarago and Werribee systems under all climate scenarios with the aim of building on 2020-21 outcomes to improve environmental condition and ecosystem resilience. In contrast, the Maribyrnong system remains relatively dry and Rosslynne Reservoir will need significant inflows during winter and spring 2021 to create an opportunity to purchase and use water for environmental flows. Environmental watering options in the Moorabool and Barwon systems in 2021-22 will be heavily influenced by local climatic conditions due to their small size and variable environmental allocations.

## 5.2 Trade opportunities

Allocation trade is not currently planned to increase supply for the Yarra, Tarago, Werribee Moorabool and Barwon systems in 2021-22.

The VEWH does not hold an environmental entitlement in the Maribyrnong system, but as in previous years, the VEWH will work with Melbourne Water and licence holders in the system to consider the purchase of unused licence allocation to support environmental values in the system. This arrangement occurred for six years until 2019-20, when insufficient supply prevented the purchase, and will only continue with the agreement of all parties involved.

## 6 Gippsland Region

This section covers potential VEWH trading activities in the following systems:

- Latrobe
- Thomson
- Macalister
- Snowy.

Opportunities to trade in the Gippsland region exist through the established water markets (e.g. Macalister Irrigation District), or through commercial or substitution arrangements with other water entitlement holders (such as urban water corporations).

### 6.1 Expected water availability in 2021-22

Water for the environment for the Latrobe, Thomson and Macalister systems is held in Blue Rock Reservoir, Thomson Reservoir and Lake Glenmaggie respectively. High carryover into 2021-22 is expected in all three west Gippsland river systems because natural events helped meet many of the planned environmental watering actions in 2020-21. Environmental water supply going into 2021-22 is likely to be higher than in recent years, which should enable high priority watering actions to be delivered in winter and spring without compromising the ability to meet critical demands later in the year.

Environmental water availability and delivery for the Snowy River is determined through interstate agreements: Victoria's contribution to Snowy environmental water availability comes from entitlements held in the Murray, Goulburn and Loddon systems. This water is made available for environmental flows in the Snowy River via a substitution method, whereby Victorian environmental water replaces water that was earmarked for transfer from the Snowy to Victoria to support irrigation demands in the Murray. Further information about this process is presented in section 3.3.4.

### 6.2 Trade opportunities

Allocation trade is not currently planned to increase supply in the Gippsland region in 2021-22.

# 7 Frequently asked questions

## 7.1 Where can I find out more about this year's plans for environmental watering in Victoria?

Information about the environmental watering in Victoria can be found in the VEWH's *Seasonal Watering Plan 2021-22* at [www.vewh.vic.gov.au](http://www.vewh.vic.gov.au).

The plan previews the potential environmental watering that could be implemented using water available under all environmental water entitlements held in Victoria. This includes water available under the VEWH's environmental water entitlements and water held by other environmental water holders, such as the CEWH.

Decisions to implement environmental watering actions in Victoria, including commitments of CEWH and Living Murray water, are published via seasonal watering statements on the VEWH website at: <http://www.vewh.vic.gov.au/news-and-publications/seasonal-watering-statements>.

## 7.2 Will VEWH announce its trade decisions?

VEWH will announce commercial trade decisions via its website at <http://www.vewh.vic.gov.au/news-and-publications/news>.

The VEWH's commercial trade announcements will cover the system in which the trade will take place, the volume, timing and mechanism (e.g. brokers, online exchange) of the allocation trade. An announcement will also be made at the completion of the trade.

There may be circumstances when a trade decision would not be publicised, for example, if the action was urgently required (e.g. purchase of a small volume to ensure a watering action could continue), or if the announcement could have a potentially adverse impact on the market. However, large purchases or sales of allocation (for example 1,000 ML or greater, and assessed relative to the size of the available market) will **always** be announced by VEWH.

The VEWH will also place notice of a trade decision on the VEWH website (<http://www.vewh.vic.gov.au/news-and-publications/news>) if it is:

- related to a water system covered by this trading strategy; and
- not consistent with the activities covered by this trading strategy; and
- may have an adverse impact on the water market, if it is not publicly announced.

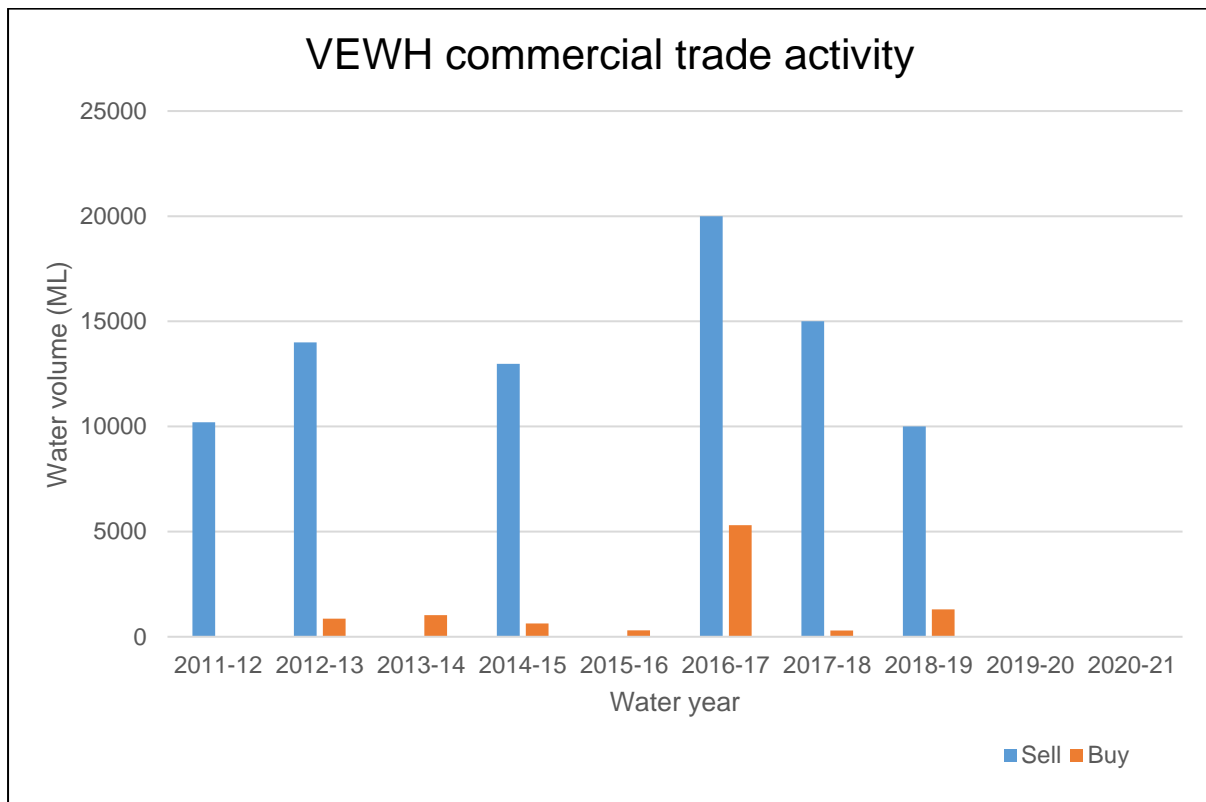
As there is no financial consideration associated with administrative water transfers, decisions to undertake these transfers are not publicised when they occur. The VEWH reports all water transfers, including those with other environmental water holders, in its corporate annual report at the end of each financial year.

The VEWH reports annually on the management and use of environmental water in Victoria, including carryover and trade, through its annual reports and *Reflections*. These are available at <http://www.vewh.vic.gov.au/>.

### 7.3 Has the VEWH bought or sold allocation in the past?

Since its commencement, the VEWH has bought and sold water allocation in water systems around Victoria, including the Murray, Goulburn, Loddon, Wimmera-Glenelg, Werribee and Maribyrnong systems. Figure 2 shows the relative volumes of allocation bought and sold each year. The VEWH has not purchased or sold water in in the past two years.

Figure 2 – VEWH commercial trade activity



### 7.4 How does the VEWH participate in the market?

VEWH’s selected mechanism for participating in the market will vary depending on different factors. These may include whether the VEWH is buying or selling allocation, whether there is an established market, the size of the market, the system in which the trade is to occur, or the volume of water VEWH is buying or selling. Different mechanisms will suit different circumstances.

In the past, when trading in the northern region where there are large and established water markets, the VEWH has used a mixture of brokers and web-based water exchanges to conduct its trade activity. Brokers selected by VEWH must be members of the Australian Water Brokers Association to help ensure they are operating with a high standard of ethics and business practices.

## **7.5 Does the VEWH take steps to ensure market prices are not affected by VEWH trading?**

As a public sector organisation, the VEWH seeks to ensure it is operating in the public interest, and is not causing impacts to market participants. When considering the volumes of water to sell or purchase, the method of market participation, and the prices considered, the VEWH undertakes an assessment of potential market impacts and takes steps to minimise those impacts.

VEWH activity in the water market, including its choice of market intermediaries and mechanisms, is guided by the following considerations:

- Ensuring adequate information is provided to the marketplace
- Ensuring no positive or negative discrimination against potential buyers and sellers or intermediaries
- Minimising any real or perceived impacts on the market from trading activity
- Ensuring efficient transaction costs and management fees
- Ensuring systems and contractual arrangements are in place to guarantee transactions are executed in a timely, accountable and efficient manner.

In addition, the Victorian Government has set Ministerial rules around how the VEWH can make decisions, including about water trade. In setting these rules, the government has ensured that the VEWH is trading only in the public interest, in order to protect environmental values without adverse community impacts.

## **7.6 Additional questions?**

If you have any queries or would like to contact us, please do and one of our friendly staff will get back to you shortly.

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