

# Allocation water trading strategy 2026-27

## Acknowledgement of Traditional Owners

The Victorian Environmental Water Holder (VEWH) proudly acknowledges Victoria's Traditional Owners and their rich culture and pays our respect to Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We acknowledge and respect Victorian Traditional Owners as the custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.

The VEWH sees the 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 to Aboriginal people. We deeply value the ongoing contribution that Traditional Owners and Aboriginal knowledge systems are making to planning and managing water for the environment. We 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. More can be done to increase Traditional Owners' power and agency and enable progress towards self-determination within the environmental watering program.

Adequately recognising and strengthening the rights of Traditional Owners in water management is critical for achieving self-determination and healthy waterways into the future. The VEWH is committed to an active role in supporting and enabling this within its power and capability.

The VEWH supports the commitment of the Victorian Government to Traditional Owner self-determination for water, most recently articulated in the Department of Energy, Environment and Climate Action (DEECA) policy Water Is Life: Traditional Owner Access to Water Roadmap. The policy envisages the transfer of allocation water from the VEWH to Traditional Owners for environmental watering purposes. We look forward to working with Traditional Owners and DEECA to implement the policy, under current legislative requirements, and when enabled, future legislative change.

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**Accessibility**

If you would like to receive this publication in an alternative format, please contact the VEWH on 03 9637 8951 or email [general.enquiries@vewh.vic.gov.au](mailto:general.enquiries@vewh.vic.gov.au). This document is also available on the internet at [www.vewh.vic.gov.au](http://www.vewh.vic.gov.au).

Cover photo: Lower Broken Creek, Keith Ward GBCMA

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## Executive summary

The *VEWH's Allocation Water Trading Strategy 2026-27* provides a high-level overview of the types of allocation water trading activities that the VEWB may undertake across Victoria and interstate in 2026-27.

This strategy relates entirely to the trade of allocation water (i.e. the volume of water that is allocated to water entitlements each year and available for use), not trade of environmental entitlements (i.e. the ongoing legal right to take or use water in a particular system). The VEWB can trade its water entitlements with the approval of the Minister for Water, but this has not occurred to date and VEWB does not intend to trade entitlements in 2026-27.

Allocation water trades are categorised as commercial (selling and purchasing water allocation and carryover parking), or administrative (transfers of allocation water between the VEWB and other water holders). Key features of the *Allocation Water Trading Strategy 2026-27* are:

- Potential purchases of allocation to meet environmental water supply deficits in the Loddon, Broken, and Maribyrnong systems.
- Investigate options to acquire water in the Moorabool system.
- VEWB will make numerous administrative trades to facilitate the delivery of environmental water across Victoria, make return flows available to environmental water managers for delivery in South Australia, to manage carryover requirements for 2027-28 and if receiving water donations.
- Possible sale of carryover space, allowing buyers to place their allocation water in a VEWB allocation account.
- Current forecasts and analysis completed by the VEWB indicate there will be no water allocation available for commercial sales in 2026-27.

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

# 1 Purpose

The VEWH's *Allocation Water Trading Strategy 2026-27* makes public a high-level overview of the types of allocation water trading activities that the VEWH may undertake across Victoria in 2026-27. This trading strategy is in effect from 1 July 2026 to 30 June 2027 and aims to provide useful knowledge for water industry members and water market participants and gives the public insight into the VEWH's management of the Victorian environmental Water Holdings.

The Commonwealth Water Act 2007 place obligations on irrigation infrastructure operators and government agencies, including environmental water holders, regarding the announcing and reporting of water market decisions (Water Act 2007 (Cth), Part 5). These obligations are new and came into effect on 1 July 2026. The requirements aim to improve how important decisions that can impact the water market are announced and reported on.

From 1 July, decisions about the water market must be made public in one of two ways: either by providing the decision to the Bureau of Meteorology to publish first, or by publishing it directly on the organisation's own website in a clear and easy-to-find way, and then reporting it to the Bureau. Sharing these decisions with the Bureau helps improve transparency and gives people better information to support their water trading choices.

The new obligations also state that a decision is not a water markets decision if the relevant trade is or will be consistent with a trading strategy that is generally available. A trading strategy needs to set out the overall objectives, principles and approach that will be followed when buying and selling tradable water rights.

This document forms the VEWH's publicly available trading strategy.

Information regarding VEWH's water trading, including how VEWH avoids impacts on other market participants is available on the [VEWH's website](#). A summary report of an independent review of VEWH's allocation trade is also available on the VEWH's website.

## 2 Types of allocation water trades

There are two categories of allocation trade undertaken by the VEWH – administrative trades and commercial trades.

**Administrative allocation trades** have no financial consideration aside from administration fees that may be charged by a water corporation. The VEWH undertakes the following types of administrative allocation trades:

- Trades of allocation to make water available in water accounts in different systems to facilitate watering actions or optimise carryover. These trades assist in making water available to the highest-priority watering actions across multiple catchments within and between water years.
- Trades between VEWH and other environmental water holders to facilitate delivery and/or to return unused water at the end of the season. This may include trades to non-Victorian systems when instructed by other water holders.
- Trades of allocation water to the VEWH that is privately owned or held by other entities, for example to receive water donations.

**Commercial allocation trades** have financial consideration. From time to time, the VEWH undertakes the following types of commercial allocation trades:

- Selling allocation
- Purchasing allocation
- Carryover parking, whereby VEWH rents carryover space to another party to allow them to carryover their allocation water into the following water year.

Commercial allocation trade is always undertaken by VEWH in line with its statutory objective to optimises environmental outcomes in Victorian waterways. This means that the VEWH can commercially trade allocation and invest revenue raised into future water purchases to address high-priority water shortfalls, strategic activities, knowledge, research, business costs, complementary works and measures, or other priorities to improve management of the holdings and performance of Victoria's environmental watering program. The VEWH consults with DEECA where priorities have government policy or program implications.

### 3 Trade decisions

The VEWH regularly assesses its water portfolio position throughout the year and makes trade decisions (administrative and commercial) based on factors such as:

- environmental condition of the sites to be watered,
- the volume of water required for environmental watering demands, and the timing of those demands (e.g. during spring or autumn),
- current and forecast climate conditions,
- water availability and seasonal determination outlooks,
- carryover requirements,
- financial considerations, and
- trading opportunities and rules.

Figure 1 is a generalised flow chart that guides the VEWH’s use, carryover and trade decisions.

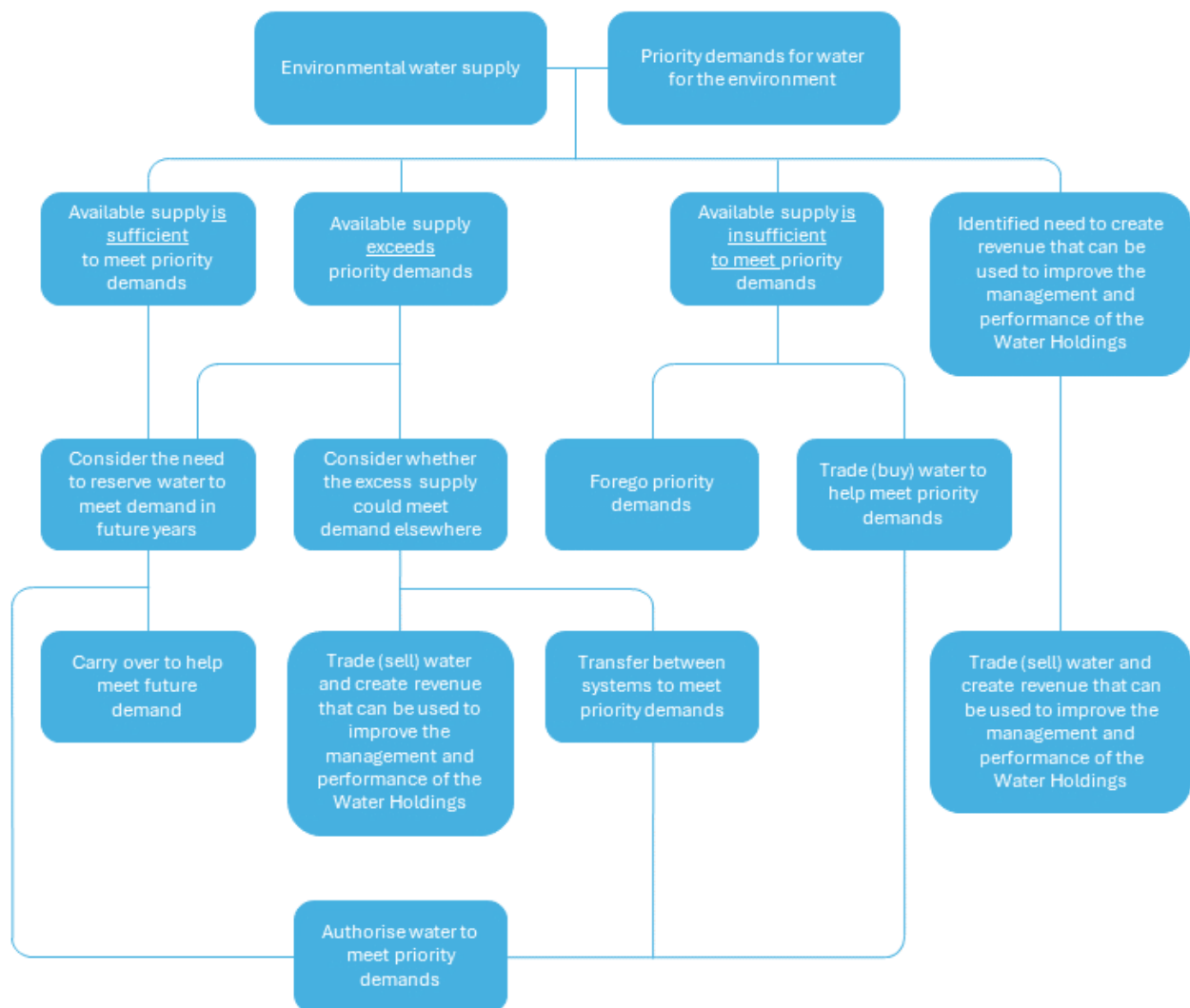


Figure 1. Considerations guiding use, carryover and trade decisions.

## 4 Implementing allocation water trades

### ***Administrative allocation trade***

Allocation trading may occur under the relevant delegation (e.g. the Minister, Department of Energy Environment and Climate Action (DEECA) or a water corporation). The VEWH implements most of its administrative allocation trades online via the Victorian Water Register, or via paper-based trades submitted to relevant water corporations.

When trading allocation between trading zones, VEWH must adhere to relevant trading rules and is limited by trade opportunities, in the same way as all market participants. The VEWH considers the potential outcomes on trade opportunity and tries to avoid impacts on other market participants when implementing trades between systems.

### ***Commercial allocation trade***

Commercial allocation trade can be facilitated via established water markets, or by agreement between entitlement holders.

Commercial allocation trade is commonplace in 'declared systems'<sup>1</sup>, where a water market is established and managed by the relevant Water Corporation. Examples include the northern Victorian regulated systems (Broken, Bullarook, Campaspe, Goulburn, Loddon, Murray, and Ovens) and some southern systems (Werribee, Thomson/Macalister).

When implementing commercial allocation trade decisions in declared system, the VEWH endeavours to avoid impacts on water markets and market participants. The VEWH achieves this through self-imposed limits on volumes for sale, parcel size and price. The VEWH adaptively manages its approach to implementation, especially in a dynamic and fluctuating market.

When commercial allocation trading in declared systems with established water markets, the VEWH typically engages intermediaries (water brokers) and online water exchanges to trade but may elect to use other mechanisms such as tenders on a case-by-case basis.

In systems where water markets do not exist, allocation trading may occur under the relevant delegation (e.g. the Minister, DEECA or Water Corporation). In undeclared systems there is generally no active market and the VEWH may offer or seek allocation trade opportunities with other entitlement holders such as a water corporation or industry entities, subject to the relevant approvals.

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<sup>1</sup> A water system that has been declared in accordance with section 6A of the Water Act 1989. In these water systems, the old water rights and take and use licences have been converted into unbundled entitlements. As of 2012, the declared water systems are: Broken, Bullarook, Campaspe, Goulburn, Loddon, Murray, and Ovens which were all declared in July 2007 and the Werribee and Thomson/Macalister declared in July 2008 ([DEECA Water Register website, accessed 12 May 2026](#))

## 5 Trade opportunities in 2026-27

Table 1 identifies the trade opportunities that are likely to apply to VEWH during 2026-27. If required, VEWH will investigate additional trade opportunities on a case-by-case basis, such as trade within and between declared systems that is not included in Table 1, or in undeclared systems.

**Table 1. Trade opportunities during 2026-27.**

Trade category	Trade type	VEWH trade opportunities in 2026-27	Relevant region, systems and trading zones	Possible timing of trades
Commercial	Water entitlement purchase / sale	VEWH will not purchase or sell entitlement in 2026-27. To date, VEWH has not purchased or sold entitlement. In Victoria, DEECA leads decisions to increase environmental entitlements through regional sustainable water strategies or other opportunities as they arise. The Commonwealth Department of Climate Change, Energy the Environment and Water works to achieve Murray-Darling Basin Plan water recovery targets.	N/a	N/a
Commercial	Allocation purchase	VEWH may consider purchasing allocation water where deficits exist for critical environmental needs in 2026-27 or 2027-28. The volume of any purchase to address a deficit is likely to be relatively small (e.g. historic purchases for these outcomes have been less than ~1,000 ML), however the volume needed will be assessed on a case-by-case basis if the need arises.	<p>In the northern Victorian regulated systems, the most likely systems where a purchase may be considered to meet a deficit in 2026-27 are the Broken (trading zone 2b), and Loddon (trading zone 5a) systems.</p> <p>VEWH may lead an expression of interest process to acquire a small volume of water (approximately 300 ML) via licence holders in the Maribyrnong system.</p> <p>VEWH may seek opportunities to acquire a small volume of water in the Moorabool system. The VEWH has previously worked with Barwon Water and Central Highlands Water to address environmental water deficits in the system.</p>	<p>Anytime, subject to identified critical demands</p> <p>July-October 2026</p> <p>July – December 2026</p>
Commercial	Allocation sale	<p>If water availability exceeds the expected environmental demand, the VEWH may sell allocation water in the northern Victorian regulated systems in 2026-27. However, current forecasts indicate that water availability is unlikely to exceed environmental demand and critical carryover for 2027-28. As a result, the VEWH is <u>not</u> currently planning to sell any allocation.</p> <p>Should conditions change, the VEWH will update its trading strategy and publish the maximum volume of allocation that may be available for commercial sale on its website.</p> <p>The chart in Appendix 1 shows the VEWH's historic annual allocation sales.</p> <p>The VEWH may consider forgoing environmental watering actions at any time, to sell water to invest in project or strategic activity where environmental outcomes are likely to be better achieved through use of the revenue raised.</p>	N/a	N/a
Commercial	Allocation carryover parking	If VEWH estimates it will have available carryover space at the end of 2026-27, it may enter carryover parking contracts to lease that space.	In the northern Victorian regulated systems carryover parking contracts are most likely to be in the Murray (trading zones 6 and 7) and Goulburn (trading zone 1a) systems.	Anytime, however it is from December onwards that VEWH can better estimate its carryover position and determine if it is viable to lease carryover space.

Trade category	Trade type	VEWH trade opportunities in 2026-27	Relevant region, systems and trading zones	Possible timing of trades
<i>Administrative</i>	<i>Between VEWH allocation accounts<sup>2</sup></i>	Through 2026-27 VEWH will undertake trades within and between systems to ensure adequate water is available to deliver watering actions, and to optimise carryover into 2027-28.	Based on supply estimates, in the northern Victorian regulated systems 2026-27 there may be shortfalls of environmental water allocation required for critical environmental watering in the Loddon (trading zone 5a), Broken (trading zone 2b), Campaspe (trading zone 4a) and Goulburn (trading zone 1a) systems. Subject to trading opportunities, VEWH may attempt to augment supply in those systems via trades of allocation from the Goulburn (trading zones 1a and 1b), and/or Murray (trading zone 7) systems.  VEWH will trade within and between any trading zones as required to secure allocation as carryover in 2027-28.  All opportunities currently under consideration for trade are in declared system trading zones and are subject to relevant system trade opportunities and rules.	Anytime, subject to timing of environmental water demands and trade opportunities.
<i>Administrative</i>	<i>Between the VEWH and CEWH</i>	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.	Trades between the CEWH and the VEWH are mostly within system trading zones in the northern Victorian regulated systems, but occasionally may be between system trading zones. All opportunities currently under consideration for trade are in declared system trading zones and are subject to relevant system trade opportunities and rules.	CEWH trades to VEWH anytime, subject to timing of environmental water demands. VEWH typically returns unused allocation during June.
<i>Administrative</i>	<i>Return flows from VEWH to the Department of Environment and Water South Australia</i>	Allocation trade is the mechanism used to 'shepherd' environmental water that flows along the Murray River and across the border from Victoria to South Australia.  This water 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.  VEWH makes regular trades of environmental return flows in Victoria to South Australia. This may include return flow trades to South Australia for the CEWH and The Living Murray program, when the VEWH delivers water on their behalf.	Return flow recredits applied to VEWH allocation accounts in the Murray system (trading zone 7) are traded to the South Australian Murray (trading zone 12).	Monthly, or less frequently as required.
<i>Administrative</i>	<i>Snowy River Increased Flows and River Murray Increased Flows</i>	The VEWH holds entitlements in the Murray, Goulburn and Loddon systems that form part of the Victorian government's commitment under the Snowy Water Inquiry Outcomes Implementation Deed to recover water for the Snowy and Murray rivers. A substitution arrangement is in place to enable the VEWH entitlements in the Murray, Goulburn and Loddon to increase environmental flows in the Snowy River (Snowy River Increased Flows) and Murray River (Murray River Increased Flows). Allocation trade is the mechanism used to give effect to the substitution arrangement.	VEWH completes trades from the Murray, Goulburn and Loddon systems to the Snowy system holding account in June each year to give effect to the substitution arrangement to increase environmental flows in the Snowy River (Snowy River Increased Flows) and Murray River (Murray River Increased Flows).	June 2027
<i>Administrative</i>	<i>Donations</i>	Owners of privately held water may choose to donate allocation to VEWH.	VEWH has previously received water donations in the Murray (trading zone 7) and King (trading zone 9b) systems. VEWH is unaware of opportunities additional to past donations.	Anytime

<sup>2</sup> TLM entitlements are held and managed by the VEWH in trust for TLM. VEWH will make trades within and between systems for TLM to ensure adequate water is available to deliver watering actions, and to optimise carryover into 2027-28. Upon instruction from TLM, VEWH may be required to trade TLM allocation to TLM water accounts held in NSW or SA, subject to trading rules and opportunities.

## Appendix 1 VEWH allocation trading history

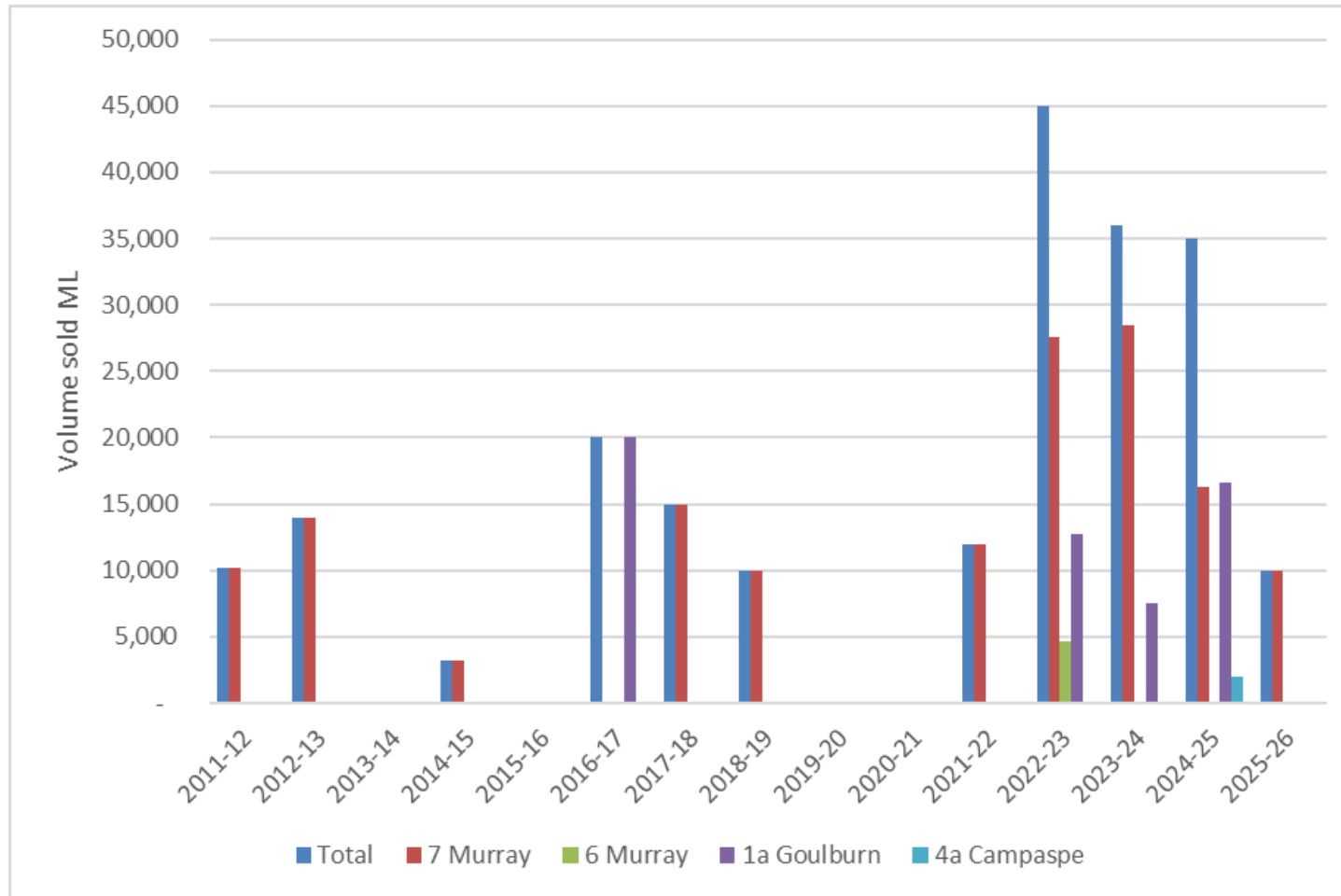


Figure 2. Historic VEWH allocation sales by trading zone