



Australian Government

WATER for the FUTURE

Role of Water Markets

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Overview

- Benefits of Markets
- Requirements for Effective Markets
- Recent Developments
- Future Directions

Benefits of Water Markets

- ❑ Value of water becomes transparent
- ❑ Benefits for irrigators and regional communities, and economy more broadly
- ❑ Benefits for the Environment

Requirements for an effective market

- Secure property rights
- Minimal barriers to trade
- Transparent information
- Low transaction costs
- Effective institutional arrangements
- Effective regulation

Recent Developments

- ❑ Consistent application of market, charge and trade 'rules' (ACCC, MDBA)
- ❑ Markets built around entitlements with identical characteristics - eg consistent quality of water plans under Basin Plan
- ❑ Development of open and transparent information (BOM, NWMS)
- ❑ Development of national compliance and enforcement framework
- ❑ Improved service standards
- ❑ Pricing guidelines in urban areas

Future Directions

- ❑ Water planning - next generation of water plans
- ❑ Improving trade in unregulated systems
- ❑ Improving transparency and certainty around allocation decisions
- ❑ Continuing movement to full cost pricing of water and infrastructure use
- ❑ Market efficiency (price and volume trade information, water brokers, simplifying interstate trade)
- ❑ Regulatory efficiency (water trading rules, distance pricing, unbundling, removal of restrictions, investment and taxation rules, etc,)