

Markets and Managing the Environmental Water Reserve

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Some Starters

- Commonwealth Environmental Water Reserve will represent a significant portion of MDB water resources
- Major management challenges
- Are the rights right?



Living with Reality

- Basin Plan will set SDLs
- PC estimates more than 2500GI may be held by Commonwealth
- > 20% of all extractive entitlements according to Australian Farm Institute
- Guide points to 27-37% as volumetric ambition
- Buyback to bridge any gap



How does the Commonwealth presently manage environmental water?

- An example, TLM
- Complex hierarchical and inter-jurisdictional requirements



Figure 1: A conceptual flow chart of the relationship between this Ioon Site EMP and other Living Murray documents (Source: MDBC 2006, p. 30)

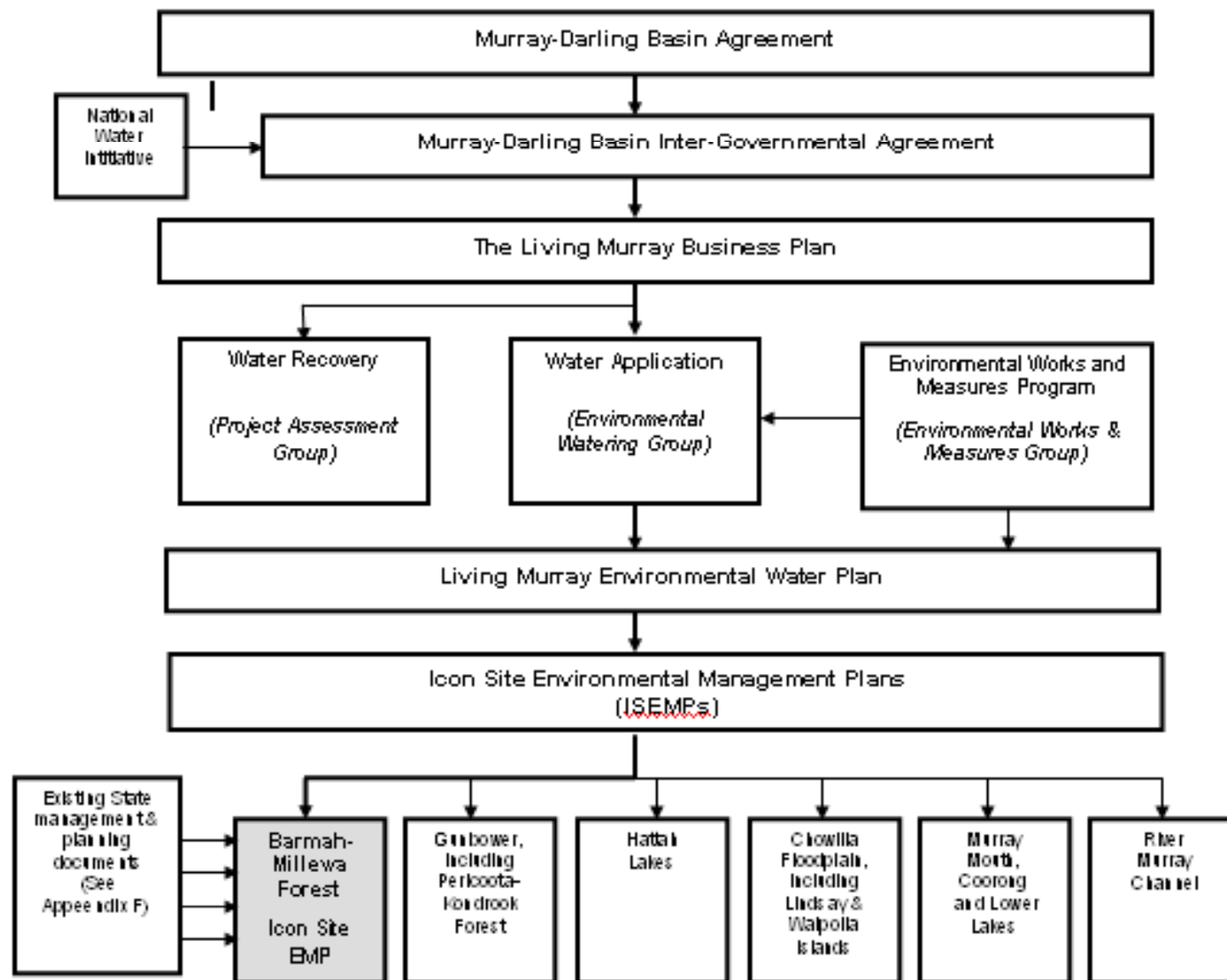
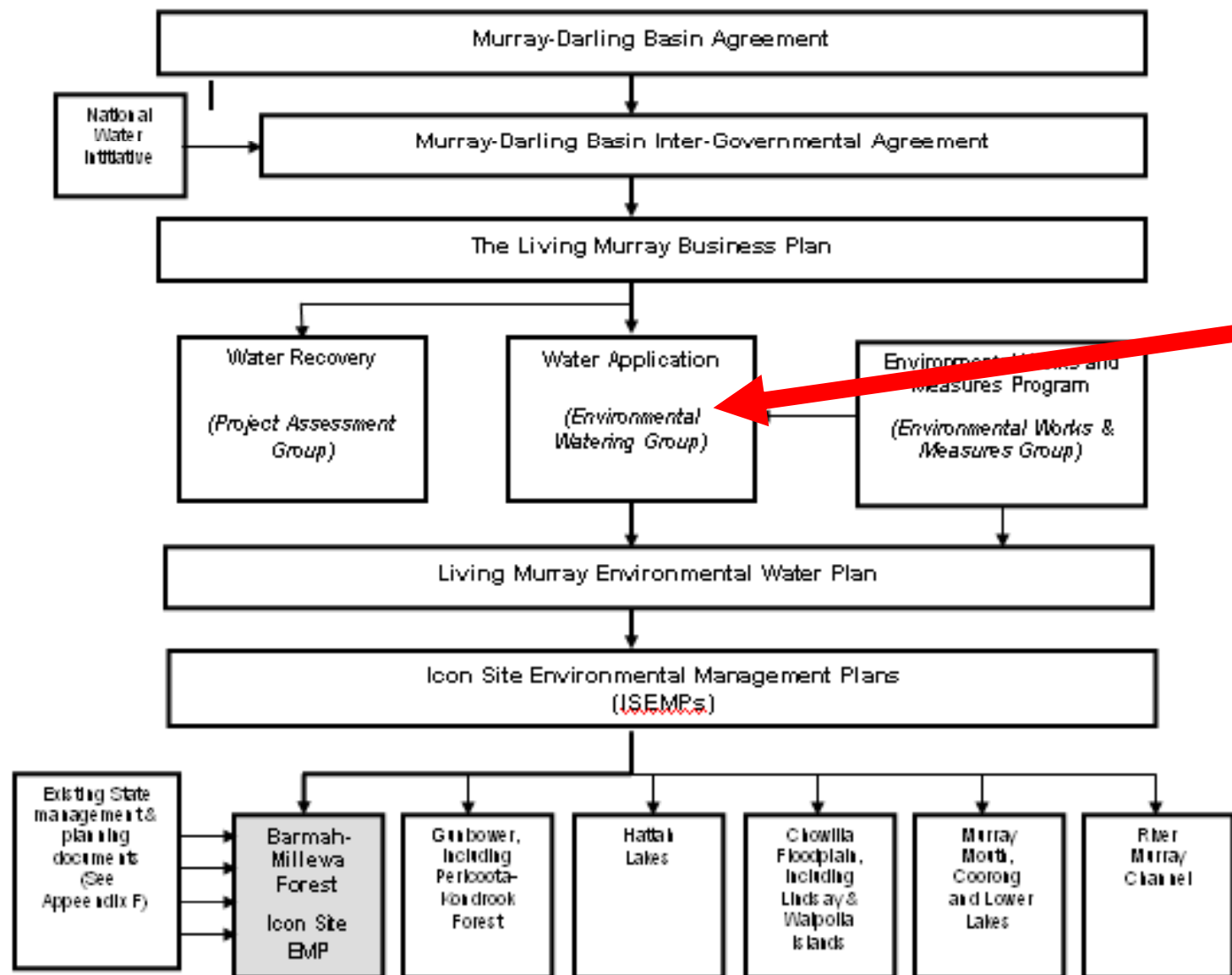


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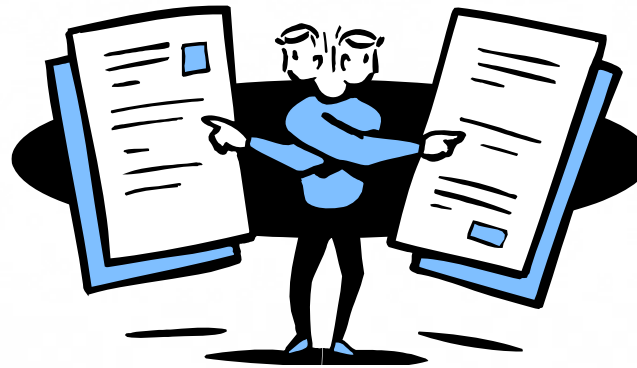
At the Site Level

- Barmah-Millewa Forest:



Looks simple, but it's not

- Coordination committee
- Technical Advisory Committee
- Consultation Reference Group
- Project Officer



**So if environmental water managers
are given scope to work in market
what does it look like?**



Water rights and markets

- Present focus is on volume with limited attention to delivery characteristics
 - Access (permanent) markets
 - Allocation (temporary) markets
- Others
 - Use
 - Works and network
 - Quality



How it works in reality

- Dam managers
 - Allocation announcements
 - Use of temporary trade to redress imbalance between announcements and
 - Opportunity costs
 - Risk preferences



Carryover

- An inter-seasonal right
- Attenuated relative to other rights

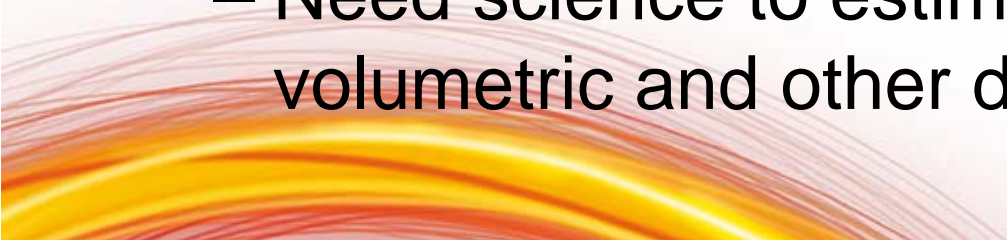


What does the environmental water manager want?

- More water in stream
 - Volume will do this, up to a point
- More variability
 - Carryover is weaker right
- More early season flow
 - Allocations don't favour this
 - Temporary trade?
 - Important empirical question



Concluding remarks

- Environmental water holder will control significant volumes
 - Volumes are attenuated when considered against environmental preferences
 - Temporary market versus modifying rights
 - Potential for other products to ease pain of adjustment
 - Need science to estimate trade-offs between volumetric and other dimensions
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Thank You

