



## Water for life: Western Australia's Water Reform Program

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### Water trading

The Western Australian Government is embarking on an important water reform program to improve water management in the State.

Water trading is a vital component of this reform.

#### *Current situation*

Water trading currently occurs in Western Australia and is governed by the *Rights in Water and Irrigation Act 1914* and *State-wide Policy No 6: Transferable (Tradeable) Water Entitlements for Western Australia*.

Water trading is more likely in systems that are over-allocated, fully allocated or approaching full allocation.

Water trading will be most relevant in rapidly developing regions where there is strong competition for available water.

Trade is voluntary. Therefore, it will not occur unless both buyers and sellers can derive benefit from it.

Water does not always have to be in short supply for trading to occur.

#### *Key benefits from water trading*

The key benefits from water trading are:

- Water allocated for consumptive use can move to higher economic value uses.
- Groundwater management is improved by enabling water to be used more efficiently by freeing up surplus allocations.
- More efficient water users have the opportunity to generate higher economic returns.
- There is potential to reduce environmental risks and impacts.
- It is a mechanism for relieving pressure on the demand for environmental water.



- It creates flexibility for water users.
- It enables new users to obtain water in fully allocated systems.

#### *Why the need for change?*

Water trading is intended to ensure that the highest economic value is placed on water so that it is used productively and for maximum economic benefit. Such an outcome requires systems and processes that facilitate efficient water trading.

#### *What will happen?*

Water trading must be conducted in a manner that is consistent with the rules set out in individual statutory water management plans. These rules must be framed in a manner that makes allowance for the characteristics of the water system and takes account of all relevant local issues.

For water trading to occur, the following conditions are necessary:

- Access to additional water resources is restricted
- Water use is measured and metered
- The seller holds title to a recognised, tradable water licence or water access entitlement
- There are benefits to both the buyer and the seller.

The Government will determine how best to support the emergence of an active water trading market. Important in the process will be the establishment and oversight of private sector water broking services and engaging experts in market mechanisms to speed up water reform.

Trading registers will be structured so that information about the price paid for a water access entitlement or water allocation is available in a transparent and timely manner.

Metering will be required for water trading.



Water trades will continue to be assessed by the Government to ensure there are no unacceptable environmental or third party impacts.

In the Eastern States, there is little evidence of speculation in water markets. However, to address concerns the Western Australian Government will review existing legal mechanisms to determine whether these provide sufficient protection against anti-competitive behaviour.

Water trading involving water service providers will be monitored for positive and negative side effects.

*When will this happen?*

Water trading will probably occur more widely as water systems reach full allocation and statutory water management plans, including trading rules, are introduced.

Planning for priority areas has begun, but it will take some time to complete plans for every area in the State.

*Further information*

Please contact the Department of Water if you require further information. Phone: 1800 734 659 or email: [waterreform@water.wa.gov.au](mailto:waterreform@water.wa.gov.au)