An Australian Poem

I love a sunburnt country
A land of sweeping plains
Of ragged mountain ranges
Of droughts and flooding rains

Dorothea Mackellar
“Unbundling Water Rights”
A Blueprint for managing water scarcity

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Australia’s Millennium Drought

After Gooday, ABARE 2011
An emerging Blueprint => 4 points

1. Small expertise-based boards
2. Statutory water-resource plans
3. An unbundled water right system
4. Centralized share register and water accounting systems

Recommending pilot-testing in
- Diamond Valley
- Humboldt River System
Unbundling water rights

- Unbundling water rights
  1. Unit Shares
  2. Seasonal allocations
  3. Beneficial use approvals and works approvals

- Establishes two water markets
  1. Shares
  2. Allocations
Statutory Plans

- Defines entitlement and allocation system to be used in each system
- Set sustainable diversion limits
- Establish rules for:
  - accounting for relationships among connected surface and groundwater systems
  - when, how and how much water to allocate to shareholders
  - exchange rates and trade restrictions
- Allows the environment to be a shareholder
- Efficient management of third-party issues
Share Registers and Water Accounts

• Torrens-Title like share registers
  – Guaranteed integrity
  – Low cost mortgaging => Innovation

• Bank-like water accounts
  – Debits and credits
  – Allocation announcements recorded as credits
  – Use debited as it occurs
  – On line transfers
Improving Water Rights

Total returns - Median allocation and entitlement prices compared to capital growth, and the S&P ASX Accumulation Index Returns

After Bjornlund & Rossini 2007
Diamond Valley Implementation

1. Appoint 5 member expertise-based Board
2. Appoint Community Reference Panel
3. Prepare draft and then final plan
   – Transition pathway to sustainable yield (20 yrs?)
   – Work out share conversion regime
   – Establish register and water accounting systems
   – Allow use, trading and saving under new system
4. As a trial, offer an exit ramp after 5 years
Humboldt Basin Implementation

- New Humboldt Basin Authority
- Prepare detailed plans for each reach & groundwater resource
- Convert to shares
  - Reach by reach
  - Groundwater resource by groundwater resource
- Begin with within reach trading
- Prepare Basin-wide plan that establishes rules for accounting for hydrological connections between reaches and groundwater resource
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