



ACT
Government

Environment, Planning and
Sustainable Development

EPSDD Ref No.: 21/03443

Response to DLO Request

*** All information provided should be factual.**

EGM clearance email to be saved in the Objective file and forwarded to the EPSDD DLO inbox and copy in the relevant EO.

Subject: Water Abstraction Charge

Response:

How the WAC is set (under what legislation and by who)

The WAC is imposed under section 107 of the *Water Resources Act 2007* through a disallowable instrument (DI) signed annually by the Minister for Water, Energy and Emissions Reduction. The DI refers to the WAC as a Licence to take water abstraction fee. The WAC is a pass-through charge that is collected from urban water users by Icon Water, and from non-urban users by ACCESS Canberra (the Environment Protection Authority), with revenue passed through to ACT Treasury. The WAC is not a levy or a tax.

The WAC for urban water supply is currently (2020/2021) \$0.631 per kilolitre (\$/kL) of water abstracted and for surface water or groundwater not supplied through the urban water network, \$0.305/kL of water taken. These rates are indexed to increase by 3% per annum. The decision to index the WAC was made by the ACT Government as part of 2016/17 budget process.

The WAC revenue collected in 2019/2020 was \$ 34.9 million.

*The **objective** of the WAC is to reflect the true value of water and promote the economically efficient and sustainable use of a scarce resource.*

- The WAC was put in place to cover costs incurred by the Government including the costs of urban and non-urban water supplies, water catchment management, environment protection of ACT streams and lakes, along with water policy development and administration. The value of the WAC also includes a component related to scarcity, as well as costs associated with the provision of environmental flows.



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These costs are borne by the ACT Government and are separate to costs incurred by Icon Water.

Whether there is any process/guidance on how the revenue from the charge can be allocated

The WAC is not specifically hypothecated or allocated to a separate water supply/catchment fund. WAC revenue accrues to consolidated revenue.

Treasury allocate funding from the WAC in line with the normal budget process.

In the Commissioner for Sustainability and the Environment's, December 2018 investigation *'The Heroic and the Dammed -Lower Cotter Catchment Evaluation Restoration*, the Commissioner noted that "with recent increases in catchment management assets, future programs outlined in the ACT Water Strategy 2014–44, 23 and imminent drought and climate change conditions, there is an alarming disjuncture between WAC revenue and the amount spent on water planning and management" (page 74).

Whether there is public reporting on how the revenue is spent.

Under national water reform commitments, overseen by the Australian Competition and Consumer Commission (ACCC), it is a requirement that the ACT Government correctly account for how WAC revenue is being spent against its intended purpose.

- Each year the ACCC requests information across Murray Darling Basin jurisdictions on expenditure undertaken on water related activities as required under the *Commonwealth Water Act 2007*.
- The calculation of total expenditure across all ACT Government agencies assists in the reconciliation of expenditure undertaken with revenue collected in water related fees and charges, especially the WAC.
- The ACCC publish outcomes annually in a water monitoring report (e.g. <https://www.accc.gov.au/publications/accc-water-monitoring-report/accc-water-monitoring-report-2018-19>).

The approach to allocation makes it difficult at times to reconcile spending relative to reporting.

From: Wong, Nicole
Sent: Fri, 19 Mar 2021 00:50:31 +0000
To: Grice, Simon
Cc: Goth, Kathy; Lawrence, Ian; Quek, Hock
Subject: RE: 21/04348 Water networks and pricing Ministerial Information Brief (A27982002)
Attachments: 21_04348 Water networks and pricing Ministerial Information Brief.docx

OFFICIAL

Hi Simon,

Thanks for the opportunity to comment and to be able to review this brief - it has a lot of information in it, so well done in putting this all together from everyone.

Please see attached for our collated suggestions/comments/questions on this one. Also, would it be possible to get a copy of Attachment B?

Happy to discuss as well.

Regards,
Nicole

-----Original Message-----

From: Grice, Simon <Simon.Grice@act.gov.au>
Sent: Friday, 12 March 2021 1:56 PM
To: Wong, Nicole <Nicole.Wong@act.gov.au>
Subject: 21/04348 Water networks and pricing Ministerial Information Brief (A27982002)

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Simon Grice has sent you a copy of "21/04348 Water networks and pricing Ministerial Information Brief" (A27982002) v10.0 from Objective.