

VEWH Trade Revenue Investment Framework

Introduction

The Victorian Environmental Water Holder (VEWH) is an independent statutory body established in 2011 under Victoria's *Water Act 1989* as an 'accountable, independent guardian'¹ to transparently manage environmental water entitlements.

The VEWH decides why, where, when and how available water for the environment is used, carried over or traded to support the health of Victoria's rivers, wetlands and floodplains.

When the VEWH is managing Victoria's environmental water holdings, it can consider trading allocation water, also known as temporary water, if foreseeable environmental watering demands can be met.

The VEWH uses revenue from trade to support the management of the water holdings and resource activities and strategic projects that fulfil existing and new policy obligations.

Revenue can also be invested in complementary works and measures projects, research and knowledge to improve management of the water holdings and performance of Victoria's environmental watering program.

Allocation water trade

Delivering water for the environment using available allocation to meet environmental outcomes is the main focus of the VEWH's operations.

Water trading allows the VEWH to move water to systems where it is needed most, and to smooth out some of the variability in water availability across systems and across years that is likely to be exacerbated by climate change.

The VEWH's annual allocation water trading strategy provides a high-level overview of the types of commercial trade the VEWH may engage in across Victoria and interstate in a given financial year. These include:

- commercial allocation water trade - selling and purchasing allocation water, including forward allocation trading
- carryover parking – leasing space in storages to carry over water
- administrative water transfers including:
 - 'internal' transfers of VEWH allocation between VEWH entitlements for carryover or water delivery

¹ Second Reading Speech, Water Amendment (Victorian Environmental Water Holder) Bill, Legislative Assembly, Parliament of Victoria, 26 May 2010.

- transfers between the VEWH and other environmental water holders or entities without financial consideration, such as transfers with the Commonwealth Environmental Water Holder (CEWH).

The VEWH Commission makes decisions about commercial trade and the VEWH Office carries out administrative trades as part of managing its environmental water portfolio options.

The VEWH assesses the demand and supply position regularly through the year by considering environmental condition and demand, current and forecast climate conditions and water availability, carryover capacity, and market conditions.

[Making decisions and assessing activities for funding](#)

Decisions on investment of trade revenue align with the VEWH's responsibility to optimise environmental outcomes for the state.

Activities funded by trade revenue may be in any region, regardless of the region where the water may have been sold.

Scenarios where allocation water may be sold are:

- where water is not required for a foreseeable priority environmental demand
- where environmental outcomes are likely to be achieved better by using the revenue raised from the trade.

Allocation has mainly been sold when the VEWH has been able to meet all priority demands for environmental water. However, the VEWH can also decide to forgo watering actions and sell allocation water to invest in strategic projects and activities to improve Victoria's environmental watering program.

Activities for funding are assessed to meet certain conditions, including that they address a priority knowledge, strategic or operational need, enable flexibility and provide new information that would not otherwise exist. For complementary works and measures projects, they must have acceptable ongoing ownership and maintenance arrangements.

Projects are expected to have a defined outcome and show how that outcome will satisfy one or more of the program's aims, which include supporting:

- improved environmental outcomes or environmental water efficiency
- management of the water holdings
- engagement with program partners and stakeholders
- adaptive water management, adjusting to changing climate conditions, new knowledge and to mitigate potential risks
- Aboriginal cultural values and uses of waterways or Traditional Owner participation in the environmental watering program
- social and recreational values and uses of waterways.