What is carryover?

Carryover provides a way for people to manage their water allocation from one season to the next.

Carryover was introduced in 2007. The rules were developed with irrigators and other entitlement holders.

These rules were reviewed in 2012 to make sure that they were equitable and working right so that water carried over cannot unfairly impact on seasonal determinations to everyone’s water entitlements.

Water that is carried over is unused water from the last season, it is sitting in the dam. Water shares provide a secure share of storage to carry over water, and spill rules make sure that anyone storing more than their entitlement cannot lock up space in the dam that’s needed for inflows to support new allocations.

There are fact sheets and videos on carryover as well as a useful carryover calculator all available on the Victorian Water Register website at:

waterregister.vic.gov.au/water-entitlements/carryover

Carryover gives water share holders more flexibility to hold, use or trade their water when it’s of greatest value to their business. This helps people to manage their risks, and to prepare for shortages due to drought.

A real advantage of carrying over water is that it secures water for the start of the season, allowing irrigators to set up their farming business for the year with strong spring irrigation.

Water share holders can also use carryover to reduce their reliance on the market to meet their water needs in future years. This is particularly valuable going into dry years when market prices are highest.

Irrigators who want the greatest benefit of carryover need to plan ahead as much as the season will allow to ensure a cost-effective volume is carried over, considering current and likely future seasonal conditions.

Who holds carryover water?

The holders of high- and low-reliability entitlements can carry over unused allocation at the end of the season.

Private parties including irrigators, environmental water holders and water corporations all hold water shares and use carryover to manage their water needs.

Half of the amount carried over into this year was by private entitlement holders. The vast majority of this is in the accounts of active irrigators.

The latest market trends report shows that the holders of entitlements not tied to land are only carrying over a small proportion of their water – there remains negligible sign of any hoarding. This volume includes farmers who choose to hold their water not tied to land and other investors, some of whom carry over water under contracts for irrigators.

Just like irrigators, the environment uses carryover to manage risks and ensure the availability of water for key watering events in winter and spring. It provides flexibility to achieve watering objectives which depend on the climatic conditions.

Urban water authorities use carryover to ensure secure town supply and to reduce the risk of water restrictions.
What is carryover and who is holding it?

Up to date information on how much water is available to these different groups, and how much has been carried over and used can be found on the Victorian Water Register website at:


Long term carryover trends

Irrigators have used carryover to retain water accumulated during wet years to support their water use in subsequent drier years.

Figure 1 shows that water carried over from the wet years in 2011 and 2012, and to a lesser extent from 2016-17, has been used to supplement water availability in the following average and dry years when it has been drawn down to support irrigation demands.

The amount of water carried over by the environment has varied but generally remained stable. Slightly more was carried over from 2014-15 and 2017-18 to support environmental watering outcomes.

Urban water authorities have used carryover to ensure security of supply to communities. When they have enough water to ensure their water security, they have made water available to irrigators and other water users through the water market.

Does carryover influence market prices for water allocation?

Carryover helps to reduce the risks of limited water availability and high prices in dry seasons. This has assisted in reducing market price volatility between seasons. Irrigators who carry over water can reduce their reliance on the market going into dry years when market prices are highest.

The ability to trade allocation within the connected southern Murray-Darling Basin, means that allocation market prices reflects water availability and changes in irrigation demand across the entire connected southern Basin, which are influenced by climatic conditions and commodity prices.

The data in the latest Water Market Trends report indicate that these factors are the main driver of market prices for water allocation. Water availability in NSW has been seen to have a very strong influence on market prices in Victoria.

In 2018-19, market prices have risen sharply due to:

• Drought in NSW and hot and dry conditions that have resulted in increasing competition for water to meet irrigation demands in the southern Murray-Darling Basin.

• Zero general security allocations in the NSW Murray and reduced carryover in northern Victoria.

• Good commodity prices for many key horticultural crops, and some annual crops committed to production under forward contracts.

More information on carryover, entitlement ownership and factors influencing market prices is available in the latest Water Market Trends report:


Figure 2: Carryover by owner type since 2008-09

Accessibility

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