

Commonwealth Government Due Diligence Criteria for Basin State Priority Projects

In undertaking the due diligence assessment of priority projects the Commonwealth will consider the social, economic, environmental, financial and technical aspects of the project.

1. Economic and social criteria

Projects must be able to secure a long-term sustainable future for irrigation communities, in the context of climate change and reduced water availability into the future:

- projects must contribute towards regional investment and development, secure regional economies and support the local community; and
- projects must demonstrate a long-term economic and environmental benefit that can be sustained over a 20 year horizon, preferably supported by an irrigation modernisation plan consistent with the Commonwealth's guidelines for irrigation modernisation planning assistance.

2. Environmental criteria

Projects must deliver substantial and lasting returns of water to the environment to secure real improvements in river health:

- projects must be based on a technically valid calculations of net water savings, with projections to take into account the impacts of climate change;
- projects must be able to deliver water in the form of a secure and transferable water entitlement to the Commonwealth Environmental Water Holder; and,
- the Commonwealth's share of water saved must be capable of being used for purposes that reflect the Commonwealth's environmental priorities

3. Value for money criteria

Projects must deliver value for money in the context of the first two criterion:

- projects must have a suitable dollar per megalitre benchmark against local/regional water market prices and represent cost- and time-effective strategies for achieving water savings;
- projects must demonstrate a positive cost-benefit outcome for a range of investment scenarios, compared with a no change option; and
- there must be clearly defined, and agreed, cost sharing arrangements.

4. Water reform criteria

All activities associated with the funding of projects must be in accordance with Council of Australian Governments and National Water Initiative agreements.

Jurisdictions or other parties must make progress towards key water reforms, including those previously agreed to by jurisdictions under the National Water Initiative, including, but not limited to:

- competitively neutral and independently regulated water market and trading arrangements across the southern connected Basin;

- water charging regimes that reflect the full cost of supply to end users, including environmental externalities where feasible and practical;
- publicly accessible and compatible water register arrangements across all Basin jurisdictions (including a national water register information database); and
- strategic investment to accelerate development of a best practice and consistent Basin water modelling platform, noting that the Murray-Darling Basin Authority will be developing such a platform in consultation with Basin States;
- compliance with any other COAG water and National Water Initiative reforms.

5. Other due diligence criteria

Projects must be consistent with best practice and other national approaches and standards being adopted for planning and implementation of *Water for the Future*.

Projects will need to integrate with Basin State water planning documents and processes.

Projects involving irrigation systems will require independently-conducted water loss hotspot assessment and modernisation plans.

Funding will be provided for on-ground works related expenditure only and not for financial restructuring or other purposes.

Suitable project management capability and capacity must be demonstrated.

Project specifications must include:

- appropriate governance arrangements for the project to ensure it delivers on time, within budget and against all key objectives;
- compliance with relevant state environmental legislation and the *Environment Protection and Biodiversity Conservation Act 1999*;
- compliance with other relevant jurisdictional legislation;
- indemnification of the Commonwealth against any environmental or other third party damage caused by the project;
- no responsibility to the Commonwealth for any past, present or future taxation liabilities arising from investments;
- warranties on investments; and
- no allocation of responsibility to the Commonwealth for any legal contracts already entered into, except where explicitly agreed.

The Commonwealth will take into account other relevant matters where necessary in undertaking its due diligence.