



Submission

2026 Basin Plan Review

May 2026

About Us

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of grape and wine producers, recognised as the representative organisation for the sector under the *Wine Australia Act 2013* and incorporated under the *SA Associations Incorporation Act 1985*. Our role is to help forge a political, social and regulatory environment - in Australia and overseas - that enables profitable and sustainable Australian grape and wine businesses. To do this, our activities focus upon the objective of providing leadership, strategy, advocacy, and practical support. We represent small, medium and large winemakers and winegrape growers Australia-wide.

Wine is grown and processed in every state of Australia and there are over 5000 grape growers across Australia. The sector has traditionally been a leader amongst agricultural industries in promoting locally grown and value-added production. It contributes \$51.3 billion gross output to the economy and particularly to regional economies supporting employment of over 200, 000 people in winegrape growing and production, regional exports and food and wine tourism.¹ 80% of total irrigated grape production relies on the Murray Darling Basin.²

Australian Grape & Wine recognises the importance of a sustainable water supply. It is not only essential to the viability of Australian wine businesses, but to the health of water resources and water-dependent ecosystems. To wine and grape producers, water security means security of multi-decade capital investments in vineyards and winery infrastructure. Australian Grape & Wine advocates that all members of the wine sector demonstrate good water stewardship in both winemaking and viticulture practices. Further information on our policies is available on the Australian Grape & Wine website.³

The wine sector's commitment to sustainable water management includes extensive investment in R&D aimed at optimisation of water use. The sector has made substantial investments in research and development to optimise water use, including drought-tolerant rootstocks, Regulated Deficit Irrigation, and Partial Rootzone Drying along with a focus on improving value returns per Megalitre (ML) of water through product differentiation. Winegrapes in the Murray-Darling Basin have the potential to produce a relatively high economic value per ML, with value of crop produced per ML ranging between \$784 to \$3841/ML.⁴ Their contribution to the Murray Darling Basin supports the triple bottom line of economic, social, and environmental health that the Basin Plan was designed to protect.

Winegrapes have very long investment horizons and as such are subject to extended boom and bust cycles. This can heighten their sensitivity to policy settings that affect water access and price. The winegrape sector is currently undergoing structural adjustment due to a series of economic shocks outside of its control. Inland regions in the Murray Darling Basin have been impacted severely; their ongoing viability presents a risk to Australia's entire wine industry.

Australian Grape & Wine is committed to the 'do no harm' philosophy; advocating for the least invasive intervention. Policies should be designed to minimise disruption to the supply demand balance and, as much as possible, avoid market destabilisation, speculative or non-productive water use, or unmanaged decline in regional economies. Net socio-economic impact should be neutral or positive at both a business and regional level. To achieve this, a range of policy response options should be explored before making any decision that is liable to distort the water market or damage any industry or regional community.

¹ Gillespie Economics (2025) [MI-AgEconPlus-Gillespie-Economic-Contribution-Aust-Wine-Sector-2025-report.pdf](#)

² ABARES (2016) [Grape farms in the Murray-Darling Basin - DAFF](#)

³ <https://www.agw.org.au/policy-and-issues/biosecurity-environment-and-sustainability/water-for-irrigation-production/>

⁴ SARDI (2022) Irrigation Benchmarking in the Murray-Darling Basin

<https://www.wineaustralia.com/getmedia/5e9ce383-453b-413d-ad79-ff1d876d74fe/SAR-1701-2-4-Irrigation-benchmarking-final-report-website-version.pdf>

Executive Summary

Australian Grape & Wine recognises the importance of a sustainable and secure water supply to both the long-term viability of the wine sector and the health of Basin ecosystems. The industry is a significant contributor to regional economies and a high-value user of water, underpinned by long-term capital investment in perennial assets that depend on reliable and predictable water access.

The Murray–Darling Basin Plan has played a critical role in addressing historical over-allocation. However, the 2026 Review represents a transition point. The Basin is now operating in a more complex and uncertain environment, characterised by climate variability, physical system constraints, and changing market dynamics. In this context, a continued focus on additional water recovery as the primary policy lever is unlikely to deliver optimal environmental outcomes and may impose disproportionate impacts on irrigated industries and regional communities.

This submission argues that the next phase of Basin reform should focus on improving how water is managed rather than how much is recovered. Environmental outcomes are influenced not only by water volume, but by timing, delivery, connectivity, and system capacity. As such, greater emphasis should be placed on optimising the use of existing environmental water, addressing physical constraints, and investing in infrastructure and complementary measures that enhance system performance.

The wine sector is particularly exposed to inflexible policy settings due to the nature of perennial plantings, which involve high establishment costs and limited capacity to adjust production in response to short-term water availability. This underscores the importance of adaptive management approaches that better account for climate risk, system variability, and socio-economic impacts.

This submission also highlights the importance of well-functioning water markets. While these markets are central to Basin Plan implementation, inconsistencies in state-based rules, limitations in transparency, and physical constraints can reduce efficiency and create uncertainty for irrigators. Addressing these issues will improve market confidence and support more effective water allocation.

Water quality is also identified as critical to both environmental and economic outcomes. Recent events, including harmful algal blooms, reinforce the need for integrated land and water management that considers the full system, including downstream and coastal impacts.

Finally, the submission supports a shift toward a more outcomes-based framework for Basin management. While Sustainable Diversion Limits remain an essential safeguard, they are ultimately input-based measures. Greater focus should be placed on defining and achieving measurable environmental, system, and community outcomes, supported by robust science, improved data, and practical on-ground knowledge.

Australian Grape & Wine supports a Basin Plan that continues to deliver strong environmental outcomes while also supporting resilient regional communities. Achieving this will require a more adaptive, flexible, and integrated approach—one that is better suited to the challenges of a changing climate and a maturing water management system.

Addressing Water Act requirements

How can the Basin Plan be improved to respond to climate change?

Climate projections indicate increasing pressure on water availability and rising irrigation demand across many wine regions. For example, the Barossa, which relies significantly on River Murray water, is projected to require up to 23% more irrigation water by 2050 under a mid-range climate scenario.⁵

The Basin Plan must adapt to a non-stationary climate, where historical hydrological assumptions are no longer reliable. This means it must move beyond volumetric recovery to focus on the frameworks that consider resilience and optimisation of water use towards environmental, economic and social outcomes. The protection of long-term investments in perennial crops such as vineyards in a drying climate is an important part of this. Protecting these perennial assets during extreme events is central to maintaining regional stability.

Achieving the nuanced outcomes that the Plan seeks to achieve requires a corresponding shift in how water is recovered and managed. The MDBA's recognition of the need to move beyond a "just add water" approach is welcomed, particularly its focus on constraints, connectivity, and habitat condition over volumes alone. In this context, Australian Grape & Wine notes the Australian Government has shifted focus to voluntary buybacks to meet the 450 GL target. Regions such as Riverland have raised concerns that loss of multiple entitlements in any one district could undermine the economic base that irrigation infrastructure is built around.

To truly support the MDBA's goal of habitat health without depleting regional economies, the Government should consider the outcomes of complementary environmental measures alongside more flexible policy approaches including temporary leasing of water to satisfy immediate environmental needs without permanently removing of entitlements from the consumptive pool.

This mechanism will be complemented by a degree of flexibility regarding Sustainable Diversion Limit (SDL) adjustments, so that alternative recovery pathways can be included in the mix of measures to meet environmental targets. This will support the core component of maintaining the overall socio-economic resilience of the Basin system as it adapts to a drying climate.

How can the Basin Plan better recognise First Nations' values?

Australian Grape & Wine supports the meaningful inclusion of First Nations people in Basin planning processes. Recognising cultural, social, and economic connections to water is important to achieving a balanced and sustainable system. Engagement should be undertaken in a way that supports genuine participation and shared outcomes, while also maintaining clarity around water security and ensuring it does not displace the water rights of entitlement holders.

How do we ensure a sustainable Basin that delivers the best outcomes for all values?

Maintaining a sustainable Basin through a balanced approach to environmental, economic, and social outcomes is in everyone's interest. The wine sector is exposed to Basin planning impacts at multiple levels. For grape producers it has a direct effect on grape yields and corresponding incomes. For wine producers, it is not only critical to a sustainable supply of high quality grapes, but it can have a profound impact on the 'clean, green' reputation of

⁵ Department for Environment and Water (2022). Barossa Water Security Strategy 2050. Government of South Australia, Adelaide.

Australian wine and, hence, its market appeal and overall value. The many tourism operators, suppliers and service provider businesses that wine supports are also subject to its impacts.

Unlike annual crops, winegrapes are a perennial asset that cannot be switched off during dry years without catastrophic capital loss. The replacement cost for a vineyard is likely to be over \$45, 000/hectare. The review must move towards a framework that prevents the irreversible loss of perennial plantings during extreme drought events which means prioritising crop survival alongside other critical demands on the system. Adding to the supply demand challenge is deliverability. For many growers, this is now as critical an issue as their actual allocation. It is for this reason that Australian Grape & Wine supports prioritisation of delivery efficiency over simply increasing the volume of water held by the environment, clear, transparent rules for trade and associated restrictions, and an adaptive management approach utilising latest climate science and data.

Environmental water holders can also play a role in improving system efficiency through strategic participation in water markets, including trading allocations in high-water years to reduce spill risk and generate benefits for both environmental and consumptive users.

What do you think of the issues and options presented?

Sustainable diversion limits (SDLs)

There is a growing concern that further reliance on water recovery as a primary policy lever ignores the reality that environmental outcomes are increasingly limited by physical system constraints rather than total water volume. Irrigated perennial industries such as viticulture are particularly exposed to inflexible policy settings due to their high capital investment and limited ability to adjust production in response to water availability. This highlights the importance of maintaining robust socio-economic safeguards and considering how risk is shared.

Sustainable Diversion Limits have been effective in addressing historical over-allocation and remain an essential safeguard within the Basin Plan framework. However, the way in which SDLs operate should evolve to better reflect changing climatic conditions and system dynamics. Current arrangements can be difficult to apply in a context of increasing variability and uncertainty. There is also growing recognition that environmental outcomes are influenced not only by water volumes, but by how water is delivered, including timing, connectivity, and physical constraints. Inflexible SDL tightening threatens the economic stability of irrigation-dependent communities.

The three surface water units flagged for action - the Barwon–Darling, Lower Darling and SA Murray supply water to a large proportion of Australia's winegrape production, including Riverland, Murray Valley and Swan Hill and parts of Langhorne Creek and Barossa Valley. ESLT assessments must consider the economic sustainability of the communities they support. If the MDBA moves to reduce SDLs, this must be paired with efficiency infrastructure rather than just water recovery so that the water requirement of winegrowing and other irrigated agriculture is protected. Where possible, it should include allowances for complementary measures to achieve environmental outcomes without requiring further reductions in consumptive take.

Whilst AGW acknowledges that there is a legal obligation to retain SDLs as a protective measure, there is potential benefit in reforming their operation to be adaptive, outcome-focused, and complemented by non-water recovery measures. The 2026 Review should explore opportunities to transition toward dynamic, trigger-based SDL adjustments that respond to real-time storage levels and ecological indicators. The Review should consider how it will respond to changing system conditions and better integrate complementary environmental measures. A greater focus on optimising the use of existing environmental water, supported by infrastructure and system improvements,

will help ensure that environmental objectives are met efficiently. Furthermore, the integration of robust socio-economic safeguards is essential to protect high-value permanent plantings, ensuring that any future adjustments are backed by independent cost-benefit analyses that weigh environmental gains against regional economic impacts.

Maximising the benefits of water for the environment

While water for the environment is a vital public asset, the 2026 Review must prioritise the optimisation of existing environmental holdings through integrated system-wide planning and adaptive management. The wine industry advocates for a shift in focus toward complementary land and water management actions and infrastructure efficiencies that deliver ecological results without further eroding the consumptive pool.

A balanced approach is needed to ensure that environmental objectives are achieved while maintaining the economic sustainability of Basin communities and industries. Irrigators seek certainty where possible, clearer signals to assist with risk management, and confidence that the pursuit of environmental outcomes will be transparently managed and reported.

Improving river connectivity in the northern Basin

While most wine production occurs in the southern Basin, outcomes in the northern Basin influence system-wide performance and confidence in the Basin Plan. Improving connectivity and water delivery across the system will contribute to more effective environmental and consumptive outcomes.

Improving floodplain and wetland health

The wine industry supports integrated approaches to water management that combine environmental water delivery with infrastructure, land-use planning, and ecological restoration. Addressing physical constraints and improving connectivity can enhance system efficiency and deliver shared benefits.

Responding to native fish decline

The wine industry supports the objective of improving environmental outcomes, including fish health, but recognises that this area is outside its core expertise. Accordingly, the sector defers to relevant scientific and environmental authorities on specific measures.

Managing water quality

Water quality is a critical issue for viticulture. Salinity and other water-quality factors can directly affect crop yields, grape quality, and infrastructure performance. Scientific summaries acknowledge connectivity between catchment runoff, river discharges, and coastal water quality during and after high-flow events. Harmful algal blooms are widely recognised as symptoms of nutrient enrichment, altered flows, low oxygen, and elevated temperatures. The SA Government repeatedly refers to the recent algal bloom event as a water-quality incident, not just a marine ecology event. This has impacted major Fleurieu wine regions (Langhorne Creek, Currency Creek, McLaren Vale) that rely on coastal tourism. The industry's international competitiveness is closely linked to its environmental reputation. Degraded water systems can pose risks not only to production but also to tourism, reputation and export markets, particularly as sustainability credentials become increasingly scrutinised.

A combination of public funded support and market-based mechanisms should be explored to incentivise land-based pollution reduction in a way that avoids imposing heavy-handed regulatory burdens on landholders, favouring co-designed solutions over top-down approaches. Measures must be appropriate and evidence-based and there must be robust accountability to ensure that they deliver positive outcomes. This will ensure that water quality risks are managed in a way that is as efficient as possible and aimed at incentivising and rewarding industry-led solutions.

Water infrastructure and critical human water needs

Permanent plantings such as vineyards depend on reliable and timely water delivery, so have limited capacity to respond to infrastructure-related delivery failures. Infrastructure failures can have significant and lasting impacts on production.

The Basin Plan should recognise the importance of maintaining and upgrading water infrastructure to reduce system risk and improve delivery reliability. Strategic investment in modern infrastructure will support both environmental outcomes and the long-term viability of water-dependent industries.

Basin Plan regulatory design

Since the unbundling of water rights, the market has been increasingly shaped by non-irrigator investors and concentrated market power, resulting in heightened price volatility. This shift has significantly impacted the logistics of the system, fundamentally altering where and how water is delivered; of notable concern is the creation of delivery rights on historically dryland properties despite deliverability issues remaining unresolved. Because water is now often allocated to the highest bidder on any given day, short-term financial objectives have begun to threaten the long-term sustainability of both the environment and regional communities as established irrigation regions lose their productive capacity. The impact on communities is compounded by a loss of transparency regarding post-trade water use. Ultimately, the Review must consider these unintended consequences to ensure the trading environment balances immediate economic activity with long-term regional stability.

The complexity of cross-border water management creates uncertainty. The MDBA and Basin States should work together to modernise the framework governing cross-border trading and state-based carryover rules and ensure transparency and consistency in market reporting. While Australian Grape & Wine respects that states have sovereignty over their entitlement and carryover rules, the objective must be to provide all entitlement holders with the clear, reliable, and equitable market signals necessary to make long-term risk-management decisions, thereby ensuring a more stable and efficient market for all users. The 2026 Review should ensure that the upcoming National Water Data Hub provides real-time, cross-jurisdictional price and rule transparency so that grape growers and other irrigators have equal access to market information.

Concerns have also been raised about the potential for inconsistencies to create unintended opportunities for market participants to exploit the inconsistencies between state-based carryover and trading rules. The 2021 ACCC Water Markets Inquiry highlighted that the fragmented market conditions mean large investors can capitalise on rule differences.⁶ The 2026 Review must proactively address market distortions and address any risk that market participants can take advantage of different state rules to the potential detriment of irrigators.

⁶ ACCC (2021) Murray–Darling Basin water markets inquiry Final report https://www.accc.gov.au/system/files/Murray-Darling%20Basin%20-%20water%20markets%20inquiry%20-%20Final%20report_0.pdf

Some members also express concerns that the rules that govern intervalley trades lack clarity and have an adverse impact on pricing. While many of these restrictions are unavoidable due to the nature of river management and flows, some growers complain about risk associated with trade restrictions and the lack of predictability.

Improving science and knowledge

The next phase of Basin Plan implementation should move beyond a predominantly volume-based compliance framework toward one that is explicitly grounded in science, data, and measurable outcomes. While SDLs have played a critical role in addressing historical over-allocation, they are input focused; ultimately proxy measures that assume a fixed relationship between water recovery and environmental improvement. Increasingly, this assumption is proving insufficient. This limits actual accountability to the environment and reduces flexibility to pursue more efficient or innovative approaches. An outcomes-based framework would instead define clear indicators of success, such as the health and extent of key environmental assets, the frequency and effectiveness of ecologically important flow events, and the resilience of Basin communities and industries. Establishing targets would enable a direct link between management actions and intended results.

Environmental outcomes are often constrained by factors such as connectivity, timing, and delivery constraints rather than total water volume alone, while climate variability is further weakening the reliability of static, long-term settings. As a result, continued reliance on volumetric targets risks imposing additional economic costs on irrigated industries, including winegrape producers, without delivering commensurate environmental benefits.

Scientific data and modelling remain central to Basin management, particularly in understanding system behaviour, forecasting climate impacts, and informing sustainable levels of take. Modelling frameworks must continue to evolve to better reflect real-world complexity, incorporate updated climate scenarios, and transparently communicate uncertainty. Importantly, scientific modelling should be complemented by on-ground knowledge. Irrigators and regional communities hold valuable, experience-based insight into river operations, crop responses, and system constraints. Regional insight can inform how water is delivered and managed in practice. The firsthand knowledge of land custodians is critical for ground-truthing model outputs and identifying practical inefficiencies or unintended consequences of policy settings. Greater recognition of this expertise would support more realistic, targeted and cost-effective interventions at the same time as building trust and engagement amongst irrigators. Integrating science, modelling, and practical knowledge systems is essential to making such a framework operational. Together, they support a more accurate understanding of cause-and-effect relationships and improve the likelihood that environmental watering achieves its intended outcomes.

To support this shift, the Basin Plan should embed a more formal adaptive management approach, whereby targets are set, outcomes are monitored, and settings are adjusted in response to observed results. This requires improved data integration, greater transparency in modelling and decision-making, and governance arrangements that enable meaningful input from those with direct system experience. Accountability should increasingly focus on whether environmental and system outcomes are being achieved, rather than whether specific water volumes have been delivered.

Are there any other issues or options that should be considered in the 2026 Basin Plan Review?

Constraints relaxation is a key priority needed to increase the system's physical delivery capacity and reduce the trade restrictions during critical times of need. The Barmah Choke remains one of the most significant physical and operational constraints within the Murray–Darling Basin system, limiting the system's capacity to deliver environmental and consumptive water in accordance with Basin Plan objectives. The concerns of impacted grape

growers are exacerbated by the significant amount of development of permanent horticulture that has taken place over recent years downstream of the Choke.

Water buy backs are another related matter that present a contextual risk to the success of the plan. All water recovery mechanisms, if poorly targeted during an industry downturn, risk forcing unmanaged exits and having disproportionate, potentially decimating a single industry. It is for this reason that the wine industry is supportive of flexibility in the system that the discussion paper mentions which could potentially include allowing for proportion of temporary recovery such as water leasing. Retiring unviable crops such as vineyards through supported structural adjustment could directly aid in reducing demand on the system. The combination of financial support and the option of temporary leasing would provide an important call to action to growers who may currently be irrigating uncontracted grapes. This alternate approach would allow the MDBA to progress towards its environmental targets with less permanent entitlement removal. Such an approach would be complemented by flexible SDL limits, as proposed previously.

Finally, the Discussion paper may recognise the importance of keeping the Murray Mouth open and maintaining the health of the Coorong and Lower Lakes, but fails to acknowledge the impact that the Plan may have on South Australia's coastline through how it manages both water quality and flooding risk. The large-scale harmful algal bloom (HAB) commencing March 2025, dominated by harmful toxin *Karenia mikimotoi*, has affected the Fleurieu Peninsula coastline, with documented impacts on marine life, public health, and coastal industries. While the bloom is marine-based, Government agencies (EPA, SARDI, PIRSA, SA Health) explicitly classify this as a water-quality issue, its intensity has been directly linked to the 2022–23 River Murray floods. A recent report explicitly stated that \$46.8 million has been lost from the tourism sector over the 12-month period since the bloom was first detected,⁷ a portion of which is attributed to Fleurieu based wine regions like McLaren Vale.

This harmful event demonstrates that the Basin Plan cannot ignore the connection between riverine nutrient export and coastal health, which can also have a direct impact on regional economic prosperity. It only reinforces the call for a move beyond volumetric targets and a formalised Integrated Land and Water Management as a Basin Plan objective.

What do you see as the priorities for the next Basin Plan, and why?

Australian Grape & Wine considers that the next phase of the Basin Plan should focus on improving the effectiveness of water management rather than relying solely on additional water recovery. Key priorities include strengthening the role of science and data, improving transparency and consistency in water markets, addressing physical and operational constraints, and adopting more adaptive and outcomes-focused approaches.

A Basin Plan that is responsive to climate variability, informed by both scientific and practical knowledge, and focused on measurable outcomes will be better positioned to deliver long-term environmental sustainability while supporting the economic resilience of regional communities and industries.

⁷ Springmount Advisory for Conservation Council of SA (2026) Polluters pay?: The cost of South Australia's algal bloom and who should pay ([Analysis: Economic impacts of algal bloom exceed \\$250 million - Conservation Council SA](#))

Contacts

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