

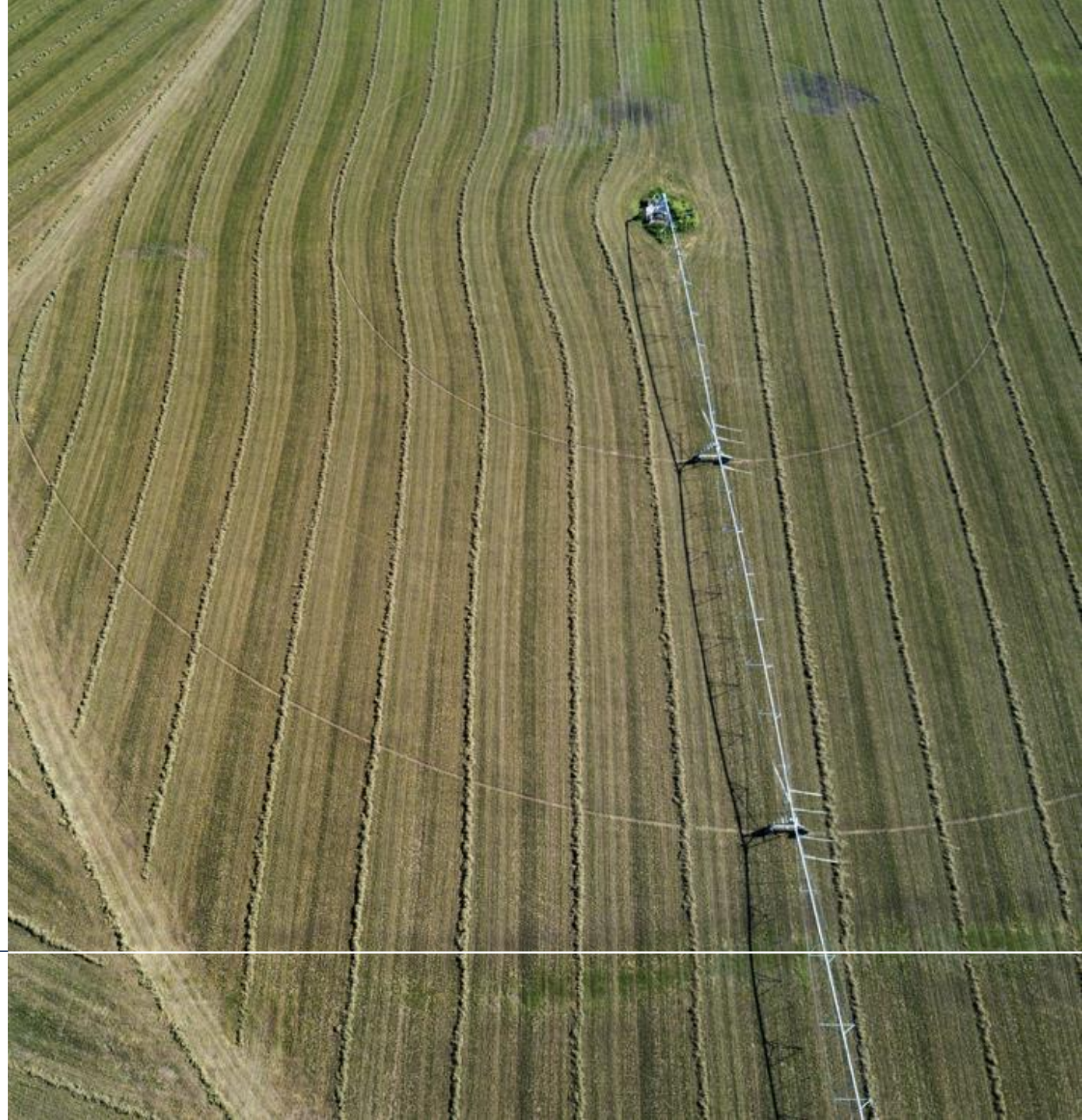
Aither Water Markets Report

2018-19 review and 2019-20
outlook

Adelaide

3 September 2019

A I T H E R



Welcome

Robran Cock
Water Industry Alliance

A I T H E R

WATER MARKETS REPORT
2018-19 REVIEW AND 2019-20 OUTLOOK

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2018-19 in review

Kai Wakerman Powell
Senior Consultant,
Aither

2018-19 water markets

Southern MDB facts at a glance

Total entitlement market value:

\$22.7 billion

Annual average allocation price:

\$375 to \$460 per ML

Aither Entitlement Index (AEI) 30 June 2018:

223.77 points
(up 24 per cent for year)

Value of total entitlement transfers (excluding ICs):

\$699 million

Estimated value of commercial allocation trade:

\$566 million (approximately)

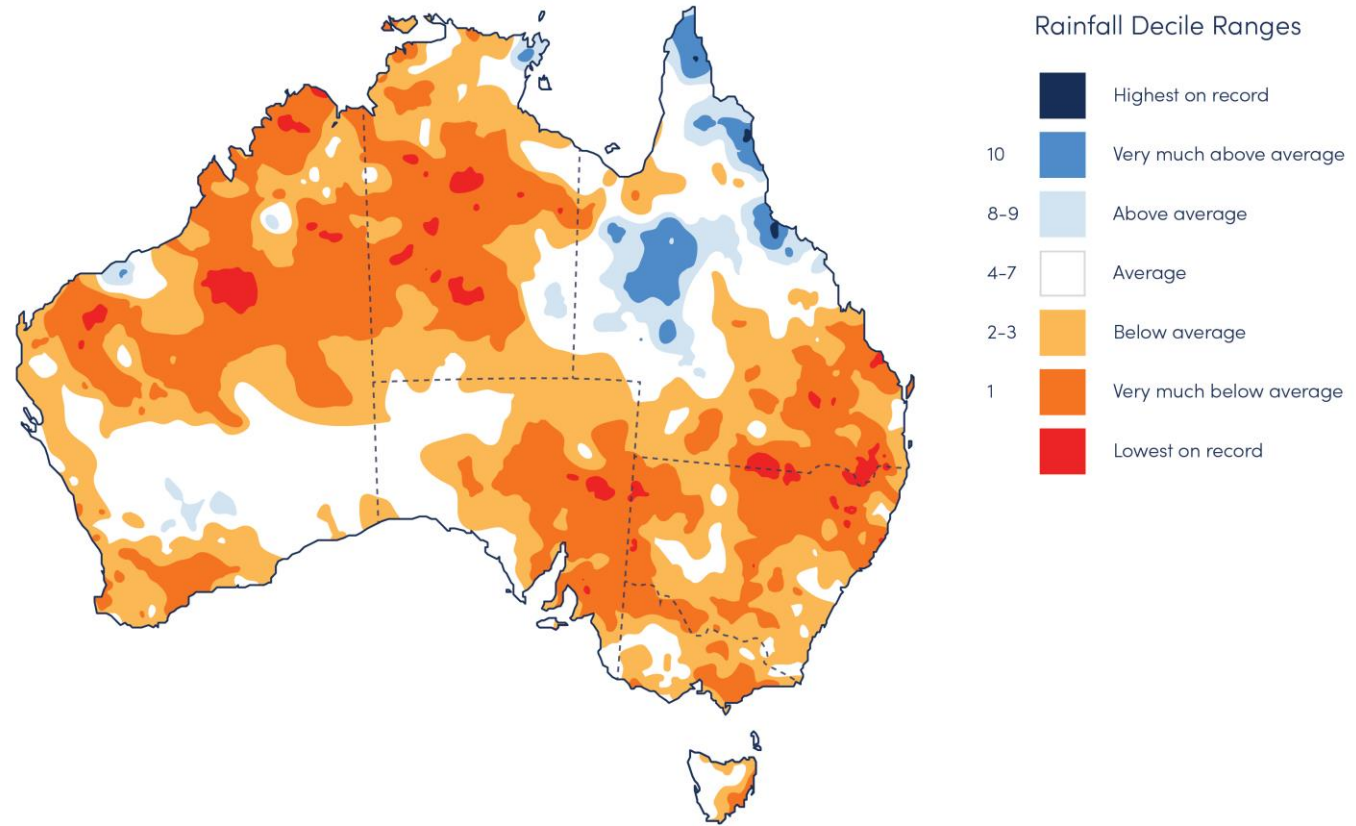
Entitlement market turnover (excluding ICs):

4 per cent

Climatic conditions

Worsening dry conditions

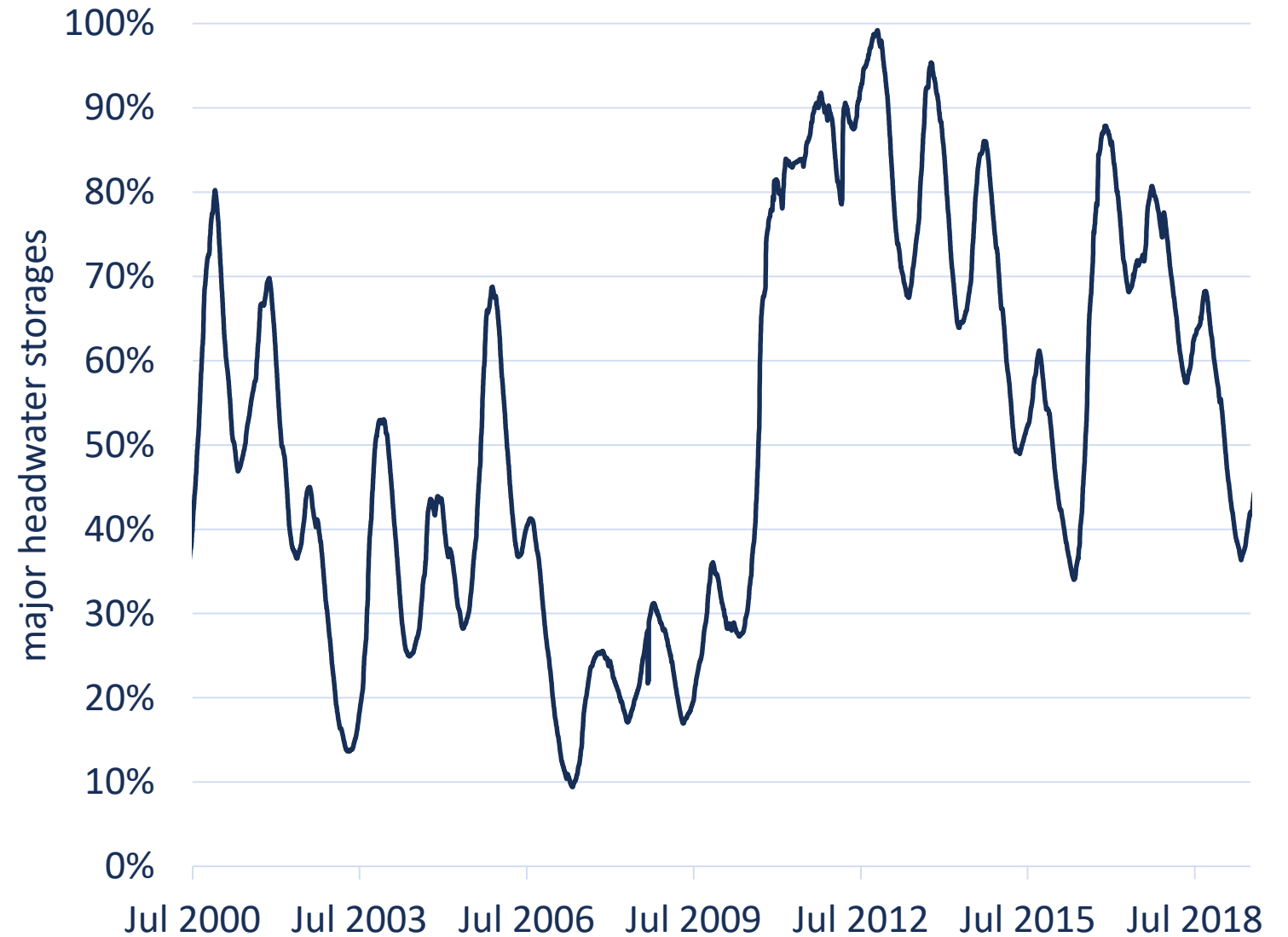
Conditions worsened over 2018-19



Southern MDB water storages

Major headwater
dams

Well below average inflows
resulted in a large decrease
in water in storage

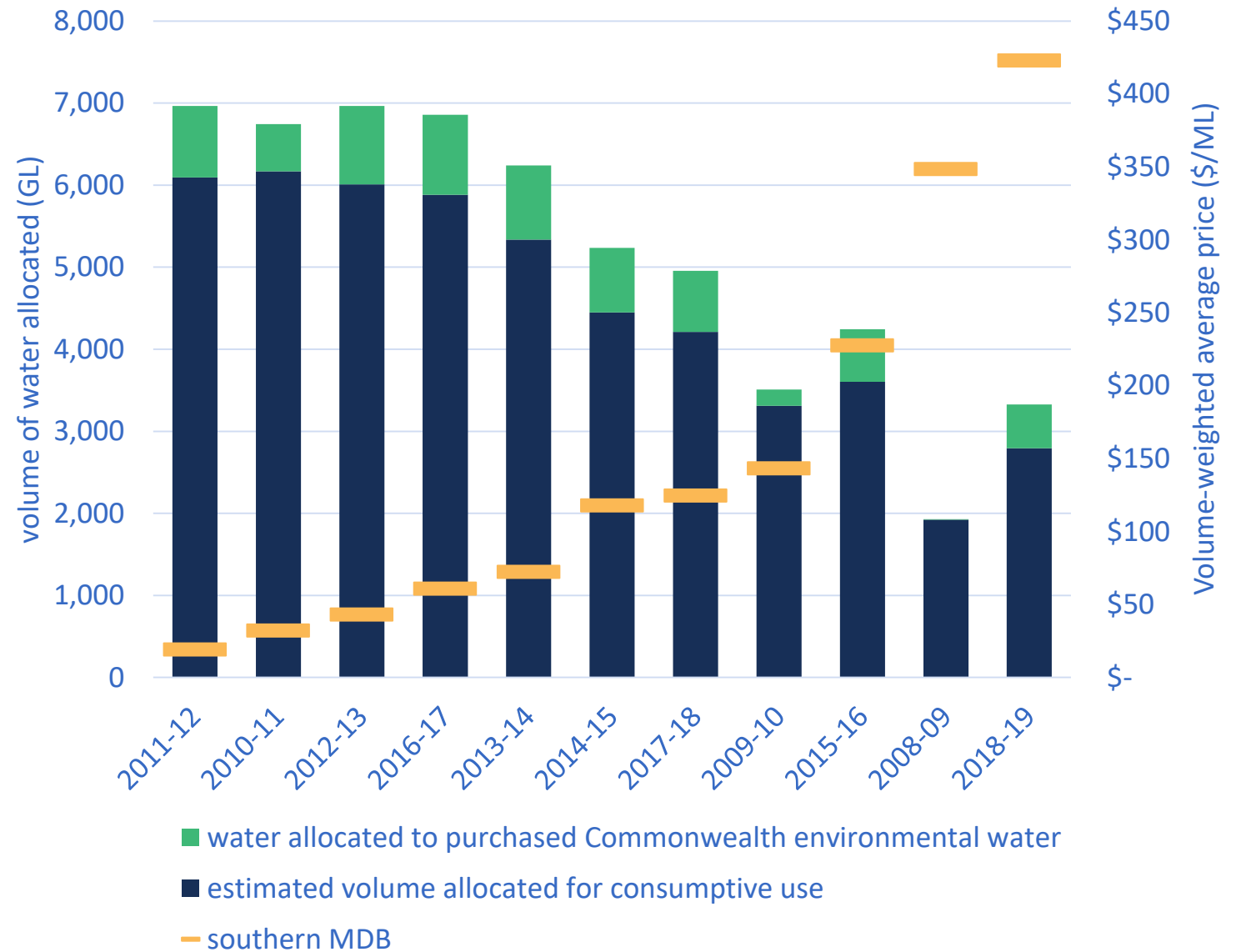


MAJOR HEADWATER STORAGES, SOUTHERN MURRAY-DARLING BASIN, 1 JULY 2000 TO 30 JUNE 2019

The year in comparison

Prices are moving up

For a given amount of water, prices are higher than historical levels.

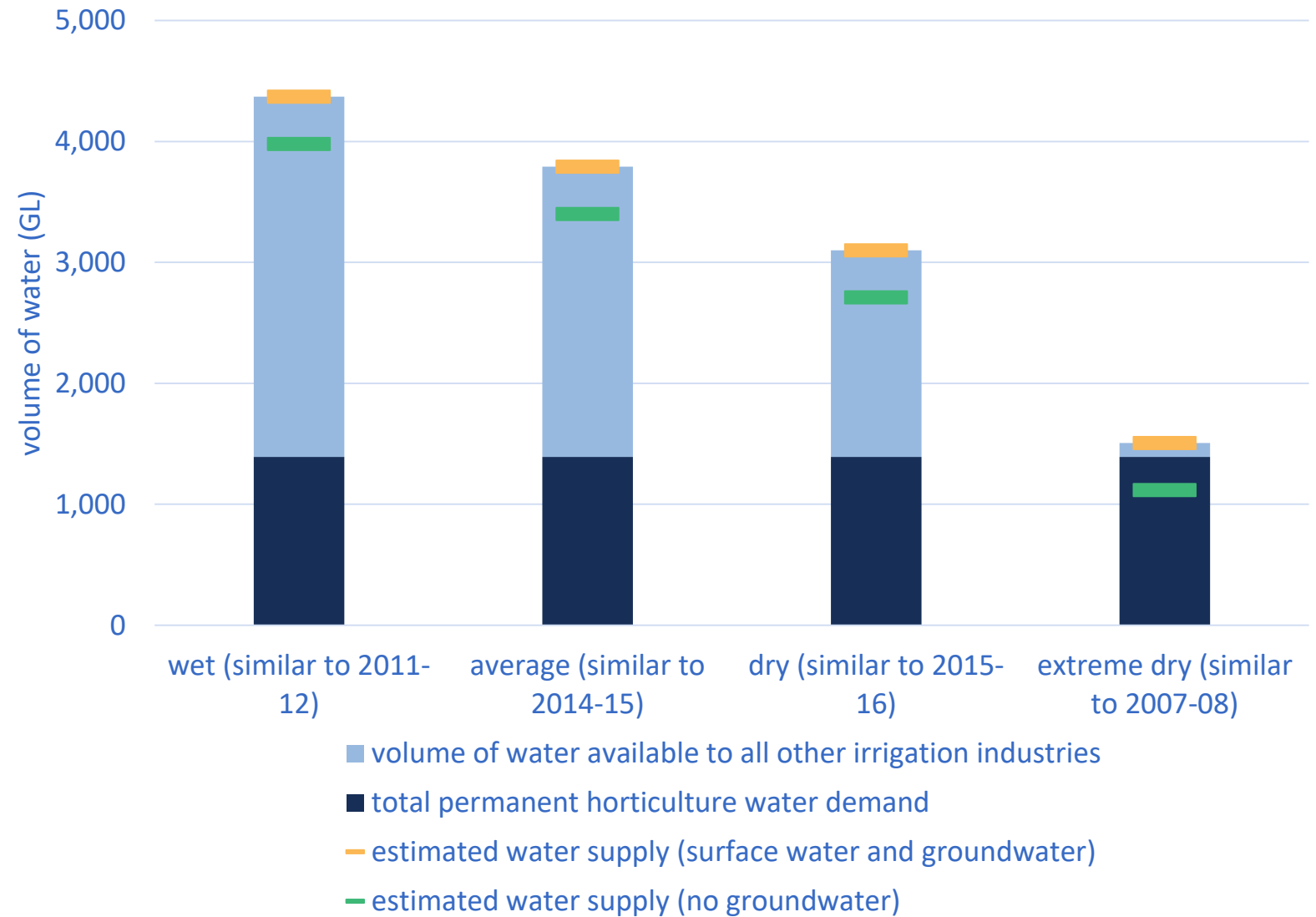


WATER ALLOCATED AND AVERAGE ANNUAL VOLUME-WEIGHTED AVERAGE PRICES, 2008-09 TO 2018-19

Demand for water

Permanent horticulture water demand increasing

Water demand from permanent horticulture is higher than previously estimated. This is exacerbating the effect of dry conditions on markets.

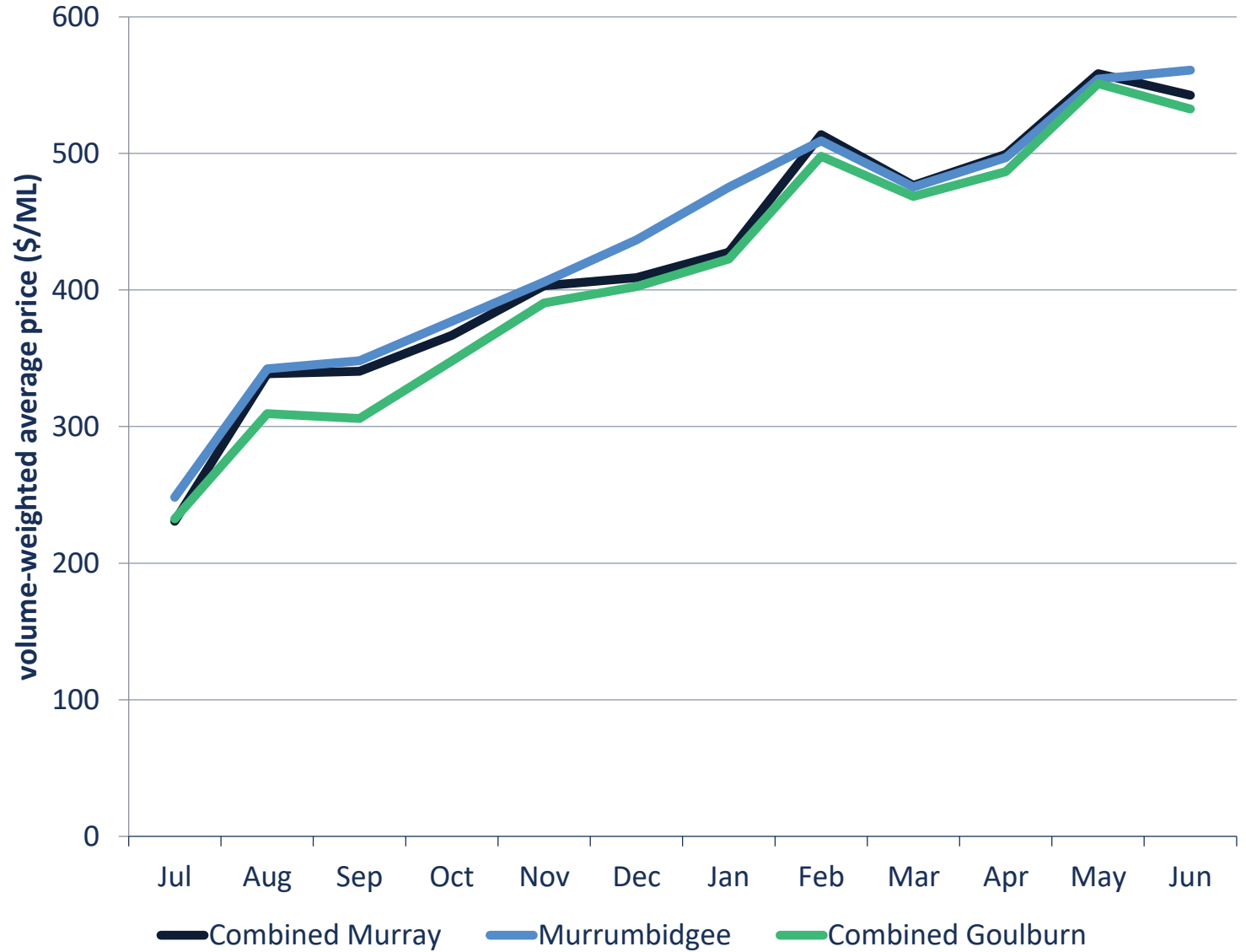


WATER AVAILABILITY SCENARIOS AND BASELINE PERMANENT HORTICULTURE WATER DEMAND (AT FULL MATURITY), SOUTHERN MDB (EXCLUDING MURRUMBIDGEE)

Allocation markets

Steadily increasing prices

Dry conditions and increasing water demand from booming industries pushed higher allocation prices throughout the year.



MONTHLY VOLUME-WEIGHTED AVERAGE ALLOCATION PRICES MAJOR SOUTHERN MURRAY-DARLING BASIN ZONES, NSW MURRUMBIDGEE AND VIC 1A GREATER GOULBURN, 2018-19

Entitlement markets

Surface water markets reaching record highs

High reliability entitlement prices continue to reach record highs, while low reliability entitlements — with limited value in dry conditions — have plateaued.

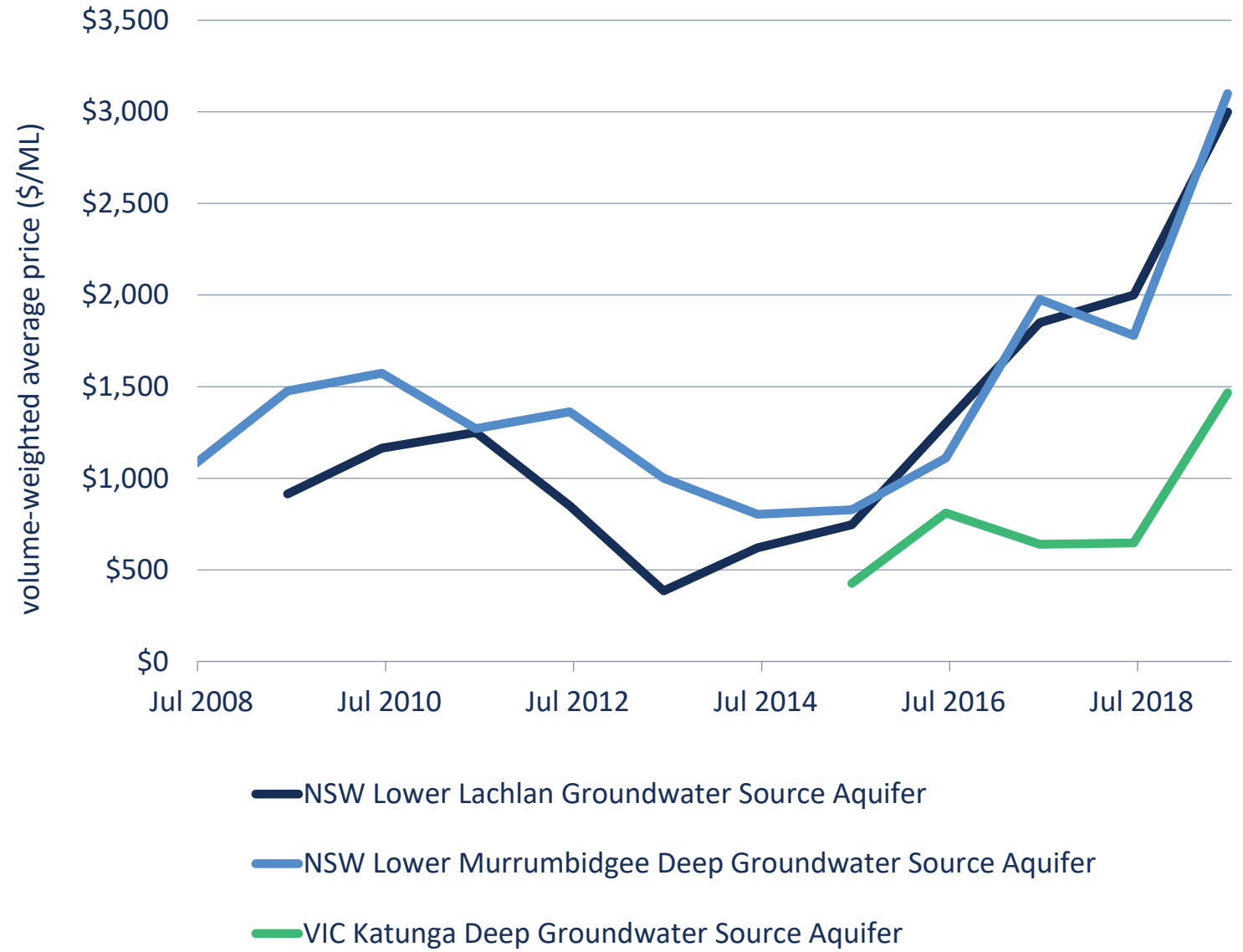


AITHER ENTITLEMENT INDEX, 2008-09 TO 2018-19

Groundwater markets

Irrigators are looking for viable alternatives

As surface water entitlements become more expensive, groundwater is increasingly seen as a value option.



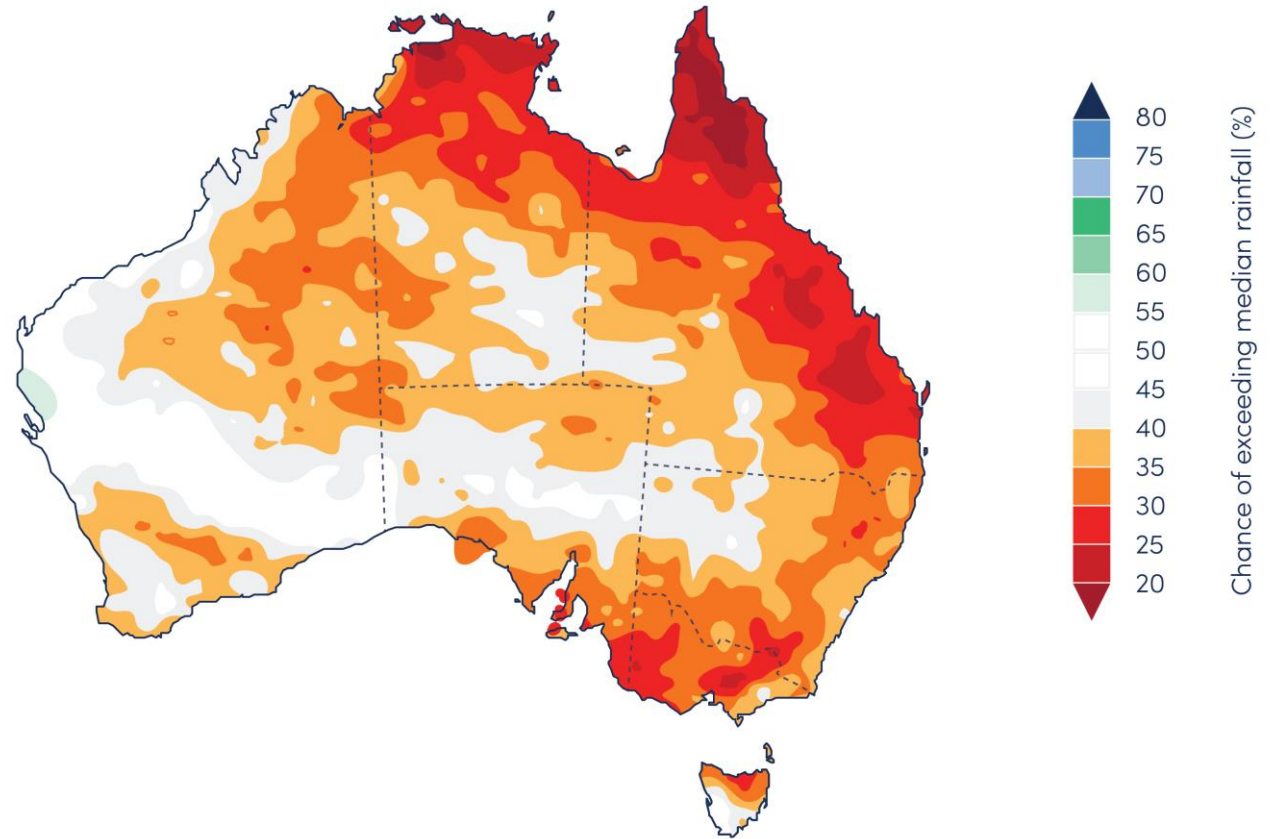
2019-20 outlook

Kai Wakerman Powell
Senior consultant,
Aither

Continued dry conditions

Spring conditions

Unfavourable climatic influences mean that the critical spring inflow period is likely to remain dry.



Chance of exceeding median rainfall
August to October 2019

Outlook – allocation markets

No cheap water

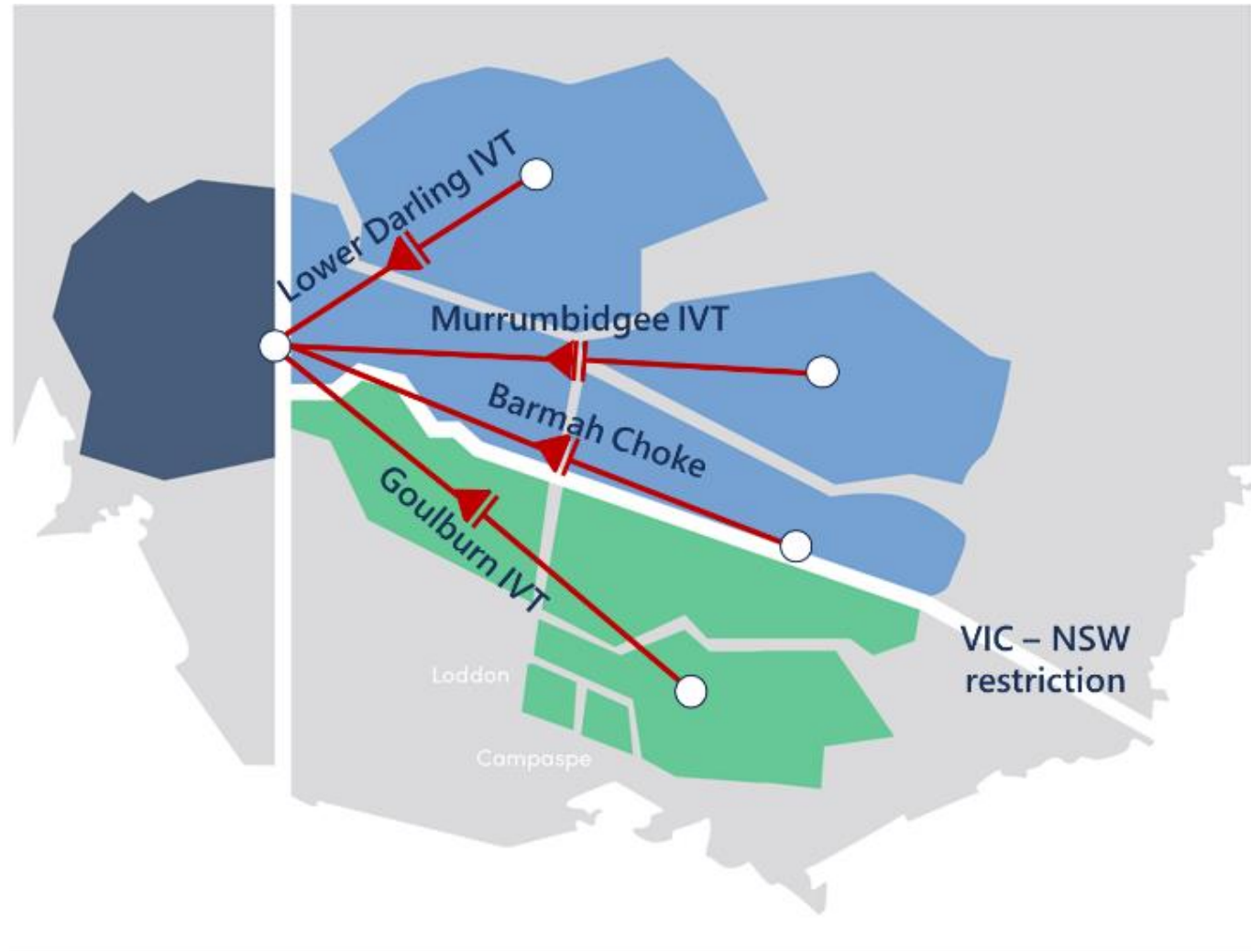
Given the climatic outlook, there is little reason to see prices easing, with potential that they could increase further.



Trade restrictions

A fragmented market

Early season trade restrictions mean that we are likely to see prices diverge, likely all season.



Outlook - entitlement markets

High prices likely to persist

Strong demand continues, especially for high reliability entitlements and those that can deliver water to the Lower Murray



AITHER ENTITLEMENT INDEX, 2008-09 TO 2018-19

Panel Discussion

Ashley Kingsborough
Principal Policy Officer, Department for Environment and Water

Anna Hooper
Manager Industry Policy, Australian Grape and Wine

Chris Olszak
Director, Aither

Close

Chris Olszak
Director, Aither

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