

Department of Planning and Environment

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NSW Statement of Reasons: Nap Nap Station Water Efficiency Project

Off-farm Efficiency Program

August 2022



Acknowledgement of Country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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1 Project details

Name	Nap Nap Station Water Efficiency Project
Location	Maude
Proponent	Nap Nap Station
Australian Government funding sought	\$1,963,363.5
Water recovery for the environment	130 ML

2 Project summary

Nap Nap Station is situated approximately 15 kms west of Maude and 70 kms west of Hay, NSW, within the Murrumbidgee River System.

The current stock and domestic (S&D) watering system delivers water from the Murrumbidgee River through an expansive earthen channel system to ground tanks and watering points.

This project consists of the installation of two new pumps, 85 kms of pipes, 31 tanks and 37 troughs to enable the efficient delivery of S&D water across approximately 20,000 hectares of grazing area. This will increase the security and efficiency of the S&D water delivery to the watering points.

The works will provide 300 ML of water at a total project cost of \$1.98 million and will deliver 130 ML of water entitlement for the environment. The proponent is seeking \$1.96 million in funding from the Australian Government.

The total cost of the project has increased since the release of the public comment document due to the proponent increasing their in-kind contribution.

3 NSW Government decision

The NSW Government has determined this project meets the socio-economic test and will deliver water for the environment to the Australian Government through efficiency gains from eligible activities.

The NSW Off-farm Efficiency Program Expert Panel reviewed the project against the socio-economic criteria agreed by the Murray-Darling Basin Ministerial Council and determined this project would deliver a net neutral to positive socio-economic outcome.

4 Summary of key steps

The NSW Government worked with the proponent between October 2021 and May 2022 to develop a project proposal for the Nap Nap Station Water Efficiency project.

At a meeting on 1 June 2022, the Off-Farm Water Efficiency Program Expert Panel reviewed the proposal. The panel included water experts from the Department of Planning and Environment, experts in socio-economic analysis from within the NSW Government and an independent advisor, as well as an independent probity advisor. The panel considered the information prepared by the proponent when making its recommendation.

The panel endorsed the Statement of Reasons on 7 June 2022, and the NSW Off-farm Efficiency Program Steering Committee approved the proposal to be submitted to the Australian Government on 15 June 2022.

5 Reasons for the decision

5.1 Impacts on the region

The project will provide economic benefits to the local economy through local purchasing and employment opportunities and will have onflow benefits throughout the wider regional community.

Infrastructure upgrades will enable the proponent to take and use water more efficiently. This will also benefit river operations and other users downstream, particularly in times of drought.

The project will allow irrigation entitlements currently being used to assist with S&D flows which can be better used on the property. This will have a direct impact on the production opportunities and outputs for the proponent and increase job security for direct employees. The proponent estimates the project will create an additional five FTEs and create over \$1 million in added value to the Hay region.

The project will also increase the firefighting capability of the NSW Rural Fire Service (RFS) by incorporating specific tank fittings enabling them to access water from the tanks. The local RFS suggest this area has limited or sparsely located water sources and the fill points will improve their firefighting capability, allowing them to better protect the local community during bushfire events.

Finalisation of this work will improve water delivery efficiencies and increase delivery performance to meet industry demands and deliver water for the environment.

As this proposal is valued at less than \$5 million, the NSW Government does not require the proponent to provide a full cost benefit analysis as part of their application.

The panel reviewed the application and noted the requirement of the socio-economic test is to determine if the proposal results in a neutral or positive impact, rather than to determine the quantum of these costs and benefits.

The panel highlighted there are both private and public benefits from the proposal. While there is a risk the private benefits have been underestimated relative to the public benefits, this risk is mitigated by the commitment by the proponent to guarantee a return of 130 ML of water back to the Australian Government.

The panel supported the proposal as likely to result in a neutral or positive impact.

5.2 Eligibility

The NSW Government notes there was some concern in the public comment process concerning the eligibility of a single property application seeking funding for ‘on property’ activities.

The NSW Government determined the project is eligible. The Australian Government guidelines indicate projects ‘improving stock and domestic water supply on one or more properties’ are eligible for funding (Grant opportunity guidelines, Appendix A).

S&D water systems are eligible activities and are considered ‘off-farm’ activities, even though they are undertaken ‘on-the-property,’ as S&D water entitlements cannot be traded and there is no market impact.

5.3 Value for money

The volume of water to be returned to the Australian Government, and the concerns detailed in the public comment document, were considered by the NSW Government.

The panel noted the proponent’s reasoning for the return amount and notes the current water use, business requirements and the value of water are important considerations when determining the volume of a percentage return. The panel concluded they are not aware of any precedents or requirements for minimum percentage amounts of water to be returned. They also note the return rate, and its impact on value for money, will be considered by the Australian Government in their assessment of the proposal. While there is a risk the private benefits have been underestimated relative to the public benefit, this risk is mitigated by the proponent’s commitment to guarantee a return of 130 ML of water back to the Australian Government. The panel also noted advice provided

by Water Infrastructure NSW that the capital costs seemed reasonable for this type and size of project.

5.4 Community and industry engagement

The socio-economic assessment for this project was published for public feedback between 9 May and 22 May 2022.

Overall, the public feedback received on the socio-economic assessment was positive. 60 per cent of respondents strongly agreed the project will result in positive socio-economic outcomes, with 10 per cent strongly disagreeing.

As this project is a single property, which does not negatively impact other properties and/or water users, specific community engagement was not undertaken.

The local RFS was consulted on the project and the design incorporated elements increasing firefighting capability for the region. A letter of support has been provided as evidence by the RFS to support the project progressing.

The panel has no comment on community and industry engagement.

5.5 Cultural and environmental considerations

Environmental and cultural considerations were included in the design of the new system.

The project acknowledges the Connection to Country by First Nations communities. The proponent worked with the Nari Nari Tribal Council to carry out a cultural heritage survey of the proposed pipeline routes, pump stations and watering point locations.

The proponent recognises the area is environmentally and culturally significant and actively works with the Nari Nari to preserve areas of significance, such as the 'Nap Nap Burial Ground, Aboriginal Place', which was gazetted in 2012. It also works closely with environmental water holders to enhance and protect areas of environmental significance.

This project will increase on-river efficiency and lead to the greater availability of environmental water to sustain wetlands in the area. This includes the Gayini Nimmie-Caira ecosystem, which is an important fish breeding area.

The project has included environmental and cultural considerations into the design of the new system, with water points locations strategically considered to support wildlife, including the endangered southern bell frog and rare bird species.

The panel noted further engagement between the proponent and the Nari Nari Tribal Council may identify additional environmental and cultural benefits.

The panel also noted the concerns raised in the public comment process about the degree of commitment to engage with the Nari Nari during construction. The proposal states 'during construction, the Nari Nari Tribal Council may be engaged' – with concerns raised by stakeholders the term 'may' is not a commitment. The NSW Government confirmed with the proponent the use of

the term 'may' was in direct relation to the requirement for an additional cultural heritage survey if the proposed pipeline route was modified as part of the final design process. The proponent states it seeks to continue the very good relationship with local First Nations communities during this project and beyond.

6 Next Steps

The Nap Nap Station Water Efficiency Project proposal will be submitted to the Australian Government for assessment. The Australian Government will consider the application and make a recommendation to the Minister for Resources and Water on whether to provide funding for the project.

7 Further Information

For further information regarding the Off-farm Efficiency Program visit dpie.nsw.gov.au/off-farm-efficiency-program or contact Water Infrastructure NSW by:

- emailing winsw.programs@dpie.nsw.gov.au
- phoning 1300 081 047.