



RESOURCE

High turbidity: Water valuation and accounting in the Murray-Darling Basin

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Description / Abstract

Australia's sophisticated and advanced water market legislation has allowed direct investment by non-landholder stakeholders in water ownership, which over time has increased the volume of water entitlements owned by government, non-governmental organisations and non-landholder investors (e.g. superannuation companies, trade speculators). The growing market value of Australian water entitlements, driven by increased water scarcity and international commodity prices, has meant that water is now one of the most valuable assets owned by many irrigators. However, to date, there is no standard practise of financial water valuation and accounting, nor is there an understanding of the most common methods used by various stakeholders. We report information from 63 in-depth expert interviews with bankers, environmental water holders, financial investors/agri-corporates, property evaluators and water brokers in the Murray-Darling Basin to establish the current practices employed. The most common valuation methods used current market prices based on water register and water broker data. Water entitlements were valued with historical cost or fair value water accounting, depending on the stakeholder. However, given the lack of standardised methodology, evaluator discretion and fast moving (or thin) markets can lead to considerable divergence in water valuation values. Recommendations are made for the need for greater transparency and standardised water valuation methods.

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