

Media Release

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STATE WATER LAUNCHES CONSULTATION PHASE FOR NEW WATER INDEXES

State Water Corporation today launched the consultation phase of their Water Index Project aimed at helping communities and businesses across New South Wales that are affected by seasonal weather conditions.

The project, a joint initiative between the Sydney Futures Exchange and State Water, is aimed at delivering a new and innovative series of indexes that are expected to greatly assist the way seasonal water risk is managed and communicated to communities and businesses facing drought.

State Water today issued a discussion paper that outlines the proposed indexes and their potential use.

Chairman, Tony Wright, said that the Water Indexes are a tool similar to other indexes like the wool and equity indexes.

"The Water Index, in one number, will give a quick snapshot of a catchment's water availability, giving an accurate picture of overall water availability and weather conditions.

"The water indexes will be a good indicator of general seasonal conditions because storage levels in our dams rise and fall in response to rainfall, or lack of it, and upstream and downstream demand for water.

"We are all currently familiar with the active storage capacity figures for dams and storages (eg: Burrendong was at 14% capacity on 1 July 2005). The new indexes however, will be combinations of these figures, logically grouping dams and storages in a catchment or valley, to create a number that reflects seasonal conditions prevailing across a larger area," Mr Wright said.

State Water is seeking input from rural communities and businesses, and from people that provide services to the rural economy (such as banks and agribusinesses) which have exposure to the risk of water availability.

State Water wants to ensure that the new indexes meet the needs of this broad group of interested parties.

A discussion paper about the indexes is now available on the State Water website - www.statewater.com.au

"I encourage water users, land managers, businesses who support rural industry, the finance sector and all levels of government and the media to provide feedback on our new Water Index proposal," Mr Wright said.

"This is an exciting project for State Water to be developing, as the application of the indexes is potentially far reaching.

"The indexes we are developing in collaboration with the Sydney Futures Exchange will enable the establishment of a market in future water availability based on these indexes.

"This is a critical piece of economic infrastructure that is taken for granted in all other parts of the economy, but is currently missing in the rural economy.

"A water index futures market would provide water reliant, or water exposed, businesses with an opportunity to hedge their risks to future climatic factors, particularly water availability.

"An ability to hedge future risks leads to better informed investment decisions and in turn stimulates economic activity, creating jobs and more certain profits for business," Mr Wright said.

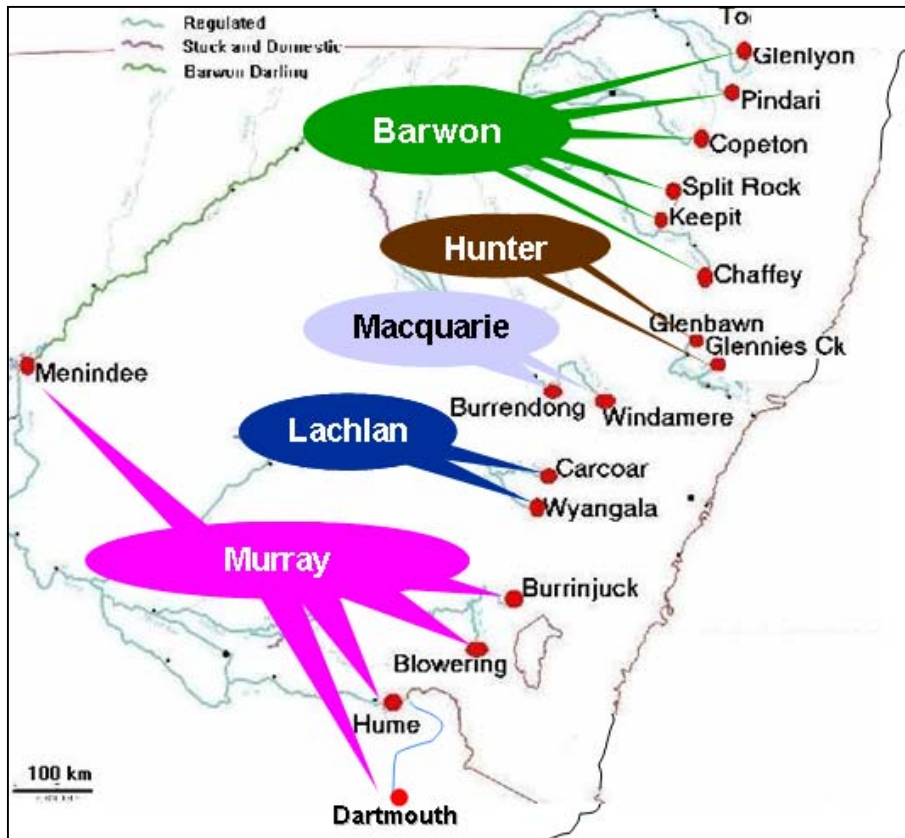
The establishment of a futures market would enable financial service organisations to develop simple yet effective products for the rural community designed to reduce the impact of drought or flood.

The proposed indexes for the water futures market cover the Barwon, Macquarie, Lachlan, Murray and Hunter Valleys (see map on page 3).

During the next three weeks, submissions are being sought in response to the discussion paper for the development of additional indexes which could be combinations of storage or dam indexes within valleys or catchments, including an index that is corrected for seasonal changes in storage levels – the "*seasonally-adjusted index*".

"We want to know what is going to work for rural and regional operators, how they envisage applying these water indexes to assist in decision-making in their businesses, and importantly, how they would like to see the index information delivered," said Mr Wright.

The beneficiaries of the available information on indexes are the water users, business and the finance sector, land managers and businesses that support rural industry, all levels of government, and the media.



The discussion paper and respondent survey are available at www.statewater.com.au or by ringing State Water on 02 6841 2000. Feedback closes on 5 August by reply paid mail or email to waterindex@statewater.com.au.

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