

Allocation water trading strategy 2025-26

Acknowledgement of Traditional Owners

The Victorian Environmental Water Holder (VEWH) proudly acknowledges Victoria's Traditional Owners and their rich culture and pays our respect to Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We acknowledge and respect Victorian Traditional Owners as the custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.

The VEWB sees the meaningful intersection between the aims of the environmental watering program – healthy waterways, healthy communities – and the deep and enduring obligations Traditional Owners have to Country and to Aboriginal people. We deeply value the ongoing contribution that Traditional Owners and Aboriginal knowledge systems are making to planning and managing water for the environment. We recognise that this contribution is largely through frameworks and processes that have not been determined by Traditional Owners, and contribution does not imply endorsement of those frameworks and processes. More can be done to increase Traditional Owners' power and agency and enable progress towards self-determination within the environmental watering program.

Adequately recognising and strengthening the rights of Traditional Owners in water management is critical for achieving self-determination and healthy waterways into the future. The VEWB is committed to an active role in supporting and enabling this within its power and capability.

The VEWB supports the commitment of the Victorian Government to Traditional Owner self-determination for water, most recently articulated in the Department of Energy, Environment and Climate Action (DEECA) policy Water Is Life: Traditional Owner Access to Water Roadmap. The policy envisages the transfer of allocation water from the VEWB to Traditional Owners for environmental watering purposes. We look forward to working with Traditional Owners and DEECA to implement the policy, under current legislative requirements, and when enabled, future legislative change.

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Accessibility

If you would like to receive this publication in an alternative format, please contact the VEWH on 03 9637 8951 or email general.enquiries@vewh.vic.gov.au. This document is also available on the internet at www.vewh.vic.gov.au.

Cover photo: Lower Broken Creek, Keith Ward GBCMA

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Executive summary

The *VEWH's Allocation Water Trading Strategy 2025-26* provides a high-level overview of the types of allocation water trading activities that the VEWB may undertake across Victoria and interstate in 2025-26.

This strategy relates entirely to the trade of allocation water (i.e. the volume of water that is allocated to water entitlements each year and available for use), not trade of environmental entitlements (i.e. the ongoing legal right to take or use water in a particular system). The VEWB can trade its water entitlements with the approval of the Minister for Water, but this has not occurred to date and VEWB does not intend to trade entitlements in 2025-26.

Allocation water trades are categorised as commercial (selling and purchasing water allocation and carryover parking), or administrative (transfers of allocation water between the VEWB and other water holders). Key features of the *Allocation Water Trading Strategy 2025-26* are:

- Possible allocation sale from the Murray, Goulburn and Campaspe systems if forecast environmental watering demands can be met
- VEWB may forgo environmental watering actions at any time, to sell water to invest in projects or strategic activities where environmental outcomes are likely to be better achieved through use of the revenue raised
- Possible sale of carryover space allowing buyers to place their allocation water in a VEWB allocation account.
- Potential purchases of allocation to meet environmental water supply deficits in the Loddon, Broken and Maribyrnong systems
- VEWB will make numerous administrative trades to facilitate the delivery of environmental water across Victoria, make return flows available to environmental water managers for delivery in South Australia, receive water donations and to manage carryover requirements for 2026-27.

For further information on environmental water trade, as well as where, when, how and why environmental water is being released in Victoria, visit www.vewb.vic.gov.au.

1 Purpose

The VEWH's *Allocation Water Trading Strategy 2025-26* makes public a high-level overview of the types of allocation water trading activities that the VEWH may undertake across Victoria in 2025-26. This strategy may provide useful knowledge for water industry members and water market participants during 2025-26 and gives the public insight into the VEWH's management of the Victorian environmental Water Holdings.

The Murray-Darling Basin Plan water trading rules place obligations on government agencies, including environmental water holders, regarding the management of water market sensitive information (known as a 'water announcement' under the trading rules – see Chapter 12, Part 5, Division 5 of the Basin Plan). The intent of these rules is to ensure that persons or organisations with prior knowledge of market sensitive information that will be publicly announced, do not have an unfair market advantage over other water market participants. Under these rules, persons or organisations may be prevented from trading when they have knowledge of water market sensitive information before it is made public.

Some of the decisions and actions the VEWH may take in relation to allocation water trade may be considered a 'water announcement' within the meaning of the Basin Plan trading rules. The Basin Plan trading rules allow that such information is not considered a water announcement if it is consistent with a publicly available trading strategy. This document forms the VEWH's publicly available trading strategy.

Information regarding VEWH's water trading, including how VEWH avoids impacts on other market participants is available on the [VEWH's website](#). A summary report of an independent review of VEWH's allocation trade is also available on the VEWH's website.

2 Types of allocation water trades

There are two categories of allocation trade undertaken by the VEWH – administrative trades and commercial trades.

Administrative allocation trades have no financial consideration aside from administration fees that may be charged by a water corporation. The VEWH undertakes the following types of administrative allocation trades:

- Trades of allocation to make water available in water accounts in different systems to facilitate watering actions or optimise carryover. These trades assist in making water available to the highest-priority watering actions across multiple catchments within and between water years.
- Trades between VEWH and other environmental water holders to facilitate delivery and or to return unused water at the end of the season. This may include trades to non-Victorian systems when instructed by other water holders.
- Trades of allocation water to the VEWH that is privately owned or held by other entities, for example to receive water donations.

Commercial allocation trades have financial consideration. The VEWH undertakes the following types of commercial allocation trades:

- Selling allocation
- Purchasing allocation
- Carryover parking, whereby VEWH rents carryover space to another party to allow them to carryover their allocation water into the following water year.

Commercial allocation trade is always undertaken by VEWH in line with its statutory objective to optimise environmental outcomes in Victorian waterways. This means that the VEWH can commercially trade allocation and invest revenue raised in future water purchases to address high-priority water shortfalls, strategic activities, knowledge, research, business costs, complementary works and measures, or other priorities to improve management of the holdings and performance of Victoria's environmental watering program. The VEWH consults with DEECA where priorities have government policy or program implications.

3 Trade decisions

The VEWH regularly assesses its water portfolio position throughout the year and makes trade decisions (administrative and commercial) based on factors such as:

- Environmental condition of the sites to be watered
- The volume of water required for environmental watering demands, and the timing of those demands (e.g. during spring or autumn)
- Current and forecast climate conditions
- Water availability and seasonal determination outlooks
- Carryover requirements
- Financial considerations
- Trading opportunities and rules.

Figure 1 is a generalised flow chart that guides the VEWH's use, carryover and trade decisions.

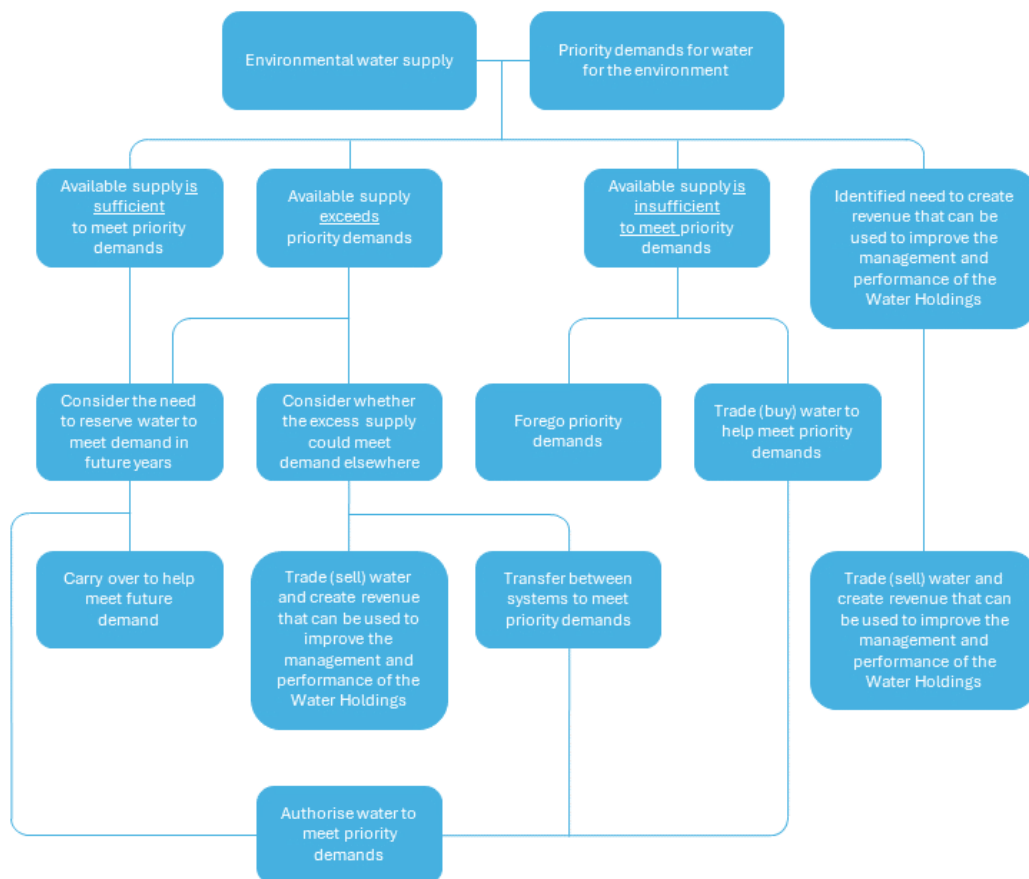


Figure 1. Considerations guiding use, carryover and trade decisions.

4 Implementing allocation water trades

Administrative allocation trade

Allocation trading may occur under the relevant delegation (e.g. the Minister, Department of Energy Environment and Climate Action (DEECA) or a water corporation). The VEWH implements most of its administrative allocation trades via the Victorian Water Register online, or via paper-based trades submitted to relevant water corporations.

When trading allocation between trading zones, VEWH must adhere to relevant trading rules and is limited by trade opportunities, in the same way as all market participants. VEWH considers the potential outcomes on trade opportunity and tries to avoid impacts on other market participants when implementing trades between systems.

Commercial allocation trade

Commercial allocation trade can be facilitated via established water markets, or by agreement between entitlement holders.

Commercial allocation trade is commonplace in 'declared' systems¹, where a water market is established and managed by the relevant Water Corporation. Examples include the northern Victorian regulated systems (Broken, Bullarook, Campaspe, Goulburn, Loddon Murray and Ovens) and some southern systems (Werribee, Thomson/Macalister).

When implementing commercial allocation trade decisions in declared system, the VEWH endeavours to avoid impacts on water markets and market participants. VEWH achieves this through self-imposed limits on volumes for sale, parcel size and price. The VEWH adaptively manages its approach to implementation, especially in a dynamic and fluctuating market.

When commercial allocation trading in declared systems with established water markets, the VEWH typically engages intermediaries (water brokers) and online water exchanges to trade but may elect to use other mechanisms such as tenders on a case-by-case basis.

In systems where water markets do not exist, allocation trading may occur under the relevant delegation (e.g. the Minister, Department of Energy Environment and Climate Action (DEECA) or Water Corporation). In undeclared systems there is generally no active market and VEWH may offer or seek allocation trade opportunities with other entitlement holders such as a water corporation or industry entities, subject to the relevant approvals.

¹ A water system that has been declared in accordance with section 6A of the *Water Act 1989*. The declared water systems are: Broken, Bullarook, Campaspe, Goulburn, Loddon, Murray and Ovens which were all declared in July 2007 and the Werribee and Thomson/Macalister declared in July 2008 ([DEECA Water Register, accessed 3 June 2025](#))

5 Trade opportunities in 2025-26

Table 1 Identifies the trade opportunities that are likely to apply to VEWH during 2025-26. If required, VEWH will investigate additional trade opportunities on a case-by-case basis, such as trade within and between declared systems that not included in Table1, or in undeclared systems.

Table 1. Trade opportunities during 2025-26.

Trade category	Trade type	VEWH trade opportunities in 2025-26	Relevant region, systems and trading zones	Possible timing of trades
Commercial	Water entitlement purchase / sale	VEWH will not purchase or sell entitlement in 2025-26. To date, VEWH has not purchased or sold entitlement. In Victoria, DEECA leads decisions to increase environmental entitlements through regional sustainable water strategies. The Commonwealth Department of Climate Change, Energy the Environment and Water works to achieve Murray-Darling Basin Plan water recovery targets.	N/a	N/a
Commercial	Allocation purchase	VEWH may consider purchasing allocation water where deficits exist for critical environmental needs in 2025-26 or 2026-27. The volume of any purchase to address a deficit is likely to be relatively small (e.g. historic purchases for these outcomes have been less than ~1,000 ML), however the volume needed will be assessed on a case-by-case basis of the need arises.	The most likely systems where a purchase may be considered to meet a deficit in 2025-26 are the Broken (trading zone 2b) and Loddon (trading zone 5a) systems. VEWH may lead an expression of interest process to acquire a small volume of water (maximum ~ 300 ML) via licence holders in the Maribyrnong system volume.	Anytime, subject to identified critical demands July-September 2025
Commercial	Allocation sale	If water availability exceeds the expected environmental demand VEWH may sell allocation water in the northern region in 2025-26. By 1 July 2025 the VEWH will publicly announce a maximum volume of allocation that may be available for commercial sale in 2025-26. Individual sales tranches may be made available progressively during the year when information regarding VEWH's water portfolio position is more certain. For example, in a wet year when water allocation is high and/or demands low, VEWH may release close to the maximum volume identified for sale. In dry conditions VEWH may choose to reserve allocation for environmental watering or for carryover to 2026-27 and the volume released for sale may be relatively low. VEWH will announce individual sales tranches if and when they are made available through the year on its website. The chart in Appendix 1 shows the VEWH's historic annual allocation sales. It is possible VEWH may enter contracts to sell forward allocation, whereby water is sold at a set price but transferred to the buyer in a later water year, however it is most likely that allocation sales will be transactions completed within the 2025-26 water year. The VEWH may consider forgoing environmental watering actions at any time, to sell water to invest in project or strategic activity where environmental outcomes are likely to be better achieved through use of the revenue raised.	The most likely systems where sales of surplus allocation may be considered in 2025-26 are in the northern region: Murray (trading zones 6 and 7), Goulburn (trading zone 1a and 1b) and Campaspe (trading zone 4a).	VEWH will look for opportunities to sell surplus allocation water at any time of year, if forecast environmental watering demands can be met. VEWH may look for opportunities to sell water to invest in project or strategic activity at any time, subject to the priority and urgency of the identified project or strategic activity.
Commercial	Allocation carryover parking	If VEWH estimates it will have available carryover space at the end of 2025-26, it may enter carryover parking contracts to lease that space. In 2025-26 VEWH may need to return allocation water that was parked in VEWH's Goulburn and Murray system allocation accounts during 2024-25 under carryover parking contracts.	In the northern region carryover parking contracts are most likely to be in the Murray (trading zones 6 and 7) and Goulburn (trading zone 1a) systems.	Anytime, however it is from December onwards that VEWH can better estimate its carryover position and determine if it is viable to lease carryover space.
Administrative	Between VEWH allocation accounts ²	Through 2025-26 VEWH will undertake trades within and between systems to ensure adequate water is available to deliver watering actions, and to optimise carryover into 2026-27.	Based on supply estimates, in the northern region 2025-26 there may be shortfalls of environmental water allocation required for critical environmental watering in the Loddon (trading zone 5a) Broken (trading zone 2b) systems. Subject to trading opportunities, VEWH may attempt to augment supply in those systems via trades of allocation from the	Anytime, subject to timing of environmental water demands and trade opportunities.

² TLM entitlements are held and managed by the VEWH in trust for TLM. VEWH will make trades within and between systems for TLM to ensure adequate water is available to deliver watering actions, and to optimise carryover into 2026-27. Upon instruction from TLM, VEWH may be required to trade TLM allocation to TLM water accounts held in NSW or SA, subject to trading rules and opportunities.

			<p>Goulburn (trading zones 1a and 1b), Campaspe (trading zone 4a) and/or Murray (trading zone 7) systems.</p> <p>VEWH will trade within and between any trading zones as required to secure allocation as carryover in 2026-27.</p> <p>All opportunities currently under consideration for trade are in declared system trading zones and are subject to relevant system trade opportunities and rules.</p>	
<i>Administrative</i>	<i>Between the VEWH and CEWH</i>	Environmental water committed by the CEWH to a Victorian environmental watering action is transferred to the VEWH for delivery once the environmental water demand and water availability is confirmed. Unused Commonwealth environmental water is transferred back to CEWH accounts if it is not needed for delivery in Victoria before the end of the water year.	Trades between the CEWH and the VEWH are mostly within system trading zones in the northern region, but occasionally may be between system trading zones. All opportunities currently under consideration for trade are in declared system trading zones and are subject to relevant system trade opportunities and rules.	CEWH trades to VEWH anytime, subject to timing of environmental water demands. VEWH typically returns unused allocation during June.
<i>Administrative</i>	<i>Return flows from VEWH to the Department of Environment and Water South Australia</i>	<p>Allocation trade is the mechanism used to ‘shepherd’ environmental water that flows along the Murray River and across the border from Victoria to South Australia.</p> <p>This water reuse policy, known as ‘return flows’, is available for environmental water delivered from VEWH’s Goulburn, Murray, Campaspe and Loddon entitlements in the northern region. It increases the efficiency of environmental water use and helps reduce the volume of water needed to be recovered for the environment.</p> <p>VEWH makes regular trades of environmental return flows in Victoria to South Australia. This may include return flow trades to South Australia for the CEWH and Living Murray program, when the VEWH delivers water on their behalf.</p>	Return flow recredits applied to VEWH allocation accounts in the Murray system (trading zone 7) are traded to the South Australian Murray (trading zone 12).	Monthly, or less frequently as required.
<i>Administrative</i>	<i>Snowy River Increased Flows and River Murray Increased Flows</i>	The VEWH holds entitlements in the Murray, Goulburn and Loddon systems that form part of the Victorian government’s commitment under the Snowy Water Inquiry Outcomes Implementation Deed to recover water for the Snowy and Murray rivers. A substitution arrangement is in place to enable the VEWH entitlements in the Murray, Goulburn and Loddon to increase environmental flows in the Snowy River (Snowy River Increased Flows) and Murray River (Murray River Increased Flows). Allocation trade is the mechanism used to give effect to the substitution arrangement.	VEWH completes trades from the Murray, Goulburn and Loddon systems to the Snowy system holding account in June each year to give effect to the substitution arrangement to increase environmental flows in the Snowy River (Snowy River Increased Flows) and Murray River (Murray River Increased Flows).	June 2026
<i>Administrative</i>	<i>Donations</i>	Owners of privately held water may choose to donate allocation to VEWH.	VEWH has previously received water donations in the Murray (trading zone 7) and King (trading zone 9b) systems. VEWH is unaware of opportunities additional to past donations.	Anytime

Appendix 1 VEWH allocation trading history

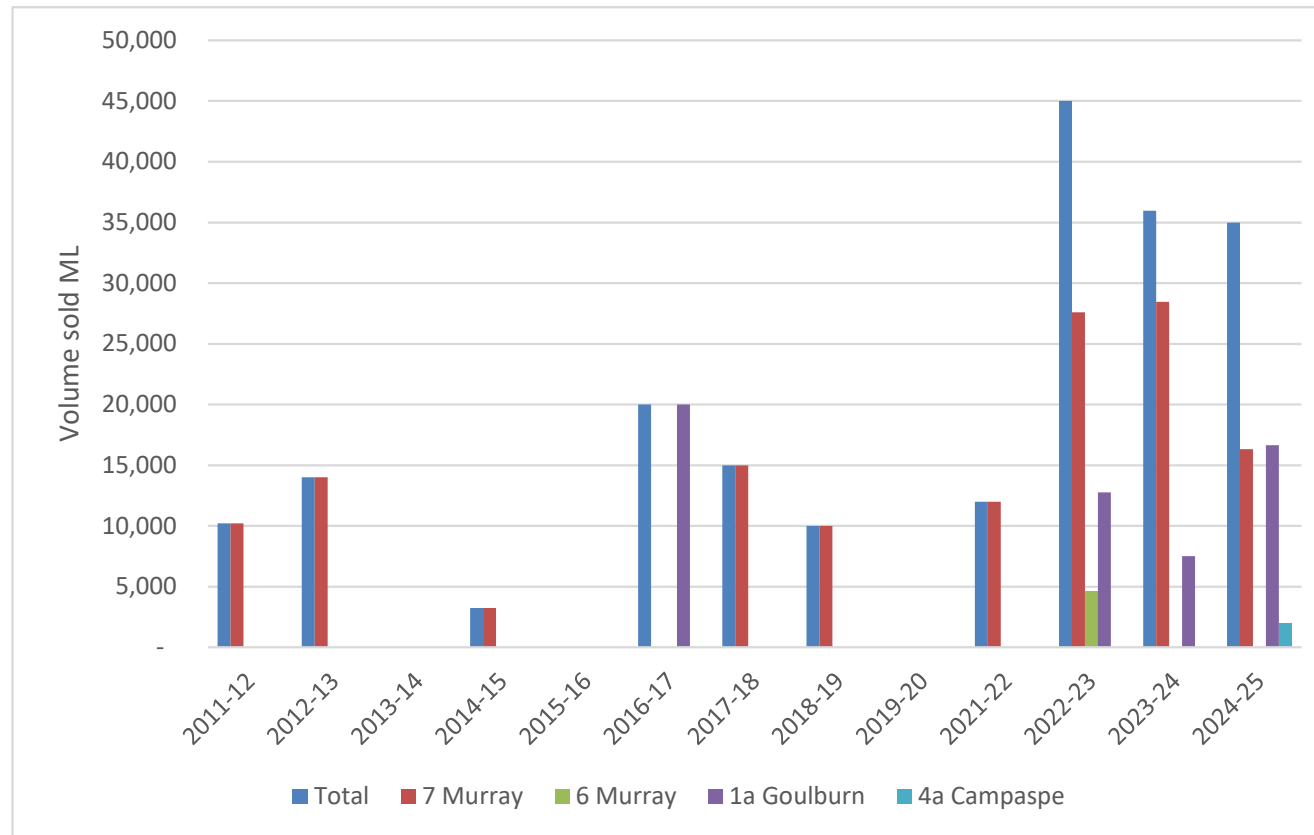


Figure 2. Historic VEWH allocation sales by trading zone