

COVER SHEET

2.17 Business Case for Building a Brighter Future for Aquaculture in Southland		For: Approval
Background & context:		Recommendation(s):
<p>Applicant Organisation:</p> <ul style="list-style-type: none"> Environment Southland (on behalf of the Mayoral Forum) <p>Location:</p> <ul style="list-style-type: none"> Southland <p>Proposal:</p> <ul style="list-style-type: none"> To develop a business case to establish state of the art, land-based hatchery and nursery facilities to produce salmon <small>Commercial</small> and mussel <small>Commercial</small> in Southland. <p>Funding Sought:</p> <ul style="list-style-type: none"> Total project cost: \$<small>Comm</small> PGF Funding requested: \$424,976 <p>Background:</p> <p>a) This initiative is aligned with the Southland Regional Development Strategy (SoRDS) Action Plan that identifies aquaculture as the single biggest economic opportunity for the region. If successful, these facilities would likely address a shortage of juvenile salmon <small>Commercial</small> (particularly if the industry expands offshore), support a strategic second mussel <small>Commercial</small> hatchery in NZ, and enable polyculture research.</p> <p>b) These facilities will enable the expansion of the aquaculture industry in the Southland region. This investment would assist to achieve SoRDS' economic and social well-being aspirations through sustainable aquaculture growth.</p>		<p>We recommend that the SRO:</p> <p>a) Discuss the business case for Building a Brighter Future for Aquaculture in Southland.</p> <p>b) Note the applicant may seek PGF funding for the capital phase of the project.</p> <p>c) Note that MPI support this project.</p> <p>d) Note the application is supported by the Southland Mayoral Forum, and is a key project in the Regional Economic Strategy (SoRDS).</p> <p>e) Approve \$424,976 from the PGF fund towards the business case for <i>Building a Brighter Future for Aquaculture in Southland</i>, subject to the Head of the Investments Team at the PDU being comfortable with the scope of the business case and the consultant selected to prepare the business case.</p>
PGF criteria that this proposal supports:		
PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		

<p>Creates permanent jobs</p>	<ul style="list-style-type: none"> The applicant estimates approximately C [redacted] new jobs could be created if the project was built. 	<p>✓✓✓✓</p>
<p>Delivers benefit to the community</p>	<ul style="list-style-type: none"> The project would improve health outcomes for local communities which would result in improved productivity and employability. There is a great opportunity here to build an internationally competitive industry that will create a range of skilled, non-seasonal jobs for the region. The local support for this initiative is large with commercial and social outcomes. 	<p>✓✓✓✓</p>
<p>Increased utilisation and returns of Maori asset base</p>	<ul style="list-style-type: none"> Commercial Information [redacted] Commercial Information [redacted] Commercial Information [redacted] 	<p>✓✓✓✓</p>
<p>Enhanced sustainability of natural assets</p>	<ul style="list-style-type: none"> Aquaculture development in Southland will diversify the local economy and look to shift the heavy reliance on dairy - Commercial aquaculture farming is substantially more friendly to the environment, 	<p>✓✓✓</p>
<p>Mitigation of climate change effects</p>	<ul style="list-style-type: none"> Aquaculture is a primary focus of the Southland Regional Development Strategy Action Plan, identified as the single biggest economic opportunity to build greater resilience in the region. Diversification of the local economy – growing a relatively small industry 	<p>✓✓✓</p>
<p>Additionality</p>		
<p>Adding value by building on what is already there</p>	<ul style="list-style-type: none"> Commercial Information [redacted] The aquaculture project for Southland commenced in 2012 led by Environment Southland and half funded by the Ministry for Primary Industries (\$Comm [redacted]). The aim was to identify areas within the coastal region of Southland that are potentially suitable for aquaculture activities, including types of aquaculture that may be possible, but are 	<p>✓✓✓✓</p>

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	<p>currently prohibited under the Coastal Plan. Between 2012 and 2014 identification of potential aquaculture sites, as well as site perspective ranking evaluations were conducted.</p> <ul style="list-style-type: none"> In 2017 as part of the SoRDS Action Planning Process and the Settlement five locations were identified for scientific research into environmental, cultural and commercial viability. Three Stewart Island locations were identified (including Port Pegasus) and fully evaluated. Two Fiordland locations identified but are yet to be fully evaluated. This latter work was funded by MBIE (\$Comm) via the previous regional growth programme. 	
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> Yes – this project will lead to development of the sector in Southland. Further investment in infrastructure required for future development will come from industry. 	✓✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Yes – SoRDS identifies aquaculture as a key strategic priority for regional economic development 	✓✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> Application on behalf of the Southland Mayoral Forum, with industry and Iwi. 	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> High level project management and governance details are provided. 	✓✓✓✓
Risk management approach	<ul style="list-style-type: none"> Risks have been identified with mitigation approaches. 	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> To be defined in the business case. 	✓✓✓
<p>The purpose of this briefing is to consider recommending PGF funds to the business case for Environment Southland.</p>		

Risks Issues:

- The project may not be able to secure funding for the build phase after the completion of the business case.
- Need to ensure it is not duplicating SPATnz mussel facility in Nelson.

Eligibility points of note:

- *Due diligence*:- Full due diligence is to be completed. It is a condition of approval that due diligence is to be to the satisfaction of the Head of PDU Investment team.
- *Conflict(s) of interest*:- Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further.
- *Illegal Activity*:- Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity
- *Alignment with Regional development plans*:- Aligns with the Southland Regional Development Strategy
- *Commercial funding availability*:- Given the nature of the project which is a business case development access to commercial funding is not considered a feasible option.

Consultation undertaken or implications:

Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	MPI - supportive
Supporting proposal:		Yes							
Appendices:		Yes – Applications and letters of support							
Sponsor(s):		N/A							
Manager/Author of paper:		Privacy of [REDACTED], Investment Team / MP Regional Lead							

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