



BRIEFING

PGF Sector Investments Priority Projects

Date:	24 June 2019	Priority:	Medium
Security classification:	Sensitive	Tracking number:	3942 18-19

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Note the contents of this briefing for information on the Provincial Development Units approach to streamlining the assessment of priority sector investments	26 June 2019
Hon Phil Twyford Minister of Transport	Note the contents of this briefing for information on the Provincial Development Units approach to streamlining the assessment of priority sector investments	26 June 2019
Hon David Parker Minister for Economic Development	Note the contents of this briefing for information on the Provincial Development Units approach to streamlining the assessment of priority sector investments	26 June 2019
Hon Shane Jones Minister for Regional Economic Development	Note the contents of this briefing for information on the Provincial Development Units approach to streamlining the assessment of priority sector investments	26 June 2019
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing	26 June 2019

Name	Position	Telephone
Ben Dalton	Head of Regional Development, Provincial Development Unit, MBIE	Privacy of natural persons
Tania Heyrick	Principal Advisor, Regional Development, Provincial Development	Privacy of natural persons



	Unit, MBIE	
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The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

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Purpose

The purpose of this briefing is to inform Regional Economic Development (RED) Ministers of the Provincial Development Unit's (PDU) approach to accelerate certain priority commercial sector investments utilising a dedicated Sector Investments Taskforce (the Taskforce). It also provides an overview of new and existing opportunities that have been prioritised for Tier 2 investment.

Executive summary

The PGF has three tiers of investment. Tier 2 - Sector Investments - is aimed at investing in commercial opportunities that will generate jobs in regions while also intensifying capital at the sector and firm levels.

In May RED Ministers agreed to a position paper on Sector Investments which outlined the PGF's objectives and approach to investment in Tier 2 projects.

The priorities for Sector Investments are:

- Primary Sector: investments which will increase the value and/or volume of primary sector production;
- Manufacturing Sector: investments into plant and machinery where firms are looking to expand activities, shift into related products or enhance their processing capacity or processing technology to get greater value from inputs.
- Emerging Sectors: with a particular focus on investment in waste processing, in to by-products and waste-to-energy.
- Development of physical facilities to support the growth of job opportunities in the services sector.

As the PDU is well into its second year there is an increased focus on accelerating delivery. To date the PDU has invested \$^{Commercial Information} into sector projects. To build on this, Ministers have prioritised investment across the following sectors and with a proposed funding commitment of \$^{Commercial Information}. This comprises of:

- Waste - \$40 million (Budget 2019 decision);
- Energy - \$40 million (Budget 2019 decision);
- Primary - \$^{Commercial Information} (indicative);
- Manufacturing (Robotics and Engineering) - \$^{Commercial Information} (indicative);



- Wood Processing - \$^{Commercial Information} indicative: (consideration is being given as to how investment in wood processing can support processing of 1BT); and
- Other - \$^{Commercial Information} (indicative).

The PDU is accelerating the delivery of a select number of high value, high impact projects through the establishment of a Taskforce. The Taskforce will work with the PDU Regional Development and Investment Teams to fast track priority sector proposals.

The Taskforce has undertaken a stocktake of potential sector investment opportunities which considered all existing PGF EOIs/applications, Ministerial priorities and other potential opportunities informed by PDU regional advisors and relevant agencies. A longlist of high priority sector projects has been identified (Annex One), a selection of which will be progressed through the Taskforce. Note some of these projects may require investigation by PDU, and partner agencies where appropriate, to determine investment potential. These projects will be split in to portfolios.

Deal leads have been appointed for each sector portfolio. It is anticipated that a first tranche of applications will be submitted to the PDU by September 2019. Approval of the first tranche proposals will be sought from RED Ministers no later than December 2019.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the PDU have established a Sector Investments Taskforce to accelerate investment in high priority sector projects. *Noted*
- b **Note** the high priority projects listed in Annex One. *Noted*

Ben Dalton
Head of Regional Development,
Provincial Development Unit
MBIE

Hon Grant Robertson
Minister of Finance

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Hon Phil Twyford
Minister of Transport

Hon David Parker
Minister for Economic Development

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PROVINCIAL
DEVELOPMENT
UNIT

RED meeting 26 June 19

Hon Shane Jones
**Minister for Regional Economic
Development**
..... / /

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Background on PGF Sector Investments

1. The PGF has three tiers of investment. Tier 2 – Sector Investments – is aimed at investing in commercial opportunities that will generate jobs in regions while also intensifying capital at the sector and firm levels.
2. The PGF policy position paper on sector investment was agreed by RED Ministers on 16 May 2019. This paper outlines the PGF's objectives and approach to investment in Tier 2 projects.
3. The priority sectors identified in the position paper are:
 - *Primary sector* – to increase the value and/or volume of primary sector production
 - *Manufacturing sector* - investments into plant and machinery where firms are looking to expand activities, shift into related products or enhance their processing capacity or processing technology to get greater value from inputs.
 - *Emerging sectors* – with a particular focus on investment in waste processing, in to by-products and waste-to-energy.
 - Development of physical facilities to support the growth of job opportunities in the services sector.
4. The PGF will invest in projects that fall within the following sector categories:
 - *Foundational or sector-wide investments*: investments that have an indirect impact on jobs and productivity, but provide interim jobs and basis for future economic opportunities (e.g. investments in tourism infrastructure, land use studies, sector-wide infrastructure);
 - *Plentiful employment investments (typically low-skilled/low wage)*: investments that generate a material number of jobs that provide an opportunity for young people not in education, employment or further training (NEETs) to attain sustainable employment, or for low-skilled workers to attain more secure employment, and to provide a stepping stone to better paid employment (e.g. investments in tourism, land-based production);
 - *Mixed skilled/medium wage employment investments*: investments that generate a more limited number of new jobs, but that put firms on a stronger basis for enduring economic successes by improving their productivity, and providing higher-skilled career pathways for people in the regions (e.g. investments to improve or introduce manufacturing and processing technologies);
 - *High skilled/high wage employment investments*: investments that are likely to generate fewer jobs, but jobs that are highly skilled and highly paid, and that will result in significant productivity enhancements for firms and sectors (e.g. investments in Information Communications Technology, or highly transformed niche activities).
5. The principles used to guide Sector Investments are:
 - Projects will be considered in the context of regions' comparative advantages, challenges and opportunities;
 - Projects will not be funded where other appropriate sources of government support are available;
 - Projects will not be invested in where the primary firm involved is an early stage or start-up firm;



- Firms will have already sought private sector funding, and provided a clear explanation as to why it was not approved;
- Projects will be supported by a clear and compelling proposal, confirming long-term viability (including understanding and management of risks);
- Projects will not be funded until appropriate levels of due diligence on funding recipients is carried out;
- The project will include clearly identified public benefits relating to, in particular, Jobs and Sustainable Economic Development, Māori development; Social Inclusion and Participation; Climate Change and Environmental Sustainability; or Resilience (infrastructure and economic);
- Projects will begin within the timeframes of the PGF; and
- Projects should generally have a minimum 50% co-contribution (applications with potential to generate significant public benefit may be exempt from this requirement).

Accelerating delivery of Sector Investments

Sector investments to date

6. The PDU has made a number of investments across Tier 2 sector projects. To date the total funding committed is \$ ^{Commercial Information} made up of:

Sector	Total Funding Committed to Date
Waste	\$ ^{Commercial Information}
Energy	\$ ^{Commercial Information}
Wood Processing	\$ ^{Commercial Information}
Manufacturing (Robotics and Engineering)	\$ ^{Commercial Information}
<ul style="list-style-type: none"> - Manufacturing/Construction - \$ ^{Commercial Information} - ICT, Robotics & Data Processing - \$ ^{Commercial Information} - Engineering - \$ ^{Commercial Information} 	
Primary Sector	\$ ^{Commercial Information}
<ul style="list-style-type: none"> - Agriculture/Horticulture - \$ ^{Commercial Information} - Fishing/Aquaculture - \$ ^{Commercial Information} 	
Other	\$ ^{Commercial Information}
<ul style="list-style-type: none"> - Food & Beverage - \$ ^{Commercial Information} - Other - \$ ^{Commercial Information} 	
	\$ ^{Commercial Information}

7. These include a number of significant commercial deals, which if successful, will result in high value returns for the respective regions. For example: ^{Commercial Information} and Reporoa Biogas.



8. As the PDU is well into its second year there is an increased focus on accelerating delivery, including execution of contracts and funding payments. To build on existing Tier 2 investments, Ministers have prioritised investment across the following sectors and proposed a total funding commitment of \$ ^{Commercial Information} [REDACTED]. This is allocated as follows:

- Waste - \$40 million (budget 2019 decision);
- Energy - \$40 million (budget 2019 decision);
- Primary - \$ ^{Commercial Information} [REDACTED] (indicative);
- Manufacturing (Robotics and Engineering) - \$ ^{Commercial Information} [REDACTED] (indicative);
- Wood Processing - \$ ^{Commercial Information} [REDACTED] (indicative); and
- Other - \$ ^{Commercial Information} [REDACTED] (indicative).

Sector Investments Taskforce

17. To accelerate investments in the priority sectors, the PDU has established a Sector Investments Taskforce which will work alongside the PDU Regional Development and Investment teams. The purpose of the Taskforce is to accelerate a select number of priority investments by fast tracking the identification, development and assessment of proposals of significant commercial scale and complexity, which will ultimately lead to a step change in the productivity of the regions.
18. The Taskforce has undertaken a stocktake of potential proposals which fit within the priority sectors. The stocktake considered all existing PGF EOIs/applications, Ministerial priorities and other known opportunities informed by PDU regional advisors and consultation with other agencies.
19. These projects had an initial triage against the sector investment criteria outlined in the position paper. Specifically projects must:
- Align with the priority sectors;
 - Be 'shovel ready' within 12 months (necessary OIO/resource consents well advanced);
 - Be high value in terms of its contribution to increasing regional and/or sector productivity and/or creation of jobs, particularly highly skilled;
 - Have a significant financial contribution i.e. 50%;
 - Originate from mature or well established firms or sectors; and
 - Be seeking funding of over \$1 million.
20. The Taskforce is currently engaging with applicants on the longlist to undertake a more in-depth initial assessment of the proposals. Deal leads have been appointed for each of the priority projects and will have overall accountability for initialising, assessing and negotiating the terms of the investment. The Taskforce has adopted a fast-fail model, which will enable the PDU to quickly identify whether a proposal should be supported through to investment decision as a priority project.
21. The first tranche of applications will be submitted to the PDU by September and approval sought from RED Ministers no later than December 2019.



Identified Sector Priority Projects

22. High priority projects have been identified based on alignment against PGF criteria as well as strategic alignment with relevant sector policy frameworks. For a number of the projects identified the total funding sought is not yet known. Once known the actual funding sought may be over the proposed funding allocation per sector. However, it is expected that not all projects will proceed.
23. *Waste*: There are 11 projects which have been prioritised for further assessment, 3 of which have been identified as a Ministerial priority, including **Commercial Information**. These mostly align with PDU's strategy to invest in projects which reduce waste to landfill and drive an increase in resource recovery. These are projects that have approached either PDU or the Ministry for the Environment (MfE) for funding. PDU and MfE will provide joint advice on the final proposals. Of the projects identified to date, the total funding sought (where known) is approximately \$**Commercial Informa**.
24. *Energy*: There are 4 energy projects with ministerial priority which are currently being assessed, and are largely focused around hydrogen investment. There are a further **Com** energy projects identified as a priority by the PDU. These projects align with the PGF energy position paper and have been assessed by MBIE Energy Markets Policy team to place them within the Government's wider energy priorities. Of the projects identified to date, the total funding sought (where known) is approximately \$**Co**.
25. *Primary Sector*: Currently there are approximately 11 projects with ministerial priority and a further 5 PDU identified projects, under consideration by the Taskforce. These proposals have significant value add or sector wide impact, for example the **Commercial Information**. Of the projects identified to date, the total funding sought (where known) is approximately \$148M.
26. *Manufacturing*: There are **Commerc** proposals all based **Commercial Information** which will enable development of **Commerc** as an **Commercial Information**. These include **Commercial Information**, Hillside Engineering and **Commercial Information**. Of the projects identified to date, the total funding sought (where known) is approximately \$**Commercial**.
27. *Wood Processing*: Consideration is being given as to how PGF investments in this sector can support processing of 1BT. Six proposals have been identified across the domestic processing and prefabrication industries. Of the projects identified to date, the total funding sought (where known) is approximately \$**Co**.

Consultation

28. The Taskforce is consulting with MfE, New Zealand Trade and Enterprise, Ministry for Primary Industries and MBIE Energy Market Policy team to inform priorities across relevant sectors.
29. PDU and MfE officials will work together to consider whether the projects that we have jointly identified address the PGF's objectives, investment principles and priorities, and are sufficient to address the current volume of waste going to landfill or being stockpiled. If these projects do not address the problem satisfactorily, officials may approach the market to actively seek out co-investment opportunities with firms.

Annexes

Annex One: Tier 2 – Sector Investments - opportunities for investment in high value projects