PROVINCIAL DEVELOPMENT UNIT
New Zealand Government

2.12 WAIRARAPA COMMUNITY WATER STORAGE

PGF Application		For: Approval	
Applicant:	Wairarapa Water Limited (**WWL**)	**Pipedrive ID #**	Commerci
Entity Type:	Company	**PGF Funding Sought:**	$800,000
Region	Wellington	**Total Project Cost (current pre-feasibility phase):**	$Commercial Information
Tier:	1 - Regional	**Co-contribution rate:**	Commercial Inform %
Sector:	Business Case	**Funding Structure:**	Grant

We recommend that SROs:

a) **Approve** $800,000 from the PGF to the Wairarapa Community Water Storage Project as a grant subject to PDU approving the scope and consultants

b) **Note** the Cabinet endorsed PGF investment principles for water investment as set out in Appendix 1 (**Water Storage Principles**).

c) **Note** that the PDU consider that the project aligns with the Water Storage Principles.

d) **Note** that WWL accept and agree with the PGF position that water storage projects should not intensify ruminant agriculture, and that this will be a key requirement for the Project as it develops.

e) **Note** that at this stage, WWL is only seeking funding for the next phase (prefeasibility), and it is expected that WWL will seek further support from the PGF should the outcomes from the prefeasibility phase be positive.

f) **Note** the expected total amount of funding expected to be sought from the PGF is ~$Commercial Information Commercial Informa

g) **Note** that the Project has received support from the IAP. The IAP was consulted as this initial grant would only be sensible if the PGF was prepared to continue funding further phases.

h) **Note** that this Project also aligns with the Wairarapa Regional Economic Plan, with water being one of the three key areas of focus.

i) **Note** that PDU is comfortable with the funding for this phase being in the form of a grant, consistent with the approach taken with the Northland Water Storage Project, but note that any construction funding would be a loan.

j) Commercial Information

Proposal:

- This proposal is for the development and construction of water storage and distribution infrastructure in the Wairarapa (this application relates to the pre-feasibility phase of the project).
- There has been a change to the Greater Wellington Regional Council's (GWRC) water allocation policy for the Wairarapa.
- In light of these changes, previous studies relating to potential water storage options need to be updated. These studies were carried out with support from Crown Irrigation Limited.
- Project sponsorship has been adopted by WWL, and the project has been reframed at a strategic level, to better align with PGF water storage investment criteria.
- WWL are now looking to progress to the prefeasibility stage of the study.
- The prefeasibility study will be followed by a feasibility study, then the commitment phase (collectively the pre-construction phases), then construction.

Assessment against the PGF criteria

Eligibility Criteria

This application is eligible for PGF funding.

Productivity Potential

This proposal identifies and addresses a risk to the region's long term ability to develop primary sector industry. These industries are already a major employer in the region and further development will create additional opportunities.

Policy objectives and regional priorities

This project is aligned with the region's identified need for water supply resilience, and regional economic development. This includes supporting the productive capacity of its primary sector industry, and generating increased long-term employment opportunities. Water is one of the three areas of focus in the Wairarapa economic development plan.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	• This proposal identifies and addresses a risk to the region's long term ability to develop primary sector industry. These industries are already a major employer in the region and further development will create additional opportunities. • The intent is to harvest water during peak flows and store this for use during dry periods, to facilitate a transition to higher value crops and to increase climate resilience. • Whilst the project does not yet have expected job and GDP metrics, analysis to date supports:	✓✓✓✓

	• Commercial Information • This is consistent with the PDU's experience with other projects – high-value, low intensity agriculture produces strong job and economic impacts.	
Delivers benefit to the community	• The Project will deliver community benefit through economic development and resilience, reliable water supply and environmental improvements.	✓✓✓✓
Increased utilisation and returns of Maori asset base	• Access to water is one of the key components required to allow Māori to realise the potential of their land in this area. Complementary training and capability projects and PGF applications will also be considered.	✓✓✓
Enhanced sustainability of natural assets	• This project is intended to support high value land use with lower environmental impact. • Specifically, the Project will focus on environmentally sustainable land use. Further, when considering options for water sources and water storage, ensuring that these options do not degrade the environment will be a key aspect of the project.	✓✓✓✓
Mitigation of climate change effects	• Water supply resilience is a key driver of this project.	✓✓✓✓✓
Additionality		
Adding value by building on what is already there	• This project will harness a key existing resource, water.	✓✓✓✓
Acts as a catalyst for productivity potential in the region	• This project will contribute to the productive capacity of the region's primary sector industry.	✓✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	• This project is aligned with the region's identified need for water supply resilience, and regional economic development. This includes supporting the productive capacity of its primary sector industry, and generating increased long-term employment opportunities. Water is one of the three areas of focus in the Wairarapa economic development plan.	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	• The Wakamoekau project is a collaboration between WWL, GWRC and the three Wairarapa Councils. The	✓✓✓✓

	Councils and WWL have separate but complementary work programs that are being coordinated to provide the answers necessary to confirm whether or not the Wakamoekau site can be part of an integrated solution to build resilience into the Ruamāhanga River basin water resource and achieve reliable freshwater supply for the Wairarapa. • Strong regional support for the project is evidenced by the endorsement of this project by both Wairarapa Iwi – Rangitāne Tū Mai Rā Trust and Ngāti Kahungunu Ki Wairarapa-Tāmaki Nui ā Rua Settlement Trust. In addition, this application has been endorsed by the Governance Group for the Wairarapa Economic Development Strategy and Action Plan. This group comprises the Chair of GWRC and the Mayors of Masterton, Carterton and South Wairarapa, and is Chaired by Dame Margaret Bazley.	
Governance, risk management and project execution		
Robust project management and governance systems	• The part-time CEO is the former CEO of Meridian and has strong experience in ensuring robust systems are in place. • An appropriate project governance framework will be established prior to PGF funding being provided.	✓✓✓✓
Risk management approach	• As above.	✓✓✓✓
Future ownership / operational management	• Future ownership and operational models will be developed during the prefeasibility phase.	✓✓✓✓
Analysis of the benefits and costs		
This proposal identifies and addresses a risk to the region's long term ability to develop primary sector industry. These industries are already a major employer in the region and further development will create additional opportunities. Whilst the project does not yet have expected job and GDP metrics, analysis to date supports: Commercial Information This proposal is for the development and construction of water storage and distribution infrastructure in the Wairarapa (this application relates to the pre-feasibility phase of the project) which is the first stage to reaching the benefits listed above at a cost of $800,000 to the PGF.		
Consultation undertaken or implications:		
MPI – Supportive.		

Due Diligence and Ownership

Full due diligence completed. The Applicant is 100% owned by the Wairarapa Regional Irrigation Trust.
No issues identified however please note Alistair Scott, trustee of Wairarapa Regional Irrigation Trust, is the MP for Wairarapa, and the trust is currently re-registering as a charitable trust with the Charities Commission.

Trustees of the Wairarapa Regional Irrigation Trust are as follows:

- Alistair Scott
- Privacy of natural persons
- Privacy of natural persons
- John Monaghan
- Paul McGill
- Robert Francis
- Privacy of natural persons
- Privacy of natural persons

Directors of the applicant are:

- Robert Charles Francis
- Timothy Alan Lusk
- Tina-Marie Nixon
- Colin Gilbert Oldfield
- John Robert Stevenson

Financial Analysis of the Applicant

WWL is a SPV to run the project. The budget breakdown of the project is as follows:

Cost Item	Amount ($000s)
Community Engagement Program	Commercial Information
Initial Review	
Plan Change/Section 32	
Staff Recruitment (Agency)	
T2 detailed budget and systems	
EOI Development and execution	
Establish Developer Entity NEWCO	
Final Prefeasibility Check	
Plan and Budget FC Phase	
Water Offtake Pricing	
Develop PDS (LT)	
Application Local/Central Govt Funds	
Project Manager	
Technical Officer	
Community Relationship Manager	
Contingency	
Total Budget CF Phase	

Risk Assessment

The key risks to the PDU and proposed mitigations of this investment are as follows:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
1.	**Ensuring project development continues to align with PGF water storage investment principles**	• It will be critical that the project continues to develop in a manner consistent with the PGF's water storage investment principles, to ensure the environmental and sustainable economic benefits are achieved. This will be a condition of any PGF funding agreement.	Low
2.	**Appropriate capability**	• Developing water storage projects is a complex and time consuming exercise, requiring high calibre technical, regulatory, environmental, financial and commercial capability. This will also be a condition of the funding agreement.	Medium
3.	**Stakeholder engagement and involvement**	• Water storage projects usually have a large group of diverse stakeholders. Appropriate involvement is critical. For example, potential water users need to be engaged early and be actively involved, to mitigate the risk that the project does not meet their needs. Potential water users should also contribute some development capital in the later stages of the preconstruction phases.	Medium
4.	**Need for further funding and project viability**	• The project cost estimates are preliminary. A robust investment assessment will be required at the end of each phase, to assess which of the options (if any) remain viable. Linked to this, further funding may be required.	Medium

Funding Methodology

Grant

Supporting proposal:	Yes
Appendices:	Yes – Applications and appendix are as annexes
Manager / Author of paper:	Privacy o – Investment Director
Communications issues and risks	N/A

Appendix 1: PGF Investment Principles for Water Storage (extract from recent Cabinet Paper)

Access to a reliable and manageable source of water is a key enabler of jobs and sustainable growth in the primary sector and is a driver of regional prosperity. Many regions have significant primary sector potential that could be enabled or enhanced through access to reliable water provided by small scale storage and distribution infrastructure.

As a government we have identified three objectives for freshwater (including establishing a new Crown-Māori relationship for freshwater):

- Stopping further degradation and loss
- Reversing past damage
- Addressing water allocation issues.

In addition, through cross-party discussions on the PGF investment in water storage and infrastructure, including managed aquifer recharge, we have identified a set of principles that are core to our values as a Government. The principles are reflected below (with an assessment of the WWL Project against these principles).

Principles for water storage investment

Principle	**Assessment**
Economic	
Water storage will strengthen regional economies by shifting land use to higher value, non-dairy, sustainable uses.	WWL accept and agree with this principle.
Water storage will help address disparities in Māori access to water for land development.	Similar, to above, WWL accept and agree with this principle – this will be a focus during prefeasibility.
Community	
Small scale community level projects will be supported rather than mega irrigation schemes.	The proposed project is a community level project.
There must be public benefit from government funding of a project.	The project will deliver public benefit, through both improved environmental outcomes, as well as regional and community economic benefit.
Projects will involve stronger partnerships at the local level, including with regional councils.	The project was previously sponsored by GWRC and is now being led by WWL. Strong partnering between local authorities, iwi, local primary sector participants will be critical to success.
The Crown Irrigation Investments Limited (CIIL)'s programme of work will not be progressed, although communities that were involved in CIIL initiatives can submit PGF proposals that align with our objectives.	CIIL have previously funded studies in relation to water storage in the Wairarapa. However, this programme of work, and the scope of the project has been and will continue to be reframed as required to ensure it aligns with the PGF water investment principles.
Environment	
Water storage proposals should demonstrate that they will support land use that does not increase, and ideally	• 18.8 MCM of stored water becomes available

Principle	Assessment
reverses, negative impacts on water quality.	at times of low river flows to enhance the health of our rivers and provide greater water security to the community and businesses • Existing recreational facilities such as Henley Lake and Queen Elizabeth Park and sports grounds can be protected from drought conditions • It is intended that the water is priced to incentivise innovation including the development of nature based solutions
Proposals should maintain the health of waterways.	
Water storage proposals should incorporate activities that improve water quality – e.g. activities that improve E coli levels and ecological health, restoration and protection projects such as improvements in wetlands, fish and wildlife habitats, riverbanks, biodiversity activities, soil health and sediment control.	
Water storage will not be used to increase the intensity of ruminant agriculture or other land uses in a catchment where this puts greater cumulative pressure on water and risks compromising water quality.	The focus of this project is on horticulture development, not ruminant agriculture.
Climate change	
Where practicable, proposals should demonstrate how they will contribute to mitigating or adapting to climate change effects and a just transition to a low emissions economy.	• Relieves pressure on rivers for water supply at times of drought • Provides flushing and environmental flows • Supports integrated catchment management • Could see some inefficient water races made redundant
Proposals should consider the potential to contribute to community resilience to climate change. Strengthening municipal water supply is not an objective of PGF funding. However, the PGF will work with councils to include municipal supply as a component of wider water initiatives, if it enables councils to contribute more to regional water management.	

Water storage investment priorities

Priority regions for investment in water storage include Northland, Hawke's Bay, Tairāwhiti and the Bay of Plenty. These regions have the greatest proportion of Māori collectively owned land and the greatest capability to bring land into sustainable productivity through water storage. The needs of other regions are also being considered, for example, supporting diversification of the Southland economy to improve economic and climate resilience.

The three priorities for PGF investment in water storage are discussed below.

- *Feasibility studies to inform investment decisions* - Feasibility studies will investigate the viability of potential water storage and distribution projects. They will consider whether the project can deliver on the community and Government objectives for water storage and inform decisions on whether to invest in a specific water storage project.

- *Contribution to construction costs* - The PGF will also contribute to construction costs of water storage facilities, particularly for activities that relate to Government priorities including water quality, bringing Māori land into production and where possible, helping communities to prepare for the impacts of climate change. Given the short timeframes associated with investment by the PGF, we will progress construction projects that can be submitted, signed off and ideally have construction underway over the next two years. I have directed officials to work with applicants to develop applications that could cover feasibility studies and/or

construction costs. We anticipate only a small number of current projects will reach this stage. Officials will explore what investments could bring Māori owned land into production in the regions. This work will inform, and be informed by, the Government's work on Crown-Māori relationship on freshwater.

- *Regional assessments of water storage, use and management needs* - The PGF will also contribute to assessments of a region's water storage, use and management needs over 30 – 50 years. These assessments will enable regions to determine the best investment opportunities to increase land use productivity on a sustainable basis. Some of the issues that will be considered as part of these assessments include improvements to water quality, opportunities for bringing Māori collectively owned land into production and areas where Government could partner with local authorities as a component of water storage proposals to strengthen resilience in water availability in light of climate change. It is not expected that the assessments will result in projects that will receive funding within the PGF timeframes. The assessments would instead provide a basis for future investments given the time they will take.