

Approval Cover Sheet:

3.7. Opotiki mussel farming and production facility – Stage 1 and 2 Application		For: Consideration and Recommendation	
Tier: 2 - Sectors	Sector: Aquaculture		
Background & context:		Recommendation(s):	
<p>Applicant Organisation:</p> <ul style="list-style-type: none"> Whakatohea Mussels Opotiki Limited (WMOL) <p>Location:</p> <ul style="list-style-type: none"> Opotiki, Bay of Plenty <p>Proposal:</p> <ul style="list-style-type: none"> WMOLs mission is to develop over the next ^{Com} years farming and vessel capacity in both Opotiki and potentially the Coromandel to produce the critical mass of mussels to build a mussel processing factory in Opotiki that will operate 12 months of the year and employ in excess of ^{Commer} people Commercial Information). This application accelerates this by upscaling its operations to a level where it supports building an initial processing plant (employing approximately ^{Commer} people). This application represents a scaled back version of their earlier processing aspirations (i.e just building a grading Commercial Information), but now includes a substantial acceleration of their on-water production by adding ^{Commer} lines in the ocean. WMOL’s expansion will also support other aquaculture initiatives in the area, the Opotiki harbour development and the Marine Industrial Zone. Total project value for Stages 1 and 2 is \$ ^{Commercial In} Commercial In. These are the first two stages of development that accelerate mussel growing in the ocean and on-land processing. Stage 1 is seeking \$850k of grant funding to refresh the expansion and processing plant Business Case. Commercial Information Commercial Information for mussel lines and the processing plant CAPEX and OPEX. Commercial Information Commercial Information 		<p>a) Discuss the Mussel Farming and Production Facility Proposal.</p> <p>b) Commercial Information</p> <p>c) Note that the intention of this application is to create a facility that will employ ^{Comin} people in Opotiki by the start of the ^{Commercia} mussel season Commercial Informa).</p> <p>d) Note that MPI have advised that they think the ^{Comin} jobs are realistic.</p> <p>e) Note that the proposal is part of a broader Eastern Bay Aquaculture package seeking to accelerate open ocean farming of mussels and the development of a resilient on-land industry with safe harbouring for the vessels.</p> <p>f) Note the key PGF criteria this application satisfies include: that it delivers benefit to the community through jobs, adds value by building on what is already there by enhancing the aquaculture industry in the region, aligns with the regional priorities and plans and has support from local governance groups.</p> <p>g) Commercial Information</p> <p>h) Commercial Information</p> <p>i) Note that in principal we support the full package. We recommend a stage gate approach to funding with a stop/go decision based on the outcomes of the refreshed business case. For</p>	

Commercial-in-Confidence

Commercial Information
to service the growth of mussel farming in the Eastern Bay of Plenty.

Funding Sought:

- Total project value: \$**Commercial Information**
- PGF Funding: \$9,850,000 grant and a \$10,000,000 **Commercial Information**

Background:
This application is for one part of a wider Eastern Bay of Plenty Aquaculture Package. The package aims to accelerate the farming of mussels offshore, in deep water (30 metres +), growing the employment base in Opotiki and, in time, driving the viability of safe harbouring in Opotiki.

There are three parts to this proposal:

- Funding the acceleration of WMOL’s mussel farming operations in the ocean
- Funding the building of a mussel grading **Comme** **Commercial Infor** facility (creating **Comm** jobs)
- Funding the scaling up of WMOL to support and service other mussel farming production by other growers.

This proposal does not envisage building a frozen half shell processing facility initially. This capability will be fulfilled by underutilised capacity in North Island Mussels (NMIL) in Tauranga. However, in time **Commercial Info**, WMOL envisage building that capacity in Opotiki in the Marine Industrial Zone.

This initiative has been developed as a derivative of the substantial investment made by the Crown and WMOL in the earlier Opotiki Harbour feasibility work. During this earlier work WMOL funded (from their resources) **Commercial Information**
at an estimated investment of \$**Commercial Information**.

clarity, we are asking for \$850,000 for a refreshed business case **Commercial Information**
Commercial Information, as well as an in principle decision to fund stage 2. This would require a further **Commercial Information** WMOL if the refreshed business case proves viable.

j) We ask that the IAP consider and recommend \$850,000 for a refreshed business case **Commercial Inform**

- **Commercial Information** being conditional upon a refreshed business case being completed that confirms WMOLs viability for the proposed capital investment. **Commercial Information**
- **Commercial Information**

PGF criteria that this proposal supports:

PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> • Creates Comm permanent jobs in the first year by adding a sorting Commercial Information factory, and provides the feeder application to Commer further jobs from more boats and Commercial Information. It also improves the viability of a number of other initiatives in the area. 	✓✓✓

Commercial-in-Confidence

Delivers benefit to the community	<ul style="list-style-type: none"> Significant stimulus for a community that sees the development of the aquaculture industry as their future. Leading the sector towards an estimated ^{Commercial} jobs (Stakeholder Strategies, 2018). 	✓✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> Increases mussel line rentals to Maori sea farm owners; nominal increase to Maori ^{Co}% shareholder. 	✓✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> Increases the utilisation of New Zealand's first open ocean sea farm from ^{Com}% to ^{Com}% of the consented space. 	✓
Mitigation of climate change effects	<ul style="list-style-type: none"> No effect. 	
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> Increases the farming yield per hectare from ^{Commer} to \$^{Commercial}/ha through use of the grading facility and the value added processing; creates high social and economic value around the currently consent water space. 	✓✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> The first significant step in one of the regions four identified catalytic sectors – it will be a step change in the direction of Opoitiki to becoming an aquaculture town. 	✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Aligns with all of the regional (BOP), sub-regional (EBOP) strategic plans – aquaculture and value added processing (powder facility) are stated regional aspirations. 	✓✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> Strong alignment with the local Council (ODC), regional Council (BOPRC), Iwi (Whakatohea) and the Regional Leadership Group (three Mayors – ODC, WDC, KDC). 	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> We have been advised they are a strong early stage company that has registered under the Financial Markets Authority reporting frameworks. This is key to the company's aspirations of achieving a competitive economic scale and so will receive their full focus. 	✓✓✓✓
Risk management approach	<ul style="list-style-type: none"> We have been advised the approach appears consistent with best practice for a 4 year old company. 	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> Clear strategy of creating a broad shareholder base, with a view to listing on NZX. Plus, an intent to anchor this strategy by providing Whakatohea the opportunity to become a cornerstone owner post treaty settlement. 	✓✓✓✓
The purpose of this briefing is to consider recommending PGF funds to the Mussel Farming and production facility – Stage 1 & 2:		

Commercial-in-Confidence

Risks Issues:

Due to the accelerated rate of development, there is a risk that the production facility may not be completed as fast as anticipated and manufacturing jobs will not be created as quickly as indicated (by the start of the ^{Commercial} mussel season).

Weather events may reduce the rate of line installation.

Eligibility points of note:

- *Due diligence*:- Full due diligence is being 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*:- Yes, as detailed above.
- *Note the outstanding items* include the 2018 financial results being received to the satisfaction of the PDU prior to releasing the initial \$850,000 grant and a viable business case, before entering into any agreements on further support.
- **Commercial Information**

Consultation undertaken or implications:

Legal	N/A	HR	N/A	Finance	N/A	MEIE policy	N/A	Other	MPI & TPK Consulted
MFAT must be consulted									
Supporting proposal:					Yes				
Appendices:					Yes - Applications Commercial Information				
Sponsor(s):					N/A				
Manager/Author of paper:					Jason Hall - Investment Team				