

## Raukokore – Kiwifruit and Water Storage Development Package

### Projects overview

|  |  |
|--|--|
| <b>Name of the project</b>                   | Raukokore – Kiwifruit and Water Storage Development Package  |
| <b>Region</b>                                | Bay of Plenty  |
| <b>Tier and type</b>                         | Water Storage: Tier 3: Infrastructure<br>Kiwifruit: Tier 2: Sectors  |
| <b>Applicant</b>                             | Te Whānau a Maruhaeremuri Hapū Trust   |
| <b>Estimated total project cost</b>          | Water Storage: \$ <small>Commercial Information</small><br>Kiwifruit: \$ <small>Commercial Information</small> for initial <small>Comme</small> hectares |
| <b>Amount of funding sought from the PGF</b> | Water Storage: \$10.6 million<br>Kiwifruit: \$5 million  |
| <b>Financial instrument requested</b>        | Water Storage: Loan/ <small>Commercial Information</small> loan for pre-construction<br>Kiwifruit: Whenua Māori loan                                     |
| <b>PDU recommendation</b>                    | <b>Approve</b>   |

### Background

247. The Te Whānau a Maruhaeremuri Hapū Trust (the Trust) seeks PGF funding for two strongly linked projects in the Bay of Plenty:

- The first project is for a loan of \$10.6 million to design and construct the Raukokore/Waihou Bay community water storage and distribution scheme.
- The second project is for a \$5 million Whenua Māori loan to develop of an initial Comme hectare kiwifruit orchard that is expected to use the Raukokore water storage and distribution scheme.

#### *Raukokore Water Storage*

248. The Trust wishes to facilitate Commercial Information hectares of high value horticulture development. Further capacity up to Commercial Information hectares is expected to be developed over time.

249. A co-operative entity is expected to be established to own and operate the scheme. It is intended that the water user entities will be shareholders.

250. The water take resource consent application has been granted.

### *Kiwifruit Orchard*

251. The development is expected to be [redacted] hectares initially as the first of four stages of the project. It is proposed that the orchard will be increased to [redacted] hectares across multiple Māori land blocks.

### **Overview of projects**

252. The Trust is nearing the completion of its PGF-funded feasibility study to develop a water storage and distribution scheme with the potential to irrigate up to 900 hectares of land suitable for high-value horticulture. The Trust has also carried out an Expression of Interest process that supports this project.
253. The projects are expected to create sustainable employment opportunities in a historically disadvantaged area.
254. Kiwifruit is successfully grown on the Bay of Plenty's east coast and the growing conditions in Raukokore are appropriate. Kiwifruit grown on the east coast often ripen earlier and go to market before other kiwifruit-growing regions. SunGold kiwifruit grown in Raukokore and nearby areas have proven to yield above average industry average crop volumes and above industry market returns due to the unique micro-climate and fertile soil types.
255. There is strong community support for both projects.
256. Previous work from the regional economic development plan indicates:
- a. The Raukokore catchment has been identified as an area for potential horticultural development.
  - b. Under the current allocations, there would either be a surplus of surface or groundwaters (or both) to support growth in opportunities in most of the areas examined in the study, if irrigation and frost protection consents are based on reasonable use.
  - c. There is significant potential to support economic growth through increased freshwater use. The economic growth opportunity created from freshwater is likely to be primarily generation from irrigation, particularly irrigation of high value horticultural crops. Should this occur, the benefits to local districts and regions in terms of revenue generated, local employment and downstream benefits are significant.

### *PDU recommendations*

257. The PDU recommends that you approve the Trust's request for a \$10.6 million loan, with preconstruction as a [redacted] loan, to design and construct the Raukokore/Waihou Bay community water storage and distribution scheme, subject to the following conditions:
- a. A project plan for the final design/commercialisation phase to the PDU's satisfaction.
  - b. The project must continue to conform to the PGF's investment principles for water storage.
  - c. Funding will be released in tranches as milestones are achieved, with the project required to be construction ready before the construction phase is available.
  - d. The sponsor utilises appropriately experienced capability (technical and commercial) to support successful project execution.
  - e. The PDU to complete relevant due diligence and be satisfied with any findings.

258. The PDU recommends that you approve the Trust’s request for a \$5 million Whenua Māori loan to develop an initial [redacted] hectare kiwifruit orchard that will use the Raukokore water storage and distribution scheme, subject to the following conditions:
- a. A project plan for the pre-final investment decision (FID) phase is developed to the PDU’s satisfaction, including the economic viability of the gold kiwifruit and also an alternative crop type.
  - b. Funding will be released in tranches as milestones are achieved, with only limited development funding until FID.
  - c. The PDU to complete relevant due diligence and be satisfied with any findings.
  - d. The PDU confirms that the landowners represented by the Trust are the material beneficiaries of the support.

## Costs and funding

259. The total cost of the water storage project is estimated to be \$ [redacted].
260. The total cost of the kiwifruit orchard is estimated to be \$ [redacted] for [redacted] hectares. It is estimated the initial [redacted] hectares will cost \$ [redacted].
261. The Trust has proposed the following funding arrangements for its two projects:
- a. \$ [redacted] from the PGF.
  - b. \$ [redacted] from investors (not confirmed).
262. Preliminary project economics suggests that the projects (particularly the water storage development) are not viable without PGF support. Full commercial funding is not available for either project.
263. [redacted]
264. [redacted]

## PDU assessment of the project

265. This section provides an overview of PDU’s assessment against the PGF eligibility and assessment criteria.

### Assessment against PGF criteria

| Criteria                                      | Rating<br>(1✓ to 5✓) | Comment  |
|---|----------------------|--|
| <i>Link with fund and government outcomes</i> |                      |  |
| <b>Creates permanent jobs</b>                 | ✓✓✓✓                 | The proposed project is for the benefit of a high-needs community within a surge region. The primary intended land use is high value horticulture (kiwifruit) with expected benefits including increased employment opportunities. If successful, the development of land into high value horticulture is expected to create jobs on the orchard and |

| Criteria   | Rating<br>(1✓ to 5✓) | Comment   |
|--|----------------------|---|
|  |                      | jobs in supporting industries such as retail. Support may be required to manage risks and challenges associated with skills development and potential workforce shortages.  |
| <b>Delivers benefit to the community</b>                     | ✓✓✓✓                 | The primary intended land use is high value horticultural (kiwifruit) with expected benefits including sustainable development of Māori land. There is a potentially strong economic impact through a new investment into the region, generation of new jobs and improved profitability and income streams.<br><br>If successful, development of the land is expected to add additional income to the community.  |
| <b>Increased utilisation and returns of Māori asset base</b> | ✓✓✓✓                 | The applicant organisation is a hapū trust associated with <span style="background-color: #cccccc;">Commercia</span> land blocks. It is submitting this application on behalf of a steering group that includes a range of land owning Māori trusts and Māori incorporations.   |
| <b>Enhanced sustainability of natural assets</b>             | ✓✓✓✓                 | A reliable source of water is critical to maintaining the sustainable development of land-based industries. The intended land use is horticulture.  |
| <b>Mitigation of climate change</b>                          | ✓✓✓✓                 | Water storage is a significant mitigating factor to the effects of climate change.  |
| <i>Additionality</i>   |                      |   |
| <b>Adding value by building on what is already there</b>     | ✓✓✓✓                 | <div style="background-color: #cccccc; padding: 5px;"><b>Commercial Information</b></div> <p>The \$5 million capital for the kiwifruit orchard is expected to assist in alleviating the <span style="background-color: #cccccc;">Commercial Information</span>. There should be capacity for refinancing in the future. This project will build on an existing natural resource, which is a scarce resource available for Māori land in the area and is a key component for a successful, high value sustainable primary sector industry.</p> |
| <b>Acts as a catalyst for productivity potential in</b>      | ✓✓✓✓                 | The case for horticulture development and small scale water storage and distribution within this community is strong. The project has the potential to act as a best practice exemplar in the region.   |

| Criteria   | Rating<br>(1✓ to 5✓) | Comment  |
|--|----------------------|--|
| the region   |                      |  |
| <i>Connected to regional stakeholders and framework</i>  |                      |  |
| <b>Alignment with regional priorities</b>                | ✓✓✓✓✓                | <p>The projects align with the following priorities:</p> <ul style="list-style-type: none"> <li>• PGF principles in relation to investment in water storage.</li> <li>• Bay of Plenty regional priorities for water and land development to unlock the economic potential of communities.</li> </ul> <p>Water availability is recognised as the primary barrier to high value horticulture development in the community. This kind of economic development is expected to generate significant economic opportunities, including employment, which is a priority for the region.</p> |
| <b>Support from local governance groups</b>              | ✓✓✓✓                 | <p>The applicant is a hapū trust associated with <span style="background-color: #cccccc; padding: 0 2px;">Commercia</span> land blocks. It is submitting the application on behalf of a steering group that includes a range of land owning Māori trusts, the relevant hapū and Māori incorporations.</p>  |
| <i>Governance, risk management and project execution</i> |                      |  |
| <b>Robust project management and governance systems</b>  | ✓✓✓                  | <p>With the support of MPI and PDU through its current projects, the applicant has worked to develop project management capability and capacity. Further support from government will be required to continue to build on this.</p> <p>The project will be delivered in accordance with infrastructure/resource development best practice.</p>   |
| <b>Risk management approach</b>                          | ✓✓✓                  | <p>The applicant has provided a comprehensive risk assessment table. See Risk assessment section.</p>  |
| <b>Future ownership / operational management</b>         | ✓✓✓                  | <p>Future ownership and management plans are currently under development and will need to be confirmed as part of the next stage of land and water scheme development.</p>   |

## Agency comments

### Ministry of Primary Industries

266. MPI has been supportive of the investigation of land use and water storage options.

267. MPI's views are aligned with those of the PDU. MPI recommends that conditions of the funding include:

- Confirmation of which entity will contract the funding, how the funding will be used and the key milestones.
- Confirmation of co-funding.
- Confirmation and agreement on the approach to the development should the Commercial Information licence not be obtained in the anticipated timelines and impacts on the financial projections.

268. The first bullet point raised by MPI will be covered as part of PDU's standard process and project plans. The PDU is aware that co-funding won't occur before the beginning of the project .that green kiwifruit can be planted without a licence.

*Ministry of Foreign Affairs and Trade*

269. **Free and frank opinions** [Redacted]

270. **Commercial Information** [Redacted]

271. However, MFAT notes these risks need to be weighed up against the important well-being benefits to Māori in structurally disadvantaged regions facilitated by the Whenua Māori programme. MFAT recommends any public communication on this project focuses on community outcomes, rather than highlighting production or export growth. The PDU notes that a commercial loan is not viable.

**Risk assessment**

272. Due diligence is currently being undertaken. Any approval of funding is subject to satisfactory due diligence.

273. The PDU has identified the following key risks and mitigations:

| Type of risk   | Risk description  | Mitigations                                   | Risk Rating L/M/H |
|----------------|---|---|-------------------|
| <b>Project</b> | Developing water storage projects is a complex and time consuming exercise that requires a high calibre of technical, regulatory, environmental, financial and commercial capability.                   | This will be a term of any funding agreement. | Medium            |
|                | It will be critical that the project continues to develop in manner consistent with the PGF's water storage principles to ensure that the environmental and sustainable economic benefits are achieved. | This will be a term of any funding agreement. | Medium            |