



2.27 Enabling Horticultural Opportunities through off stream water storage – Development Phase

PGF Application		For: Approval	
Applicant:	Te Waka Pupuri Putea Trust	Pipedrive ID #	Commercial Information
Entity Type:	Registered Charitable Trust	PGF Funding Sought:	\$97,500
Region	Northland (Far North)	Total Project Cost:	\$ Commercial Information
Tier:	3 - Infrastructure	Co-contribution rate:	Comm %
Sector:	Water Storage	Funding Structure:	Grant

We recommend that the IAP:

- a) **Approve** \$ Commercial Information in PGF funding as a grant to Te Waka Pupuri Putea Trust for the development phase of the Horticulture Expansion Project , subject to the following conditions:
 - a. PDU approval of the scope and contractors;
 - b. the Project must continue to conform with the PGF investment principles for water storage as it develops; and
 - c. Completion of due diligence..
- b) Note that the Applicant requested \$97,500 in PGF funding, Commercial Information
- c) **Note** that this Project strongly aligns with the regional economic development plan (water has been identified as a key priority for the region).

Proposal

To enable a shift to higher value sustainable land use on Māori owned land through the expansion of small scale off stream water storage by up to Commercial Information ha, which will provide both resilience to climate change and be a driver of prosperity within the immediate community given its proximity to Kaitaia.

The application seeks funding to complete the pre-construction development phase of the project.

The Applicant proposes to use the water on lands owned or leased by it. The intended use of the land is market gardening, potentially Commercial Information Prefeasibility analysis is completed, all land access required (except council road reserve) is in place.

Some further PGF funding will likely be required for the full project with the cost estimate for the project being \$ Commercial Information to \$ Commercial Information

Background

Te Waka Pupuri Putea Trust (**TWPPT**) is the Asset Holding entity of Te Runanga o Te Rarawa a settled Iwi based in

the Far North with over ^{Commercial Info} registered beneficiaries
 TWPPT has a small existing water storage scheme, that it wishes to expand.

Assessment against the PGF criteria:

Eligibility Criteria

- This application is eligible for PGF funding.

Productivity Potential

Water storage will enable a shift to land uses that are both more sustainable environmentally, and better from a productivity perspective (e.g. horticulture / market gardening).

Policy objectives and regional priorities

PGF principles in relation to investment in water storage

- In October 2018 Cabinet a set of investment principles for PGF water storage projects.
- Appendix 1 sets out an assessment of this Project against those principles.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
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Link with fund and government outcomes

Creates permanent jobs	<ul style="list-style-type: none"> • This proposal identifies and addresses a risk to the region’s long term ability to develop its horticulture 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 horticulture crops and to increase climate resilience. There is demand for horticultural expansion in Northland but this is dependent on a reliable source of water. 	✓✓✓✓
Delivers benefit to the community		
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> • The Applicant is the asset holding entity for a settled Far North iwi. The majority of benefits will accrue to the iwi. 	✓✓✓✓✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> • This project is intended to support high value land use with lower environmental impact, in line with the Government’s just transition priorities. • Specifically, the Project will focus on environmentally sustainable land uses such as horticulture. 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	<ul style="list-style-type: none"> Water supply resilience (in the context of climate change causing increasing uncertainty in water supply) is a key driver of this project. 	✓✓✓✓
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> This project will build on an existing natural resource, water, acting as a catalyst. Water is a scarce resource in an area that otherwise has the key components required for a successful, high value sustainable primary sector industry (e.g. climate, downstream infrastructure, etc). 	✓✓✓✓✓
Acts as a catalyst for productivity potential in the region		
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> This project is aligned with the region’s identified need for water supply resilience, and regional economic development including supporting the productive capacity of its primary sector. 	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> Relevant local authorities supportive of this project and view water security as one of the top issues for the region. 	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> Appropriate management and governance structures are in place. The Applicant has a general manager, and already operates a number of businesses. 	✓✓✓
Risk management approach		
Future ownership / operational management	<ul style="list-style-type: none"> To be considered as part of the development phase. 	✓✓✓
Analysis of the benefits		
<p>A study for another water storage project reached the following conclusion: “Over the next 25 years, an additional ^{Commercial} ha in outdoor vegetables generates ^{Commercial} more jobs and \$ ^{Commercial Information} p.a GDP”. This should apply equally to this Project.</p>		
Financial Analysis		
<ul style="list-style-type: none"> Financial analysis to date has focussed on understanding the proposed costing and funding for the development phase. Going forward, the development budget and economics of the project will be re-validated at the end of the work the Applicant is seeking funding for. The current budget for the project is set out in the table below. Current estimates of construction cost are \$ ^{Commercial Information} to \$ ^{Commercial Information} (which is not the subject of this application). 		
Funding Arrangements		
<ul style="list-style-type: none"> The proposed funding approach is a grant. A funding condition will be ongoing compliance with the PGF investment principles for water storage (as set out in Appendix 1). 		

Due Diligence and Ownership	
<ul style="list-style-type: none"> • Due diligence is underway. 	
Link to other projects	
<ul style="list-style-type: none"> • This project is aligned with the wider Te Hiku far north water storage strategy project. • This project is also aligned with the other major water storage project in Northland, being led by Northland Regional Council. 	
Risk Assessment	
<p>1. Ensuring project development continues to align with PGF water storage investment principles</p> <p>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.</p>	
<p>2. Appropriate capability</p> <p>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.</p>	
<p>3. Stakeholder engagement and involvement</p> <p>Water storage projects usually have a large group of diverse stakeholders. Appropriate involvement is critical.</p>	
<p>4. Need for further funding and project viability</p> <p>The project cost estimates are preliminary. A robust investment assessment will be required at the end of each phase, to assess whether the project remains viable. Further funding is likely to be required for construction.</p>	
Consultation undertaken or implications:	
<p>DOC have commented on the application – they have suggested “Early engagement with applicants and discussion about water sources, potential storage sites, quantities to be taken and stored, and types of subsequent land use and any water quality implications.”</p> <p>The local MPI team have been involved in the application process and are supportive.</p>	
Supporting proposal:	Yes – (Application Form)
Appendices:	Yes – (Application Form) Document Will Be Proactively Released Separately
Author of paper:	Privacy 0 , PDU Water Storage Lead

Appendix 1: PGF Investment Principles for Water Storage

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 Projects 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.	The focus of this Project is shifting from low productivity land to higher value non-ruminant uses, and improving environmental outcomes to allow existing high value (non-ruminant) land use to continue.
Water storage will help address disparities in Māori access to water for land development.	The Applicant is an iwi asset holding entity. This project will definitely assist in addressing disparities in Maori access to water for land development.
Community	
Small scale community level projects will be supported rather than mega irrigation schemes.	The estimated construction cost for the project is \$ - \$ Commercial Information
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 iwi and community economic benefit.
Projects will involve stronger partnerships at the local level, including with regional councils.	The project is being sponsored by asset holding entity for the local iwi. The sponsor will need to partner with local authorities to some extent to deliver the project.
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.	This project was not part of the CIIL work programme.
Environment	

<p>Water storage proposals should demonstrate that they will support land use that does not increase, and ideally reverses, negative impacts on water quality.</p>	<p>A key condition of funding will be compliance with this investment principle.</p>
<p>Proposals should maintain the health of waterways.</p>	
<p>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.</p>	
<p>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.</p>	<p>The focus of this project is on non-ruminant agriculture.</p>
<p><i>Climate change</i></p>	
<p>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.</p>	<p>Climate change typically results in increased uncertainty in the reliability levels of water supply. This project will respond to this issue.</p>
<p>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.</p>	