



BRIEFING

HEKEAO HINDS WATER ENHANCEMENT FEASIBILITY PROJECT

| | | | |
|---------------------------------|------------------|-------------------------|------------|
| Date: | 04 November 2019 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | 1328 19-20 |

| Action sought | | |
|--|---|-----------------|
| | Action sought | Deadline |
| Hon Grant Robertson Minister of Finance | Note Hekeao Hinds Water Enhancement Trust's approval in-principle for a \$950,000 grant from the Provincial Growth Fund. | 7 November 2019 |
| Hon Phil Twyford Minister of Transport Minister of Economic Development | | 7 November 2019 |
| Hon David Parker Minister for Trade and Export Growth | | 7 November 2019 |
| Hon Shane Jones Minister for Regional Economic Development | | 7 November 2019 |
| Fletcher Tabuteau MP Parliamentary Under-Secretary to the Minister for Regional Economic Development | Note the contents of this briefing. | 7 November 2019 |

| Contact for telephone discussion (if required) | | | |
|--|--|----------------------------|-------------|
| Name | Position | Telephone | 1st contact |
| David van der Zouwe | Head of Investment Management | Privacy of natural persons | ✓ |
| Privacy of natural persons | Investment Director, Provincial Development Unit | Privacy of natural persons | |

| The following departments/agencies have been consulted |
|--|
| N/A |

Minister's office to complete:

Approved

Declined

Noted

Needs change



PROVINCIAL
DEVELOPMENT
UNIT

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



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Purpose

To provide Regional Economic Development Ministers' an opportunity to discuss the Provincial Growth Fund proposal, Hekeao Hinds Water Enhancement Feasibility Project, approved by Senior Regional Officials.

Recommended action

The Provincial Development Unit (PDU) recommends that you:

- a. **Note** that on 26 September 2019 Senior Regional Officials approved a \$950,000 grant from the Provincial Growth Fund towards the Hekeao Hinds Water Enhancement Feasibility Project, subject to:
- i. consultation with RED Ministers;
 - ii. a positive due diligence outcome in respect of the proposed applicant; and
 - iii. a review of contract conditions and the scope of work.

Noted

- b. **Note** this briefing provides Ministers' an opportunity to discuss the Hekeao Hinds Water Enhancement Feasibility Project.

Noted

David van der Zouwe
Head of Investment Management
 Provincial Development Unit
 Ministry of Business, Innovation and Employment

..... / /

Hon Grant Robertson
Minister of Finance

..... / /



**PROVINCIAL
DEVELOPMENT
UNIT**

Hon Phil Twyford
Minister of Transport
Minister of Economic Development

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Hon David Parker
Minister for Trade and Export Growth

..... / /

Hon Shane Jones
Minister for Regional Economic Development

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Background

1. On 26 September 2019 Senior Regional Officials approved the Hekeao Hinds Water Enhancement Trust's application for a \$950,000 grant from the Provincial Growth Fund (PGF) towards Phase 3 of the Hekeao Hinds Managed Aquifer Recharge Project subject to:
 - i. consultation with RED Ministers;
 - ii. a positive due diligence outcome in respect of the proposed applicant; and
 - iii. a review of contract conditions and the scope of work.
2. The PDU is currently undertaking work to meet the above conditions.

The proposal

3. Managed aquifer recharge (MAR) is the purposeful recharge of high quality water to aquifers for multiple benefits. Phases 1 & 2 of the Project (from ^{Commercial Information}) have proven the potential of the MAR concept and developed a preliminary Business Case.
4. The purpose of Phase 3 is to complete MAR feasibility investigations, finalise the MAR Business Case, and confirm implementation support with the Hinds community.
5. This will be followed by Phase 4 (the implementation phase). PGF support is not expected to be required for this phase. Water users and other community members are expected to cover the costs of implementation (approximately \$^{Commercial Information}). Raising this capital now will be challenging until Phase 3 is completed.

PDU assessment

Economic impact

6. Recent economic analysis has estimated the increase in the community cost of meeting relevant Canterbury Land and Water Regional Plan (LWRP) Plan Change 2 targets (average groundwater nitrate-nitrogen concentration < ^{Commercial Information} mg/l) without the anticipated MAR contribution at \$^{Commercial Information} per year. Progressing and optimising MAR performance is therefore considered essential to minimising the economic impacts of Plan Change 2.
7. The Hekeao / Hinds Zone is one of the most productive agricultural regions in New Zealand, with a wide variety of land uses including specialist small seeds. The 2018 MRB economic analysis assesses annual regional spend contribution at \$^{Commercial Information}.
8. The objective of this project is to protect existing economic activity levels, not to intensify existing activity. Advice from ECan has provided comfort that from a regulatory perspective, this project will not result in intensification. The Project should also support transition away from dairying to high value non-dairy uses (e.g. high value small seeds, which are proven in this catchment).

Environmental impact

9. The zone also has a high proportion of residents (approximately ^{Commercial Information}%) drinking from private groundwater supplies. A recent Environment Canterbury report for the Tinwald sub-catchment of the Hinds Plains (attached) concluded:
 - "Nitrate concentrations have been elevated in parts of the study area since at least the mid-1980s, and groundwater quality monitoring wells show increasing



nitrate concentrations over time. The majority of samples have nitrogen isotope and groundwater chemistry indicative of a dominant inorganic fertiliser source mixed with a lesser proportion of effluent.”

- “In the Tinwald study area, two wells < 50 m have been dated at between 12 and 63 years. We expect ages would increase with depth as in the greater Ashburton area” {where} “ages vary from 0 to 200 years old.”

Alignment with regional priorities

10. The project arises from and is part of the implementation of the Canterbury Water Management Strategy, under the governance of the Canterbury Mayoral Forum. Water quantity and quality goals set by the Ashburton Water Management Committee are being implemented through the LWRP.
11. Three complementary approaches are supported: restricting irrigated area, reducing nutrient leaching (Comme % reduction by Commercial In) and MAR. Analysis presented during the formation of the LWRP indicates that together these approaches can reduce the average annual groundwater concentrations of nitrate-nitrogen to < Commercial g/m3 by Commercial In.
12. As nutrients take years to, decades to, travel through the Hinds groundwater system, a key urgent requirement for MAR is the management of nutrients leached by the previous generations of land uses.

Funding and financials

13. The total expected cost of Phase 3 is \$ Commercial Information. The Trust was approved \$0.950 million from the PGF as a grant.

Other agency consultation

14. The Department of Conservation is supportive, subject to the following being included in the scope of the project:
 - evaluation from local operations, Resource Management Act and freshwater technical staff, and
 - Detailed monitoring with a direct feedback loop.

Next Steps

15. Subject to this discussion and Minister feedback, the PDU intends to notify the applicant of the outcome of their application, and commence preparation of a funding agreement once all conditions to approval have been met.