

# BRIEFING

## Overview of PDU-managed water investments

<b>Date:</b>	27 November 2020	<b>Priority:</b>	Low
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2021-1559

Action sought		
	Action sought	Deadline
Hon Stuart Nash <b>Minister for Economic and Regional Development</b>	<b>Note</b> the contents of this briefing	10 December 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Head of the Provincial Development Unit	Privacy of natural persons	✓

**Minister's office to complete:**

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments**

# BRIEFING

## Overview of PDU-managed water investments

<b>Date:</b>	27 November 2020	<b>Priority:</b>	Low
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2021-1559

### Purpose

---

The purpose of this briefing is to outline water storage projects managed by the Provincial Development Unit (PDU).

### Recommended action

---

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the contents of this briefing.

*Noted*

Robert Pigou  
**Head of the Provincial Development Unit**  
 Ministry of Business, Innovation and  
 Employment

27/11/2020

Hon Stuart Nash  
**Minister for Economic and Regional  
 Development**  
 ..... / ..... / .....

## Background

---

1. The Provincial Development Unit (PDU) supports investment into water infrastructure, as it can be an enabler of sustainable land development, by transitioning lower value land use to high value land use. This results in greater returns for landowners, and increased employment.
2. While investment is typically targeted at land development to progress New Zealand's primary industries, water storage and distribution infrastructure managed by the PDU can also support industrial and municipal, or drinking water, supply.
3. In addition to standard PDU criteria, all projects must be consistent with the Cabinet-mandated principles for investment into water storage.

### First water storage investments

4. At its meeting of 23 October 2018, Cabinet confirmed the Development Committee's priority investments to support regional economic development [DEV-18-MIN-0235 refers]. This paper approved a framework which identified three objectives for freshwater (including establishing a new Crown-Māori relationship for freshwater) [CAB-18-SUB-0296 refers]. The three objectives are:
  - a. Stopping further degradation and loss
  - b. Reversing past damage
  - c. Addressing water allocation issues.
5. To achieve these objectives, the paper also identified a set of core Government principles for water storage investments:
  - a. Strengthen regional economies by shifting to higher value, non-dairy, sustainable land uses
  - b. Address disparities in Māori access to water for land development
  - c. Support micro- to medium-scale water storage projects that strengthen regional partnerships and provide wider public benefits
  - d. Support land use that does not increase – and ideally reverses – negative impacts on water quality, and maintains and improves the health of waterways
  - e. Contribute to a just transition to a low emissions economy and/or contribute to building community resilience to climate change, and
  - f. Provide an incentive to change land use that risks degrading the environment to high value, more sustainable uses.
5. Priority regions for investment included Northland, Hawke's Bay, Tairāwhiti and the Bay of Plenty. Cabinet agreed to three key elements for PGF investment in water storage:
  - a. Feasibility studies to inform investment decisions
  - b. Contribution to construction costs
  - c. Regional assessments of water storage, use and management need

### The PDU manages numerous investments across the country

6. A full list of water storage projects managed by the PDU has been provided in Annex One. This includes:
  - a. \$80.6 million of projects in Northland, including \$<sup>Commercial</sup> million to improve water storage for Kaipara and the Mid North, and \$<sup>Commercial</sup> million for water storage projects in the Far North.

These will ensure a more reliable water supply for the region that can be used to develop underutilised land, grow new markets and create jobs;

- b. \$35.3 million of projects in the Hawke's Bay, including developing and constructing water storage options on the Heretaunga and Ruataniwha Plains, which will improve security of water supply and mitigate environmental impacts during dry conditions;
- c. Raukokore/Waihau Bay: \$950,000 of grant funding, and \$10.6m of loan funding to assess the feasibility, then design and build the Raukokore/Waihau Bay community irrigation scheme in the Eastern Bay of Plenty to support kiwifruit development on Māori owned land;
- d. Te Kaha: \$500,000 of grant funding and \$<sup>com</sup>m of loan funding to assess the feasibility, then design and build a water distribution network in Te Kaha to support kiwifruit development on Māori owned land, and
- e. Wairarapa: \$7 million of loan funding to progress the Wakamoekau water storage project that aims to strengthen the resilience of freshwater supply to the region.

### **Cabinet's reprioritisation of funding post-COVID-19**



7. At its meeting of 4 May 2020, Cabinet approved [CAB-20-MIN-0197 refers] a reset to the Provincial Growth Fund (PGF) to allow the fund to be more responsive to the economic impacts of COVID-19. As part of the reset, Cabinet agreed to additional investment in water storage, to provide jobs and economic activity in the short term through construction of water storage and distribution infrastructure, as well as the resulting 'on-orchard' development activity.
8. This decision also supported the primary sector more broadly, which was one of the core sectors that the previous Government wished to see grow, by enabling greater sustainable land productivity. It was also agreed that investment would continue to be aligned to the "PGF Water Storage Investment Principles" detailed in paragraph five above, which Cabinet agreed in October 2018.
9. PDU-managed water storage projects which were contracted post-reset include:
  - a. **Commercial Information**
  - b. Te Whitiki o nga Punawai o Hokianga: \$995,000 of grant funding to upgrade or update water supply infrastructure across multiple sites in Hokianga
  - c. Flaxbourne Community Water scheme: \$3 million of loan funding for water storage to support viticulture development.
  - d. Regional water needs assessments and aquifer mapping: \$10 million of grant funding, to conduct a strategic water needs assessment, including sustainable development opportunities across multiple regions.

### **Sector transformation**

10. At your meeting with PDU Officials on 16 November you discussed and agreed with the recommended approach outlined in the second tier briefing A focussed evolution of Regional Economic Development [B2021-1196 refers].
11. Through the Regional Strategic Partnership Approach, supporting sector transformations in the regions has been highlighted as an important component of advancing the country's overall economic strength. Officials have recommended embedding an active sector investment policy into regional economic development, with a more strategic focus. The PDU's portfolio of water storage projects are well-placed to contribute to a proactive and strategic regional development programme.

12. In addition to specific construction projects that have already been identified, early stage feasibility studies and regional water assessments provide a strategic analysis of regional development opportunities, as well as any technical, commercial or environmental risks that need to be managed.
13. Regional assessments will inform opportunities to bring Māori collectively-owned land into production, regional priorities for water remediation through PGF water storage investments and areas where there is high quality land, but with a lack of water. The PGF could also partner with local government as a component of water storage proposals to strengthen resilience in municipal water availability in light of climate change.

### Managing and delivering water storage projects

14. Water storage projects are often complex and resource-intensive to deliver well. The activities involved in delivering water storage projects include:
  - a. **Technical:** design, site, costing, procurement of contractors
  - b. **Regulatory:** preparing for consents, plan changes, farm-side regulatory considerations
  - c. **Funding:** funding, project viability, delivery vehicle for construction
  - d. **Demand:** working with water users (Māori, non-Māori, farmers, orchardists, industrial users, municipal) to build understanding and commitment from customers, and potential future uptake.
15. The contracting is stage gated to reflect the different phases of the commercial development of a water storage scheme. The contract for the commercialisation phase is signed first with the other contracts for the other phases of the contract to follow in line with the relevant investment decisions.
16. It should also be noted that, advice provided as part of the PDU's post-COVID reset noted the potential benefit in taking a more proactive and strategic approach to the delivery vehicles of water storage projects.
17. Free and frank opinions 
18. Free and frank opinions 

### Water storage and Māori

19. Improving Māori land access to water, and addressing water allocation issues that disproportionately affect Māori land owners, is a key objective of the PDU's investment in water storage. This is achieved by providing a combination of grant funding, suspensory and concessionary loan funding, to comprehensively assess the viability of water storage and distribution infrastructure, and the land development opportunities this would enable. Once feasibility is confirmed, the PDU is then able to support the construction of infrastructure, and in some cases associated land development, in the form of concessionary loan funding.
20. The PDU's investment to progress Māori interests in water management and allocation is done within existing legislative frameworks.

## Annex One: Water storage projects managed by the PDU

---

### Water storage projects funded by the Provincial Growth Fund approved pre-COVID-19

Region	Title	Recipient	Type	Amount
Tai Tokerau/Northland	Project 1: Kaipara Water Distribution Infrastructure Construction (Loan)	Northland Regional Council	Loan	\$11,500,000
Tai Tokerau/Northland	Project 1: Kaipara Water Distribution Infrastructure Construction (Grant)	Northland Regional Council	Grant	\$7,000,000
Tai Tokerau/Northland	Project 2: Mid North Site 1 Construction Project (Loan)	Northland Regional Council	Loan	\$10,000,000
Tai Tokerau/Northland	Project 2: Mid North Site 1 Construction Project (Grant)	Northland Regional Council	Grant	\$1,500,000
Tai Tokerau/Northland	Transitioning to Horticultural opportunities through off stream water storage	Te Waka Pupuri Putea Trust	Loan	\$3,000,000.00
Tai Tokerau/Northland	Northland Water Shortage	Far North District Council	Grant	\$2,000,000.00
Tai Tokerau/Northland	Te Hiku (Far North) Water Solutions Project	Te Runanga Ngai Takoto (Ngai Takoto)	Grant	\$99,500
Tai Tokerau/Northland	Enabling Horticultural Opportunities through off steam water storage	Te Waka Pupuri Putea Trust (TWPP)	Grant	\$97,500
Tai Tokerau/Northland	Northland Regional Council Water Storage and Use Project Planning	Northland Regional Council	Grant	\$66,250

Tai Tokerau/Northland	Development of Strategy to Raise Lake Omapere	Te Aranga Hou Marae, and Lake Omapere Trust	Grant	\$59,000
			<b>TOTAL</b>	<b>\$35,322,250</b>
Bay of Plenty	Raukokore-Waihou Bay Community Irrigation Design and Build	Te Whanau A Maruhaeremuri Hapu Trust	Loan	\$10,600,000
Bay of Plenty	Raukokore Irrigation Feasibility and Design Study	Te Whanau A Maruhaeremuri Hapu Trust	Grant	\$950,600
Bay of Plenty	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information
Bay of Plenty	"Te Kaha-nui-a-Tiki" - Te Kaha Development Project - Stage 1 and 2 (Grant 2)	Te Kaha Group Holding Limited Partnership	Grant	\$500,000
			<b>TOTAL</b>	<b>\$ Commercial Information</b>
Tairāwhiti/East Coast	Maukauri Aquifer Recharge	Gisborne District Council	Grant	\$542,500
			<b>TOTAL</b>	<b>\$542,500</b>
Hawke's Bay	Hawke's Bay Regional Water Security Programme –Tukituki water Security Projects (Loan 1)	Hawke's Bay Regional Council	Loan	\$2,500,000
Hawke's Bay	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information

Hawke's Bay	Hawke's Bay Regional Water Security Programme – Heretaunga Flow Enhancement Scheme (Loan 1)	Hawke's Bay Regional Council	Loan	\$1,700,000
Hawke's Bay	Hawke's Bay Regional Water Security Programme – Heretaunga Flow Enhancement Scheme (Loan 2)	Hawke's Bay Regional Council	Loan	\$11,200,000
Hawke's Bay	Hawke's Bay Water – Regional Freshwater Assessment and SkyTEM - Airborne Electromagnetic (AEM) Survey	Hawke's Bay Regional Council	Grant	\$2,154,000
Hawke's Bay	Hawke's Bay Water – Regional Freshwater Assessment and SkyTEM	Hawke's Bay Regional Council	Grant	\$450,000
Hawke's Bay	Whakaki Lower Catchment Pilot Project deal	Hawke's Bay Regional Council	Grant	\$100,000
			<b>TOTAL</b>	<b>\$30,304,000</b>
Manawatū-Whanganui/Horowhenua	Detailed Business Plan for a Tutaenui Community Agricultural Water Scheme	Rangitikei District Council	Grant	\$120,000
Manawatū-Whanganui/Horowhenua	Vinegar Hill Community Stock Water Scheme Design	Manawatu District Council	Grant	\$90,000
			<b>TOTAL</b>	<b>\$210,000</b>
Wairarapa	Wairarapa Community Water Storage Scheme (Wakamoekau) (Part 2)	Wairarapa Water Limited	Loan	\$7,000,000



Wairarapa	Wairarapa Community Water Storage (Wakamoekau)	Wairarapa Water Limited	Grant	\$800,000
Wairarapa	Ruamahanga (Wairarapa) Aerial Hydrogeology Survey	Greater Wellington Regional Council	Grant	1402000
Wairarapa	Wairarapa Water Resilience Plan	Wellington Regional Economic Development Agency Limited	Grant	\$110,000
			<b>TOTAL</b>	<b>\$9,312,000</b>
Canterbury	Hekeao Hinds Water Enhancement Feasibility Project	Hekeao Hinds Water Enhancement Trust	Grant	\$950,000
			<b>TOTAL</b>	<b>\$950,000</b>
Southland	Managed Aquifer Recharge Pilot Testing - Oreti River Catchment	Oreti MAR Limited	Grant	\$593,500
Southland	Water: People Water and Land Strategy Pilot	Environment Southland	Grant	\$300,000
			<b>TOTAL</b>	<b>\$893,500</b>
<b>GRAND TOTAL</b>				<b>\$95,584,850</b>

**Post-COVID-19 Approved PGF water storage projects**

<b>Region</b>	<b>Title</b>	<b>Recipient</b>	<b>Type</b>	<b>Amount</b>
Tai Tokerau/Northland	Project 3: Kaipara Water Infrastructure Construction Loan	Northland Regional Council	Loan	\$11,500,000
Tai Tokerau/Northland	Project 3: Kaipara Water Infrastructure Pre-Construction Loan	Northland Regional Council	Loan	\$7,000,000
Tai Tokerau/Northland	Project 4: Mid North Water Storage and Distribution Infrastructure Pre-Construction Loan	Northland Regional Council	Loan	\$7,000,000
Tai Tokerau/Northland	Project 4: Mid North Water Storage and Distribution Infrastructure Construction Loan	Northland Regional Council	Loan	\$12,000,000
Tai Tokerau/Northland	Commercial Information	Commercial Information	Loan	\$ Commercial Information
Tai Tokerau/Northland	Te Whitiki Nga Punawai o Hokianga	Hokianga Health Enterprise Trust	Grant	\$995,245
Tai Tokerau/Northland	Commercial Information	Commercial Information	Commercial In	\$ Commercial Informatio
Tai Tokerau/Northland	Lake Omapere Feasibility Study Stage 2	Lake Omapere Trust	Grant	\$500,000
			<b>TOTAL</b>	\$ Commercial Information
Tairāwhiti/East Coast	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information
			<b>TOTAL</b>	<b>\$6,500,000</b>

Hawke's Bay	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information
Hawke's Bay	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information
			<b>TOTAL</b>	\$ Commercial Information
Te Tau Ihu/Top of the South	Flaxbourne Community Irrigation Scheme	Marlborough District Council	Loan	\$3,000,000
			<b>TOTAL</b>	<b>\$3,000,000</b>
Southland	Commercial Information	Commercial Information	Grant	\$ Commercial Information
			<b>TOTAL</b>	\$ Commercial Information
National - Tai Tokerau/Northland, Tairāwhiti, Southland, Otago	Regional Water Needs Assessments and Aquifer Mapping	GNS Science	Grant	\$ Commercial Information
National - Tai Tokerau/Northland, Tairāwhiti, Southland, Otago	Commercial Information	Commercial Information	Commercial Info	\$ Commercial Information

			<b>TOTAL</b>	\$ Commercial Information
<b>GRAND TOTAL</b>				\$ Commercial Information

**All PGF-funded water storage investments by region**

Region	Grant Amount Approved	Loan Amount Approved	Total Amount Approved
Tai Tokerau/Northland	\$12,317,495	\$ Commercial Information	\$ Commercial Information
Bay of Plenty	\$1,450,600	\$ Commercial Information	\$ Commercial Information
Tairāwhiti/East Coast	\$542,500	\$ Commercial Information	\$ Commercial Information
Hawke's Bay	\$2,704,000	\$ Commercial Information	\$ Commercial Information
Manawatū-Whanganui/Horowhenua	\$210,000		<b>\$210,000</b>
Wairarapa	\$2,312,000	\$7,000,000	<b>\$9,312,000</b>
Te Tau Ihu/Top of the South		\$3,000,000	<b>\$3,000,000</b>
Canterbury	\$950,000		<b>\$950,000</b>
Southland	\$ Commercial Information		\$ Commercial Information
National - Tai Tokerau/Northland, Tairāwhiti, Southland, Otago	\$ Commercial Information		\$ Commercial Information
<b>GRAND TOTAL</b>			\$ Commercial Information

**Approved not yet contracted water storage projects**

Region	Title	Recipient	Type	Amount	Comment
Tai Tokerau/Northland	Commercial Information	Commercial Information	Loan	\$ Commercial Information	Loan documentation is with Borrower for review.
Tai Tokerau/Northland	Te Whitiki Nga Punawai o Hokianga	Hokianga Health Enterprise Trust	Grant	\$995,245	Funding agreement has been signed by applicant and is with the PDU for execution.
Tai Tokerau/Northland	Commercial Information	Commercial Information	Commercial In	\$ Commercial Informato	Commercial Information
Bay of Plenty	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information	Commercial Information
Tairāwhiti/East Coast	Commercial Information	Commercial Information	Commercial In	\$ Commercial Information	Commercial Information

Hawke's Bay	Commercial Information [Redacted]	Commercial Information [Redacted]	Commercial In [Redacted]	\$ Commercial Information [Redacted]	Commercial Information [Redacted]
Hawke's Bay	Commercial Information [Redacted]	Commercial Information [Redacted]	Commercial In [Redacted]	\$ Commercial Information [Redacted]	
Hawke's Bay	Commercial Information [Redacted]	Commercial Information [Redacted]	Commercial In [Redacted]	\$ Commercial Information [Redacted]	
Hawke's Bay	Commercial Information [Redacted]	Commercial Information [Redacted]	Commercial In [Redacted]	\$ Commercial Information [Redacted]	
Te Tau Ihu/Top of the South	Flaxbourne Community Irrigation Scheme	Marlborough District Council	Loan	\$3,000,000	Loan agreement has been signed by applicant and is with the PDU for execution.

National - Tai Tokerau/Northland, Tairāwhiti, Southland, Otago	Regional Water Needs Assessments and Aquifer Mapping	GNS Science	Grant	\$ <small>Commercial Information</small>	This will be documented following the completion of phase one of the project, which is scheduled for March 2021.
--	--	-------------	-------	--	--