



# Regional Infrastructure Fund Position Paper: Resilience Infrastructure for Extreme Weather Events and Climate Change Impacts

This paper outlines the Regional Infrastructure Fund (RIF) approach to investment in resilience infrastructure for extreme weather events and climate change impacts. The intent is to provide clarity on what the RIF is aiming to achieve for this focus area and its investment priorities.

## OVERVIEW

To be eligible for the RIF, applicants must be unable to access the investment their project requires from other sources. This is to ensure the RIF does not crowd out private investment. Applicants will also generally need to contribute co-funding, including evidence to show they are making the highest contribution that they financially can.

The position papers provide a guide for potential applicants and other stakeholders to support them to identify suitable projects and to frame their applications. Potential projects are not necessarily excluded because they are not covered in a position paper, provided the project meets the RIF eligibility criteria.

The position papers are designed to align with existing Government strategies and policies, and those in development. They will be updated from time-to-time to ensure they continue to align.

## FORM OF INVESTMENT

The RIF is a capital fund, meaning loans, equity and other capital investments are the preferred form of funding. Grant funding will only be available in very limited cases, to accelerate projects that don't have a viable source of debt repayment and would otherwise not progress.

Loans, whether concessionary, convertible, or suspensory, are the most preferred form of funding, as they are the most likely to encourage strong commercial incentives on RIF co-investors.

Each project proposal will be assessed against factors such as commercial potential and strategic alignment with the RIF to identify the most appropriate funding option to deliver the best value for New Zealanders.

## VISION

The RIF will support regions to invest in, build and develop infrastructure that increases the resilience to extreme weather events and other impacts of climate change.

## OBJECTIVES

Through investment in weather event protection and climate adaptation infrastructure, the RIF will aim to:

- Develop infrastructure to provide resilience and protection to communities from extreme weather events and other impacts of climate change
- improve the resilience of infrastructure and essential services available to regions in the immediate aftermath of extreme weather events, and
- enhance the long-term adaptive capacity of regions to weather events and climate change impacts.

## CONTEXT

New Zealand will increasingly experience a range of climate change impacts, including rising sea levels and a higher likelihood of more frequent and severe weather events, such as droughts, cyclones and extreme rainfall. These impacts can directly impact townships, assets, businesses, and essential goods and services (such as food, water, energy and connectivity), threatening the safety and wellbeing of New Zealanders, and cause severe social and economic disruption to New Zealand's regions. Overall damage costs can be high, with the North Island Weather Events in early 2023 estimated to have caused between \$9 and \$14.5 billion of damage .

As well as infrastructure, primary industries in particular are vulnerable to losses from extreme weather events. As these impacts increase there is a growing risk of insurance retreat in the areas that are most impacted by climate change, reducing financial stability and increasing the potential recovery cost risk to the Crown.

The impacts of climate change call for additional investment to enhance the resilience of at-risk communities. Local authorities play the key role, for instance as providers of flood protection and control infrastructure. However, the rating bases of smaller councils in particular means some may struggle to meet all the costs of providing this infrastructure.

Recent experience from Cyclone Gabrielle, where many areas were cut off by road and faced power and internet outages, has also demonstrated the importance of the resilience of this infrastructure in the immediate aftermath of extreme weather events.

## GAPS AND OPPORTUNITIES

Support through the RIF can help to accelerate investment and address critical gaps. This will help make risk-exposed communities safer and more resilient, and reduce costs to the regions, local government, and the Crown that arise after weather events.

Protection infrastructure, such as flood and seawalls and water storage infrastructure for droughts can greatly reduce regional communities' exposure to climate change impacts and protect primary sector outputs at a relatively low cost. Flood protection infrastructure, for example, is estimated to have a very favourable benefit-cost ratio of one to two.

Building resilience into existing infrastructure, including transport options, power supply and telecommunications infrastructure can support regions to recover more quickly in the aftermath of extreme weather events.

### **INVESTMENT PRINCIPLES**

Investment principles provide guidelines for how the RIF will primarily aim to invest in resilience infrastructure for extreme weather events and climate change impacts. The RIF may invest in projects that can demonstrate the following attributes:

- Increases resilience of regional communities to the impacts of climate change.
- Enables the construction or upgrade of protection infrastructure assets that wouldn't otherwise occur, where these are considered the best adaptation approach.
- Generates co-investment from councils, community organisations and other entities into resilience infrastructure.
- Provides backup availability of infrastructure that is key to a region's recovery from extreme weather events.

Resilience infrastructure for extreme weather events and climate change impacts is likely to be assets that are council or community-owned and non-revenue-generating, but could also be revenue-generating assets owned by commercial entities in some cases. A concessionary approach to funding may be applied in limited cases.

### **RIF INVESTMENT PRIORITIES**

The RIF includes a dedicated flood resilience category that will commit at least \$200 million to flood resilience infrastructure projects identified through the Before the Deluge 2.0 report. Other priorities include:

- Associated water management assets that are critically enabling for weather event protection assets - for example storm water assets (e.g., pumps) are often vital to ensuring the success of a floodbank project.
- Water storage for drought resilience purposes, including built infrastructure and managed aquifers.
- Seawalls for coastal areas impacted by rising sea levels, where mitigation is feasible and part of a long-term adaptation plan.
- Transport infrastructure that provides resilience following climate or extreme weather events.
- Backup power supply/telecommunications connectivity infrastructure following extreme weather events.

### **TYPES OF PROJECTS THAT THE RIF WILL NOT INVEST IN**

- Resilience infrastructure for privately owned assets that can be funded privately or that provide no clear spillover benefits for the surrounding community or region.
- Resilience infrastructure which can be fully funded by councils or another central government funding source in a reasonable timeframe, and doesn't require RIF investment.