3.7. Opotiki mussel farming and production facility – Stage 1 and 2 Application

For:
Consideration and Recommendation

Tier: 2 - Sectors
Sector: Aquaculture

Background & context:
Recommendation(s):

a) Discuss the Mussel Farming and Production Facility Proposal.
b) Commercial Information
c) Note that the intention of this application is to create a facility that will employ people in Opotiki by the start of the mussel season.
d) Note that MPI have advised that they think the jobs are realistic.
e) Note that the proposal is part of a broader Eastern Bay Aquaculture package seeking to accelerate open ocean farming of mussels and the development of a resilient on-land industry with safe harbouring for the vessels.
f) Note that the key PGF criteria this application satisfies include: that it delivers benefit to the community through jobs, adds value by building on what is already there by enhancing the aquaculture industry in the region, aligns with the regional priorities and plans and has support from local governance groups.
g) Commercial Information

h) Commercial Information

i) Note that in principal we support the full package. We recommend a stage gate approach to funding with a stop/go decision based on the outcomes of the refreshed business case. For
Commercial Information

to service the growth of mussel farming in the Eastern Bay of Plenty.

Funding Sought:

- Total project value: $......
- PGF Funding: $9,850,000 grant and a $10,000,000......

Background:

This application is for one part of a wider Eastern Bay of Plenty Aquaculture Package. The package aims to accelerate the farming of mussels offshore, in deep water (30 metres +), growing the employment base in Opotiki and, in time, driving the viability of safe harbouring in Opotiki.

There are three parts to this proposal:

- Funding the acceleration of WMOL's mussel farming operations in the ocean
- Funding the building of a mussel grading facility (creating jobs)
- Funding the scaling up of WMOL to support andservice other mussel farming production by other growers.

This proposal does not envisage building a frozen half shell processing facility initially. This capability will be fulfilled by underutilised capacity in North Island Mussels (NMIL) in Tauranga. However, in time WMOL envisage building that capacity in Opotiki in the Marine Industrial Zone.

This initiative has been developed as a derivative of the substantial investment made by the Crown and WMOL in the earlier Opotiki Harbour feasibility work. During this earlier work WMOL funded (from their resources)...... at an estimated investment of $....... 

PGF criteria that this proposal supports:

<table>
<thead>
<tr>
<th>PGF Criteria</th>
<th>Assessment Commentary</th>
<th>Rating (1✓ to 5✓)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Link with fund and government outcomes</td>
<td></td>
</tr>
<tr>
<td>Creates permanent jobs</td>
<td>Creates 60 permanent jobs in the first year by adding a sorting factory, and provides the feeder application to further jobs from more boats and....... It also improves the viability of a number of other initiatives in the area.</td>
<td>✓✓✓</td>
</tr>
</tbody>
</table>

j) We ask that the IAP consider and recommend $850,000 for a refreshed business case, as well as an in principle decision to fund stage 2. This would require a further...... WMOL if the refreshed business case proves viable.

○ Commercial Information

 ○ Commercial Information

 ○ Commercial Information

 Commercial Information

 Commercial Information
### Commercial-in-Confidence

#### Delivers benefit to the community
- Significant stimulus for a community that sees the development of the aquaculture industry as their future. Leading the sector towards an estimated 1,500 jobs (Stakeholder Strategies, 2018).

#### Increased utilisation and returns of Maori asset base
- Increases mussel line rentals to Maori sea farm owners; nominal increase to Maori % shareholder.

#### Enhanced sustainability of natural assets
- Increases the utilisation of New Zealand’s first open ocean sea farm from % to % of the consented space.

#### Mitigation of climate change effects
- No effect.

### Additionality

#### Adding value by building on what is already there
- Increases the farming yield per hectare from $ /ha to $ /ha through use of the grading facility and the value added processing; creates high social and economic value around the currently consent water space.

#### Acts as a catalyst for productivity potential in the region
- The first significant step in one of the regions four identified catalytic sectors – it will be a step change in the direction of Opotiki to becoming an aquaculture town.

### Connected to regional stakeholders and frameworks

#### Alignment with regional priorities
- Aligns with all of the regional (BOP), sub-regional (EBOP) strategic plans – aquaculture and value added processing (powder facility) are stated regional aspirations.

#### Support from local governance groups (Iwi, Councils, Iwi/Hapu)
- Strong alignment with the local Council (ODC), regional Council (BOPRC), iwi (Whakatohea) and the Regional Leadership Group (three Mayors – ODC, WDC, KDC).

### Governance, risk management and project execution

#### Robust project management and governance systems
- We have been advised they are a strong early stage company that has registered under the Financial Markets Authority reporting frameworks. This is key to the company’s aspirations of achieving a competitive economic scale and so will receive their full focus.

#### Risk management approach
- We have been advised the approach appears consistent with best practice for a 4 year old company.

#### Future ownership / operational management
- Clear strategy of creating a broad shareholder base, with a view to listing on NZX. Plus, an intent to anchor this strategy by providing Whakatohea the opportunity to become a cornerstone owner post treaty settlement.

---

**The purpose of this briefing is to consider recommending PGF funds to the Mussel Farming and production facility – Stage 1 & 2:**

---

**PGF Application Evaluation**

---

**Commercial-in-Confidence**
### Risks Issues:
Due to the accelerated rate of development, there is a risk that the production facility may not be completed as fast as anticipated and manufacturing jobs will not be created as quickly as indicated (by the start of the mussel season).
Weather events may reduce the rate of line installation.

### Eligibility points of note:
- **Due diligence:** Full due diligence is being completed. It is a condition of approval that due diligence is to be to the satisfaction of the Head of PDU Investment team.
- **Conflict(s) of interest:** Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further.
- **Illegal Activity:** Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity.
- **Alignment with Regional development plans:** Yes, as detailed above.
- **Note the outstanding items include the 2018 financial results being received to the satisfaction of the PDU prior to releasing the initial $850,000 grant and a viable business case, before entering into any agreements on further support.**
- **Commercial Information**

### Consultation undertaken or implications:

<table>
<thead>
<tr>
<th>Legal</th>
<th>HR</th>
<th>Finance</th>
<th>MEIE policy</th>
<th>Other</th>
<th>MPI &amp; TPK Consulted</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

MFAT must be consulted

### Supporting proposal:
Yes

### Appendices:
Yes - Applications **Commercial Information**

### Sponsor(s):
N/A

### Manager/Author of paper:
Jason Hall - Investment Team