

Infrastructure Acceleration Fund

RFP Evaluation Report

6 APRIL 2022

COMMERCIAL IN CONFIDENCE
NOT GOVERNMENT POLICY



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1. Introduction

Background

- 1.1. Kāinga Ora has been appointed to act as agent of the Crown to administer the Infrastructure Acceleration Fund (IAF) in accordance with the terms of an Agency Agreement to be entered into between Kāinga Ora and the Crown and managed by the Ministry of Housing and Urban Development.
- 1.2. The IAF is a contestable fund of \$1.08 billion (a component of the \$3.8 billion Housing Acceleration Fund) designed to (a) allocate funding to new or upgraded infrastructure that unlocks housing development in the short to medium term, and (b) directly overcome funding and financing constraints faced by Territorial Authorities and other infrastructure providers.
- 1.3. On 17 August 2021 the Minister of Housing provided a Letter of Expectations to the Chair of the Kāinga Ora Board which set out her expectations in relation to the IAF process. A copy of the letter is provided in Schedule Two.
- 1.4. On 30 June 2021 Kāinga Ora released an Invitation for Expressions of Interest (EOI Invitation), seeking submissions from Territorial Authorities, iwi and developer Applicants. Kāinga Ora evaluated Proposals received in response to the EOI Invitation according to the Eligibility Criteria and Evaluation Criteria set by Cabinet.
- 1.5. On the basis of that evaluation, on 15 October 2021 Kāinga Ora issued a Request for Proposals (RFP) and invited 86 of the EOI Proposals to progress to the RFP Stage of the IAF process.
- 1.6. Of the 86 Proposals invited to progress, four were merged into other existing Proposals and seven were not submitted by Applicants as they chose not to progress further in the IAF process.
- 1.7. Kāinga Ora therefore reviewed 75 RFP Stage Proposals which had a cumulative IAF funding request [REDACTED] Kāinga Ora evaluated these Proposals against the Eligibility Criteria and Evaluation Criteria to determine which Proposals to recommend to Ministers to progress to the Negotiation Stage of the IAF process.
- 1.8. The Eligibility Criteria, Evaluation Criteria and evaluation process were clearly communicated to Applicants by Kāinga Ora in the EOI Invitation and the RFP.

Board Committee

- 1.9. This RFP Evaluation Report (Report) has been prepared by the Kāinga Ora team following the evaluation of Proposals it conducted at the RFP Stage and has been approved by the Kāinga Ora Board Committee (the Committee) for presentation to Ministers.

1.10. The Committee comprises the following members:

- (i) John Duncan (Chair);
- (ii) Vui Mark Gosche;
- (iii) Ngarimu Blair;
- (iv) Philippa Howden-Chapman;
- (v) John Bridgman;
- (vi) Victoria Kingi;
- (vii) Lale Ieremia; and
- (viii) Bruce Baillie.

1.11. The composition of the Committee meets the requirements set out in the Minister's Letter of Expectations, namely that the Committee includes at least two members not on the Kāinga Ora Board and has the following expertise represented:

- (i) housing development;
- (ii) Māori housing;
- (iii) infrastructure delivery;
- (iv) local government; and
- (v) finance and risk management.

Purpose

1.12. The purpose of this Report is to outline the advice from the Committee to Ministers on advancing Proposals to the Negotiation Stage of the IAF process.

1.13. This Report, in conjunction with the Individual Proposal Reports provided as Annexure A of this Report (the Individual Proposal Reports), provides the supporting information requested by the Minister of Housing in her Letter of Expectations. A reconciliation of the information requested and information provided is included in Schedule Three of this Report.

1.14. It is important to note that this Report reflects the Proposals recommended to progress to the Negotiation Stage. As set out in Section 8 of this Report, the Negotiation Stage will involve consideration of co-funding and other key features of Proposals and, in some cases, further due diligence will be undertaken.

- 1.15. As noted in Section 8 of this Report, where there are material changes to a Proposal during the course of negotiations, Ministerial approval will be sought for negotiation parameters, and in all cases Ministerial approval will be sought for entry into each Funding Agreement and Housing Outcomes Agreement.

RFP evaluation process

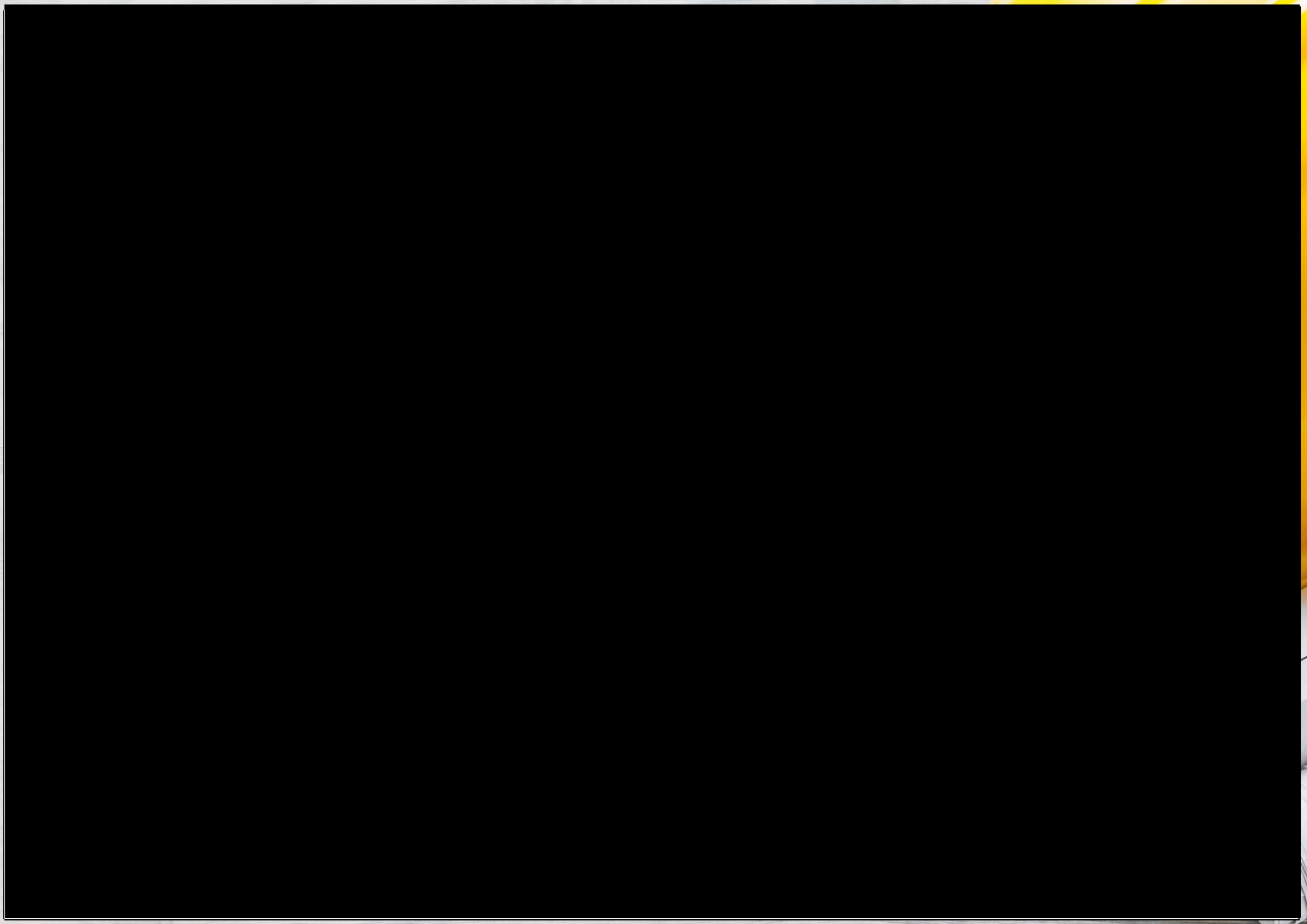
- 1.16. In determining which Proposals to recommend progressing to the Negotiation Stage, the Committee obtained professional advice as to the key features of the process to enable Proposals to be properly considered against the Eligibility Criteria and Evaluation Criteria set by Cabinet.
- 1.17. Under oversight of the Committee, the Kāinga Ora team established a detailed IAF RFP Evaluation Plan based on the key features endorsed by the Committee.
- 1.18. Kāinga Ora followed the evaluation process outlined in the IAF RFP Evaluation Plan. Further detail on the evaluation process and selection methodology followed by Kāinga Ora to determine the recommended portfolio is provided in Section 3 of this Report.
- 1.19. Importantly, the evaluation process included obtaining input from cross agencies in accordance with the Minister of Housing's Letter of Expectations. The Kāinga Ora and Ministry of Housing and Urban Development Place-based teams, Strategic Growth Partnership teams and regional Waka Kotahi teams were also involved. This process is set out in more detail in Section 4 of this Report.
- 1.20. The Probity Plan, which was prepared by probity advisors Bell Gully and endorsed by McHale Group (as probity auditors), also formed part of the process. Probity assurance is provided in Section 5 of this Report.
- 1.21. The IAF RFP Evaluation Plan places considerable emphasis on the importance of complete and accurate record keeping. KPMG was engaged to support the collection and recording of data throughout the evaluation process.

2. Recommended Portfolio

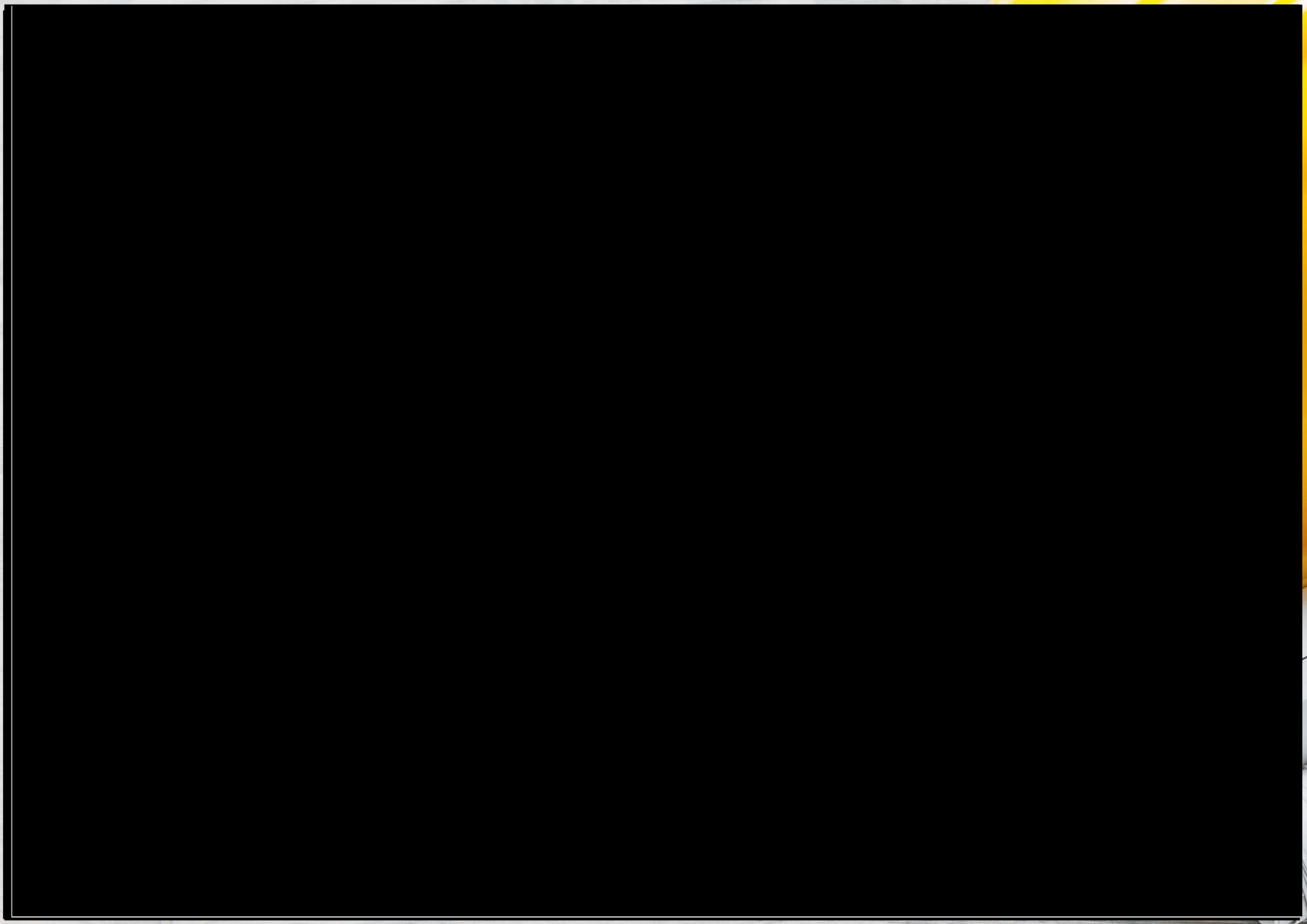
Overview

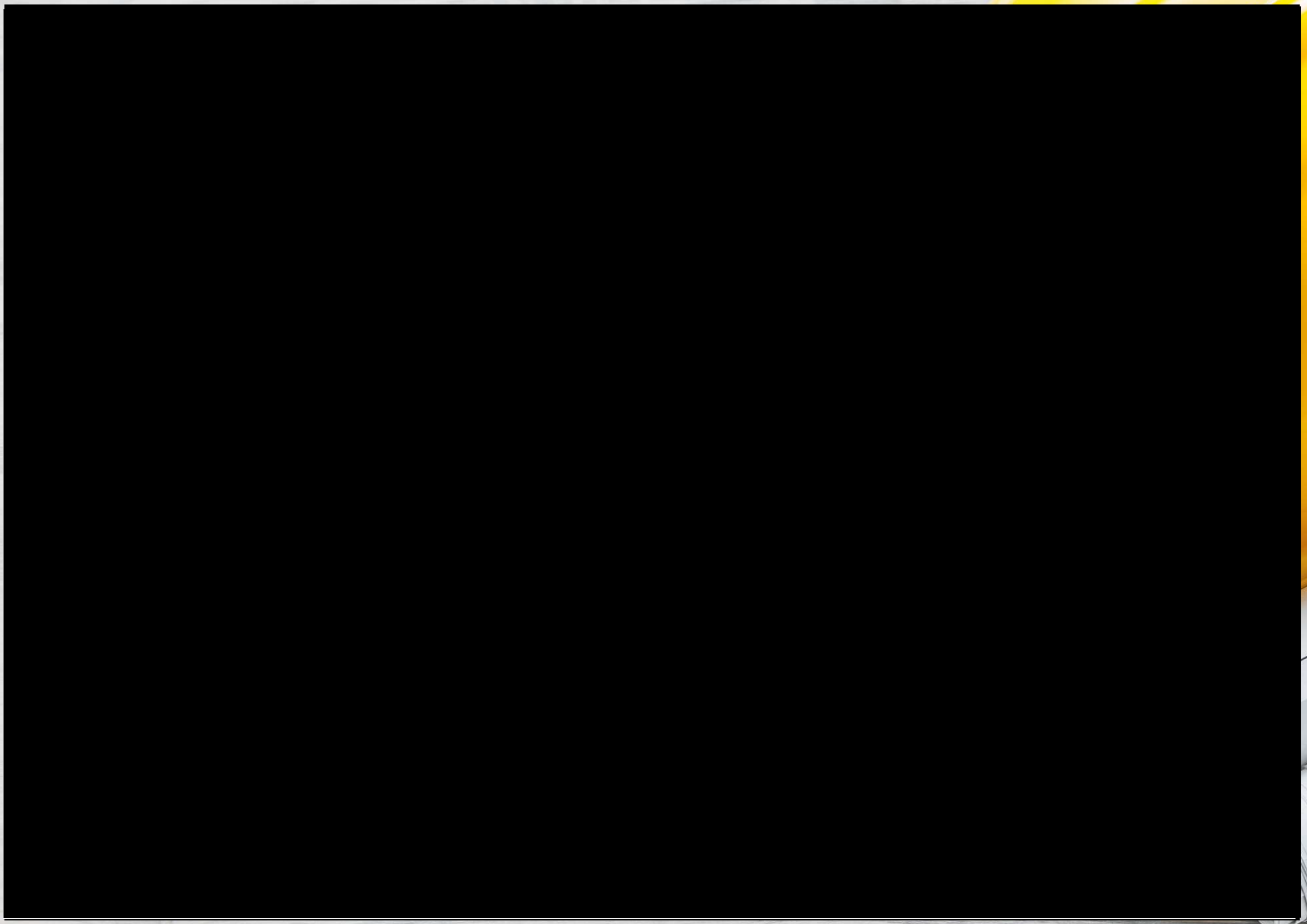
- 2.1. The Committee recommends that a portfolio of 36 Proposals with a cumulative IAF funding ask ██████████ be progressed to the Negotiation Stage of the IAF process.
- 2.2. The infrastructure projects in these Proposals have been identified by Applicants as having the potential to directly enable up to ██████████, with material numbers of dwellings identified as being delivered from 2024 through to 2035 and onwards. A further ██████████ dwellings were also identified as being indirectly enabled¹ by the infrastructure projects over the same time period.
- 2.3. **It is important to note that the figures presented here and in the following overview pages are as provided by Applicants in their Proposals. As such there will be a level of aspiration in these figures and they should be treated very cautiously.**
- 2.4. **In particular, the dwelling numbers are the upper limit of what may be achievable and will likely be revised downwards upon further testing during the Negotiation Stage. Therefore, it is recommended that these initial figures are not used in wider public communications at this stage.**
- 2.5. **As the Negotiation Stage progresses, Kāinga Ora will look to develop a more considered, risk-based estimation of these figures.**
- 2.6. The following pages provide an overview of the portfolio recommended to Ministers and provide:
 - (i) a regional overview of the funding allocation;
 - (ii) an overview by Applicant type;
 - (iii) the brownfield and greenfield mix;
 - (iv) timing of delivery and funding breakdown (based on Applicant information); and
 - (v) other matters of focus.

¹ Indirect enablement refers to the wider growth that the infrastructure works may enable for future potential developments.











3. Process and Methodology

Introduction

- 3.1. The following section outlines the process and methodology set out in the IAF RFP Evaluation Plan, which was followed to determine the portfolio of Proposals recommended by the Committee to progress to the Negotiation Stage.

Initial evaluation

- 3.2. The IAF RFP Evaluation Plan involved the evaluation of Proposals by four separate Evaluation Teams. The Evaluation Teams comprised experienced Kāinga Ora commercial leads, a representative from the Kāinga Ora Urban Planning and Design team, a representative from the Kāinga Ora Te Kurutao Group Māori team and urban development experts from professional advisory firms Mott MacDonald and The Property Group.
- 3.3. Proposals were assessed against the Evaluation Criteria with each Sub-Criteria receiving a score from one (poor) to four (excellent). These Sub-Criteria scores led to a score for a Proposal against each of the Evaluation Criteria. The overall score for the Proposal as a whole was then calculated as a weighted average, applying the weightings for each Evaluation Criteria as agreed by Cabinet.
- 3.4. The Evaluation Teams' work was supplemented with inputs from Kāinga Ora Place-based teams and Strategic Growth Partnership teams.
- 3.5. Subject matter expert (SME) input to support the work of the Evaluation Teams was also provided by Beca Group and Kāinga Ora experts in relation to confidence of delivery (infrastructure and housing), and from external professional experts in relation to landowner fair share contributions.
- 3.6. As part of the evaluation process Kāinga Ora engaged with all Applicants directly to ensure Proposals were understood and were evaluated as consistently as possible.

Moderation

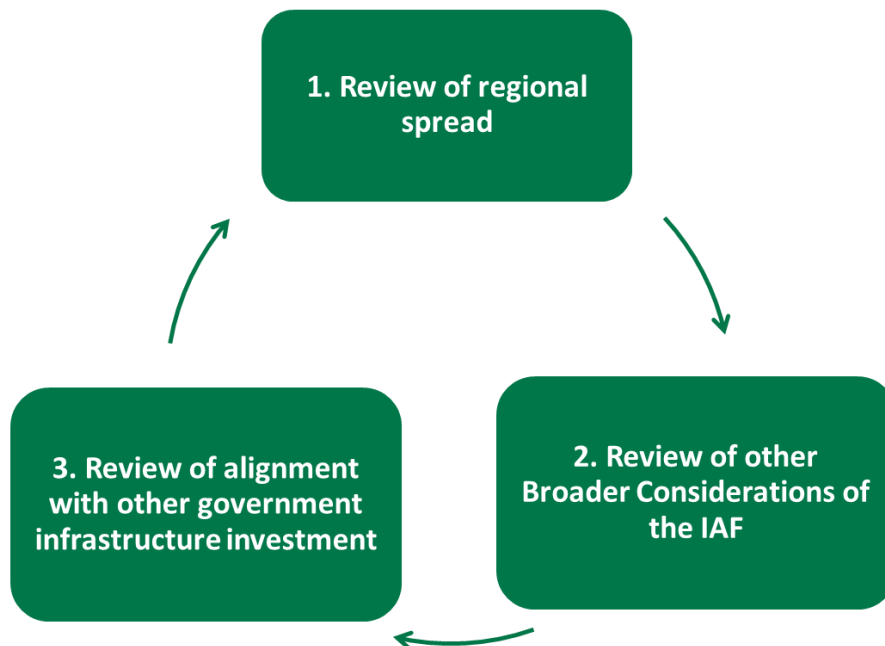
- 3.7. Following initial evaluation by the Evaluation Teams, the 'Core Evaluation Team' reviewed the Evaluation Teams' work as part of its moderation function. Membership of the Core Evaluation Team is outlined below in Section 5.
- 3.8. The Core Evaluation Team tested the scoring of each Evaluation Team to check consistent application of the Evaluation Criteria. Where appropriate, moderations were made for consistency purposes.
- 3.9. The initial input of cross agencies was also received and reviewed at this stage. Where that input had a material bearing on the assessment of the Proposal against

the Evaluation Criteria, and was not already reflected in the scoring, the Core Evaluation Team agreed to moderate scoring against the Evaluation Criteria to reflect the input received.

Selection methodology

- 3.10. An initial ranked list of Proposals, according to overall score against the Evaluation Criteria, was reached, with the highest scoring Proposals identified. Drawing a line at the point at which the cumulative IAF funding ask reached [REDACTED] provided an indicative threshold for progression to the Negotiation Stage and identified the initial portfolio of Proposals to recommend to Ministers to progress.
- 3.11. The Core Evaluation Team then stepped back to consider the overall initial portfolio of Proposals and how it aligned with the Broader Considerations of the IAF and wider government infrastructure investment processes, as informed by cross agencies.
- 3.12. The diagram below illustrates the iterative approach that was taken to this assessment. Further detail on this process is discussed below.

Figure 1 - Iterative portfolio review



Regional spread review

- 3.13. One of the Broader Considerations is for IAF funding to be spread across multiple regions and include both large urban areas and regional centres.
- 3.14. At the conclusion of the EOI Stage, at the recommendation of the Cross Agency Reference Group (CARG), the Committee agreed that sharper focus be given to

aligning IAF funding with growth regions in order to support housing outcomes in areas most in need.

- 3.15. To assist in this analysis, a number of metrics relating to housing need and demand were provided by the Ministry of Housing and Urban Development, which formed part of the assessment of Proposals against the Housing Outcomes Evaluation Criteria.
- 3.16. At a portfolio level these housing need and housing demand metrics were supplemented by consideration of:
- (i) Statistics NZ 2020 population estimates;
 - (ii) Statistics NZ regional population growth estimates from 2018 – 2038;
 - (iii) public housing register applicants as at June 2021; and
 - (iv) Kāinga Ora regional housing demand estimates.
- 3.17. On the basis of these metrics, regions were identified which were initially under-represented or over-represented in their IAF funding allocation.
- 3.18. If a region was under-represented, Proposals were identified that were viable and had scored well against the Evaluation Criteria but had not quite met the threshold for progression. Where appropriate, an adjustment was made to include Proposals from these regions in the recommended portfolio, to improve regional spread and support housing outcomes in growth regions.
- 3.19. Where a region was significantly over-represented and had multiple Proposals above the threshold for advancement, the relatively weaker Proposals in the region were identified by reference to the Evaluation Criteria and Applicant's priorities. Where appropriate, Proposals were removed from the recommended portfolio to allow IAF funding in other regions and support alignment between allocations of IAF funding and regional need.
- 3.20. Proposals which were added to the recommended portfolio on the basis of a regional adjustment are identified in the Proposal Overview Report with the recommendation category '*Progressing: Regional Adjustment In*'.
- 3.21. Proposals which were removed from the initial portfolio on the basis of a regional adjustment are identified in the Proposal Overview Report with the recommendation category [REDACTED]. The Proposal Overview Report is provided as Annexure B of this Report.
- 3.22. The Core Evaluation Team continually re-visited the portfolio of Proposals to be recommended in the iterative manner shown in Figure 1. Any Proposals that had

been displaced were carefully considered to ensure there had not been any unintended consequences from the regional adjustments.

- 3.23. Proposals that were displaced from the initial portfolio as a consequence of the inclusion of other Proposals on a regional basis are identified in the Proposal Overview Report with the recommendation category [REDACTED]
- 3.24. Worked examples of this iterative process are provided in Schedule Four of this Report.

Reduced IAF funding requests

- 3.25. At the RFP Stage Kāinga Ora evaluated 19 Proposals that had a funding request in excess [REDACTED]
- 3.26. As the evaluation progressed it became apparent that a number of these large Proposals could provide very strong housing outcomes. However, due to the significant amount of IAF funding requested, the capacity of the fund would limit how many Proposals could be progressed while maintaining alignment with the Broader Considerations.
- 3.27. Through clarification with Applicants, it became clear that some of these Proposals could have scaling or sequencing options, or additional contributions from other co-funding sources, which could reduce the IAF funding ask.
- 3.28. In order to maximise the fund, Kāinga Ora invited Applicants with Proposals seeking more than [REDACTED] of IAF funding, and which had a realistic chance of progression, to identify whether the IAF funding request of their Proposal could be reduced without significantly impacting on housing outcomes.
- 3.29. The result of this exercise was a material reduction in the IAF funding requested (~\$400m) by several Proposals with a minimal impact on housing outcomes (<200 dwellings). The impact on housing outcomes was able to be minimised because, in most cases, the reduction in IAF funding requested was due to:
- (i) additional co-funding contributions for landowners' fair share being committed by Applicants;
 - (ii) long term funding alternatives identified by Territorial Authorities by re-prioritising projects in their long term plan;
 - (iii) reducing the level of risk included in the IAF funding ask; and
 - (iv) Applicants adjusting the sequencing of infrastructure projects within the Proposal to focus on those critical to meet the anticipated housing delivery programme with other less critical projects being funded by other means in the longer term by Council (i.e. by LTP or growth funding).

3.30. This has allowed additional Proposals, enabling more than 10,000 dwellings, to be progressed to the Negotiation Stage and has supported the regional spread of IAF funding.

Outcome

3.31. As a result of the above methodology there are two categories of Proposals that are recommended to be progressed to the Negotiation Stage. These are:

- (i) Proposals that were immediately above the threshold for progression² based on the assessment against the Evaluation Criteria. There are 23 Proposals in this category. These Proposals are identified in the Proposal Overview Report with the recommendation category '*Progressing: Top \$1bn*'; and
- (ii) Proposals that are included in the recommended portfolio to support alignment with regional spread or other Broader Considerations. There are 13 Proposals in this category. These Proposals are identified in the Proposal Overview Report with the recommendation category '*Progressing: Regional Adjustment In*'.

3.32. It is emphasised that Proposals that are included in the recommended portfolio due to regional or other adjustments have still scored well against the Evaluation Criteria and are considered viable. In general, these Proposals were very close to the threshold for advancement based on their score alone. Therefore, there has not been a significant loss in the strength of Proposals against the Evaluation Criteria in order to achieve regional spread.

3.33. Proposals that are not included in the recommended portfolio to progress to the Negotiation Stage fall within three categories. These are:

- (i) Proposals that were initially above the threshold for progression but were removed from over-represented regions to support alignment with regional spread of funding. There are four Proposals in this category. These Proposals are identified in the Proposal Overview Report with the recommendation category [REDACTED]
- (ii) Proposals that were initially above the threshold for progression but were pushed out as a consequence of other Proposals being added to the recommended portfolio on a regional basis. There are four Proposals in this category. In each case where this occurred the Proposal was carefully considered and the removal of the Proposal reviewed to confirm this was an appropriate outcome. These Proposals are identified in the Proposal

² 'Above the threshold for progression' refers to those Proposals that were in the top \$1.0 billion of available funding when all Proposals were ranked by overall score against the Evaluation Criteria.

Overview Report with the recommendation category [REDACTED]
and

- (iii) Proposals that were not above the threshold for progression based on the assessment against the Evaluation Criteria. There are 31 Proposals in this category. These Proposals are identified in the Proposal Overview Report with the recommendation category [REDACTED]

3.34. The Proposal Overview Report is provided as Annexure B of this Report.

3.35. A discussion of how the final recommended portfolio aligns with each of the Broader Considerations is provided in Section 7 of this Report.

4. Cross Agency Reference Group

Introduction

- 4.1. As noted in Section 1 of this Report, cross agency input was an important step in the evaluation process. In the Letter of Expectations to the Kāinga Ora Board, the Minister of Housing stated that Cabinet's expectation is that advice provided by the Committee should account for alignment with wider government infrastructure investment processes.
- 4.2. To support this objective, Cabinet established the CARG to inform the decisions and advice of the Committee. The CARG comprises a nominated representative from each of the following agencies:
 - (i) Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development;
 - (ii) Te Tai Ōhanga – Treasury;
 - (iii) Waka Kotahi – New Zealand Transport Agency;
 - (iv) Te Manatū Waka – Ministry of Transport;
 - (v) Te Tari Taiwhenua – Department of Internal Affairs;
 - (vi) Crown Infrastructure Partners; and
 - (vii) Te Waihanga – NZ Infrastructure Commission.

Cross agency input process

- 4.3. As noted above, a step in the evaluation process included Kāinga Ora obtaining and considering input from all cross agencies represented on the CARG.
- 4.4. Cross agency teams were not expected to comment on all Proposals but were invited to provide input on any Proposals they considered relevant at their discretion. This input was intended to relate primarily as to how Proposals aligned with wider government infrastructure processes being run by those cross agencies.
- 4.5. The input received was reviewed by the Evaluation Teams to ensure it was appropriately reflected and incorporated into the assessment of Proposals against the Evaluation Criteria.
- 4.6. A feedback loop was established between Kāinga Ora and cross agencies. Representatives from cross agencies who had provided input into the evaluation process were informed as to how their input had been utilised in the evaluation process.

- 4.7. As the evaluation process progressed, cross agencies were also provided with an indication as to which Proposals were likely to be recommended to progress to the Negotiation Stage and were invited to check and challenge these indicative recommendations. This additional feedback was considered by Kāinga Ora and discussed with the CARG.
- 4.8. Certain risks and opportunities have been identified by cross agencies which will need to be addressed with Applicants if they proceed to the Negotiation Stage. Further detail on these and other anticipated areas of negotiation is provided in Section 8 of this Report. Specific negotiation points as they relate to a particular Proposal are identified in each Individual Proposal Report, which are included as Annexure A.

CARG Report

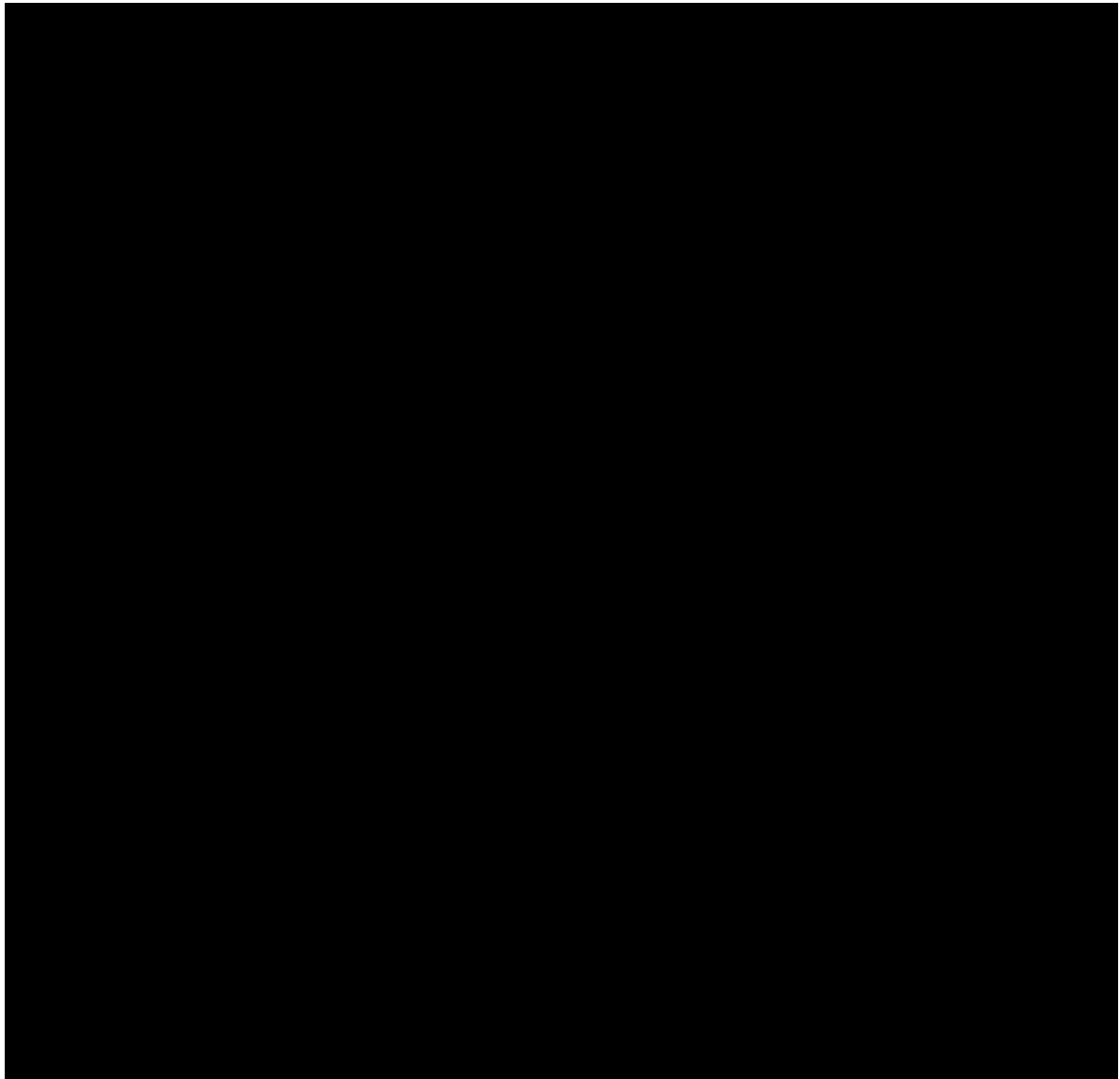
- 4.9. Cross agency representatives of the CARG met on Monday 21 March 2022 and Wednesday 30 March 2022 to discuss the final views and input of their agencies. Following these meetings the CARG provided its final input to the Committee via its CARG Report (included as Annexure C).
- 4.10. The CARG Report identified certain matters that it considered important to address in the Committee’s advice to Ministers. These are set out in the tables below. These tables also contain the response from the Committee as to how this input has informed its advice to Ministers.
- 4.11. The table below sets out the general areas identified in the CARG Report for the Committee to address in its advice to Ministers, together with the associated responses from the Committee:

Table 1: Cross Agency Reference Group – Areas to Address

| Cross Agency Reference Group – Areas to Address | |
|---|---|
| Cross Agency Reference Group views | Response from the Committee |
| How consideration of wider matters (outside of the Evaluation Criteria), such as regional spread and brownfields/greenfield mix, has influenced the Committee’s advice. | <p>These wider matters are the Broader Considerations set out by Cabinet. Consideration of these was a key part of the evaluation process.</p> <p>The process followed in considering the Broader Considerations is described in Section 3 of this Report and the overall alignment of the recommended portfolio with the Broader Considerations is described in Section 7.</p> |

| Cross Agency Reference Group – Areas to Address | |
|---|--|
| Cross Agency Reference Group views | Response from the Committee |
| | The point is also noted in the Briefing to Ministers accompanying this Report. |
| What options exist to adjust the overall portfolio of Proposals and/or specific marginal Proposals, should Ministers wish to do so. | <p>The role of the Committee is to oversee the evaluation process in accordance with the Eligibility Criteria and Evaluation Criteria set by Cabinet and make recommendations to Ministers in accordance with the Minister of Housing’s Letter of Expectations.</p> <p>The Briefing to Ministers accompanying this Report notes that the Ministers may take other considerations into account in making final decisions and that the Ministers may have other options. Kāinga Ora would be pleased to assist in developing any such options if requested by Ministers.</p> |
| Issues relating [REDACTED] and the options available to Ministers, alongside the preferred approach. | <p>These matters are addressed in more detail below in Table 2 and in Section 9 of this Report.</p> <p>The point is also noted in the Briefing to Ministers accompanying this Report.</p> |
| Risks related to future National Land Transport Fund expenditure and the approach to managing these. | This matter is addressed in more detail below in Table 3 and in Section 8 of this Report. |

4.12. The table below sets out matters relating to cost escalation and contingency identified in the CARG Report, together with the associated responses from the Committee:



4.13. The table below sets out risks related to the future National Land Transport Fund expenditure identified in the CARG Report, together with the associated responses from the Committee:

Table 3: Cross Agency Reference Group – Risks related to future National Land Transport Fund expenditure

| Cross Agency Reference Group – Risks related to future National Land Transport Fund expenditure | |
|---|---|
| Cross Agency Reference Group views | Response from the Committee |
| Waka Kotahi recommends that where there are dependencies in relation to co-funding through the National Land Transport Programme, careful attention and thorough discussion will be needed during the Negotiation Stage. Applicants will need to understand the uncertainty | This view is noted and understood by the Kāinga Ora team and will be addressed with Applicants at the Negotiation Stage. See Section 8 of this Report for further information on the intended approach to negotiation. |

| Cross Agency Reference Group – Risks related to future National Land Transport Fund expenditure | |
|--|---|
| Cross Agency Reference Group views | Response from the Committee |
| and risk and set out how the project will respond if Waka Kotahi funding is not available. | The point is also noted in the Briefing to Ministers accompanying this Report. |
| The use of conditions in Funding Agreements should be limited to circumstances where there is relatively more certainty of the NLTF funding being made available, however, in any event, these Applicants need to be aware of and accept the residual risk that NLTF funding is not available. | <p>This view is noted and understood by the Kāinga Ora team who have worked with Waka Kotahi to identify the Proposals where there is (and is not) a reasonable probability of Waka Kotahi funding being received. The full CARG Report sets out the specific Proposals within the recommended portfolio where Waka Kotahi funding is involved.</p> <p>As noted above, the residual risks will be discussed with Applicants at the Negotiation Stage. See Section 8 of this Report for further information.</p> <p>The point is also noted in the Briefing to Ministers accompanying this Report.</p> |

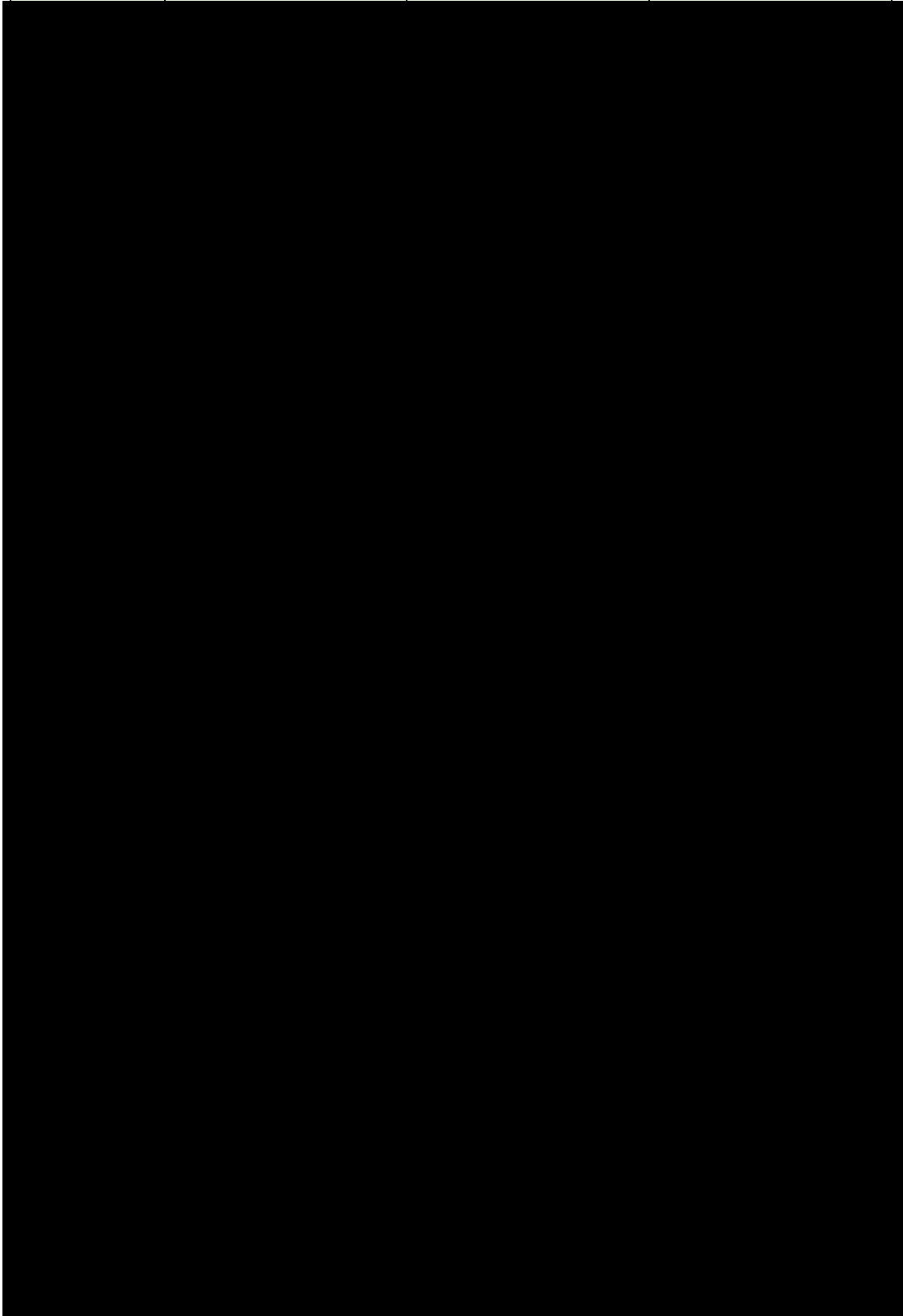
4.14. The table below sets out matters in relation to specific Proposals identified in the CARG Report, together with the associated responses from the Committee:

Table 4: Cross Agency Reference Group - Input on Specific Proposals

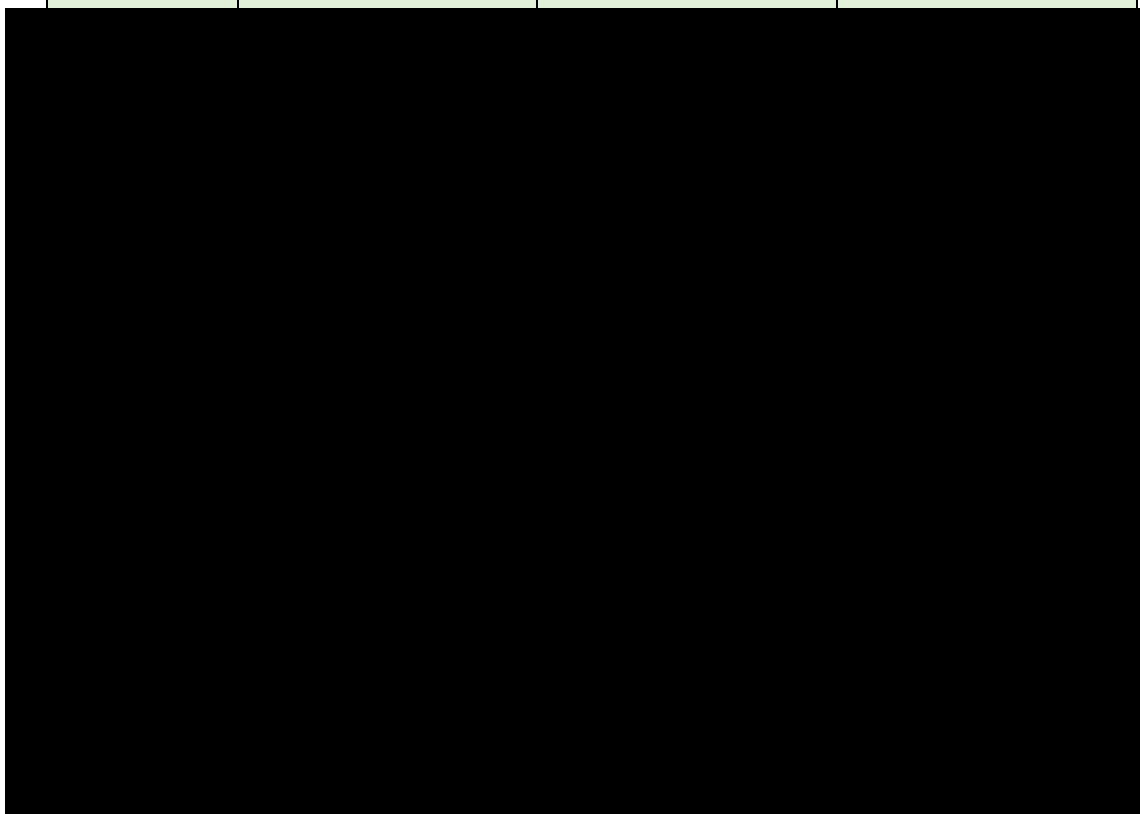
| Cross Agency Reference Group – Input on Specific Proposals | | | |
|---|--------------------------|--|------------------------------------|
| Proposal | Waka Kotahi views | The Ministry of Housing and Urban Development views | Response from the Committee |
| | | | |

Cross Agency Reference Group – Input on Specific Proposals

| Proposal | Waka Kotahi views | The Ministry of Housing and Urban Development views | Response from the Committee |
|-----------------|--------------------------|--|------------------------------------|
|-----------------|--------------------------|--|------------------------------------|



| Cross Agency Reference Group – Input on Specific Proposals | | | |
|--|-------------------|---|-----------------------------|
| Proposal | Waka Kotahi views | The Ministry of Housing and Urban Development views | Response from the Committee |



- 4.15. Kāinga Ora found great value in the input received from cross agencies and appreciated the significant time and effort invested by the cross agencies. The input provided made a material contribution to the evaluation process, with a strong focus on cross government alignment of infrastructure initiatives.
- 4.16. Cross agency representatives on the CARG in turn noted the positive collaboration that had occurred with Kāinga Ora throughout the evaluation process. They also highlighted that the current stage is only the first step on the journey. Ongoing collaboration between agencies through negotiation and delivery will be essential to ensuring that outcomes are maximised from a whole of government perspective.

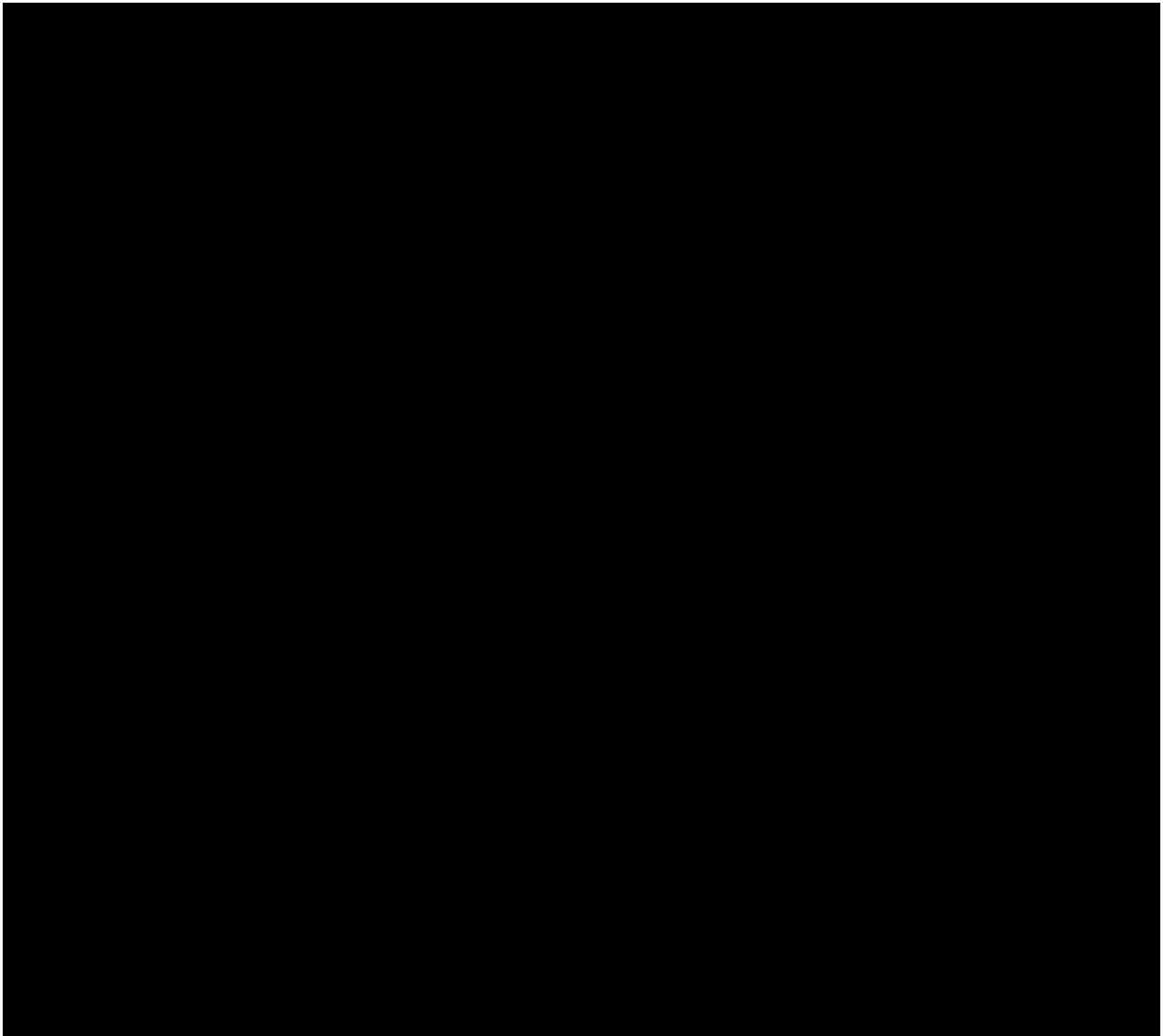
5. Evaluation Process Assurance

Evaluation Plan compliance

- 5.1. As noted in Section 1 of this Report, the Kāinga Ora team prepared a detailed RFP Evaluation Plan under the oversight of the Committee. The RFP Evaluation Plan described the roles and responsibilities of all parties involved in the RFP evaluation process, and set out the methodology and process to be followed in completion of the evaluation work.
- 5.2. The RFP Evaluation Plan was based on the key features endorsed by the Committee and took into account learnings from the EOI Stage of the IAF process, as well as other government funding allocation processes, such as the 'Shovel Ready' initiative.
- 5.3. As documented in the RFP Evaluation Plan, all Evaluation Team members were required to attend evaluation training sessions and declare any actual or potential conflicts of interest.
- 5.4. Membership of the Evaluation Sub-Teams and Core Evaluation Team included a range of subject matter experts. Each Evaluation Sub-Team included a Kāinga Ora commercial lead, a representative from the Kāinga Ora Urban Planning and Design team, a representative from the Kāinga Ora Te Kurutao Group Māori team and an expert from a consultancy firm specialising in property development and urban planning.
- 5.5. Subject matter expert input was also provided as follows:
 - (i) input provided by Beca Group in relation to the confidence in the deliverability of the infrastructure in the timeframe and cost specified; and
 - (ii) input provided by Insight Economics in relation to developer and landowner funding contributions and recovery mechanisms.
- 5.6. The Core Evaluation Team was co-chaired by Andrew Brown (IAF Project Director) and Tupara Morrison (Regional Manager, Auckland and Northland – Te Kurutao Group Māori). Voting members also included David Ison (Manager National Infrastructure Strategy) and Neil Mayo (Chief Commercial Officer).
- 5.7. The Kāinga Ora commercial lead from each of the Evaluation Sub-Teams, Joey Shannon (representative of the Ministry of Housing and Urban Development) and Emma McCone (representative of Waka Kotahi) were also included on the Core Evaluation Team as non-voting members.
- 5.8. The Committee has sought and received assurance from the Kāinga Ora team that the evaluation work has been conducted in line with the RFP Evaluation Plan.

Applicant background checks

- 5.9. KPMG were engaged to complete a number of background checks on developer and iwi Applicants in order for Kāinga Ora to confirm it is comfortable with the good character of the relevant Applicant. Any concerns raised were carefully considered by Kāinga Ora.



Probity Audit Confirmation

- 5.14. McHale Group was appointed as independent Probity Auditor at the EOI Stage and has continued to act in this role throughout the RFP evaluation process.
- 5.15. All necessary information and documentation was provided to McHale Group as and when requested.
- 5.16. McHale Group provided in its interim Probity Audit Report that it is satisfied that “the IAF Project Team have complied with the probity requirements as stated in the approved IAF Probity Plan when conducting the RFP process.”

- 5.17. A copy of the Interim Probity Audit Report prepared by McHale Group is included as Schedule Six of this Report.
- 5.18. The Final Probity Audit Report will be issued by McHale Group following the completion of the full RFP process, including the notification of outcomes to Applicants. The Interim Probity Audit Report states that it is unlikely that the probity opinion in the Final Probity Audit Report will change from the opinion contained in the Interim Probity Audit Report.

Material interest of Kāinga Ora

- 5.19. Kāinga Ora has made all reasonable efforts to identify Proposals in respect of which it may have a material interest. This process has involved the Kāinga Ora Place-based teams, the Market Delivery team, the KiwiBuild team and the Strategic Growth Partnerships team reviewing all Proposals to identify any actual or potential involvement of Kāinga Ora.
- 5.20. Throughout the evaluation process all Proposals have been evaluated on their own merits with no bias for or against Proposals with Kāinga Ora involvement. The IAF funding allocation process has been executed in isolation from the other development activities of Kāinga Ora, by a separate project team within the Commercial Group.
- 5.21. Training was provided to all personnel undertaking scoring, particularly the Kāinga Ora Place-based teams, to mitigate any bias (conscious or unconscious) when providing their input.
- 5.22. The process for identifying relevant Proposals in respect of which Kāinga Ora has a material interest was run as a completely separate process to the evaluation process. The Evaluation Teams who completed the scoring of Proposals were asked to identify if the Proposals themselves stated any actual or potential involvement, or material interest, of Kāinga Ora in the development(s). The Proposals that stated potential material interests, together with an overall list of Proposals, was provided to the Acquisitions Team, who is at the centre of all Kāinga Ora developments. This activity provided context regarding the potential material interests and enabled identification of any other Proposals in which Kāinga Ora has a material interest.
- 5.23. The Committee notes that the Ministers will be provided with second opinion advice from the Ministry of Housing and Urban Development in relation to Proposals where a material interest of Kāinga Ora was identified and has been recommended to proceed to the Negotiation Stage.

6. Māori Proposals

Introduction

6.1. Māori Proposals submitted in relation to the IAF comprise three categories:

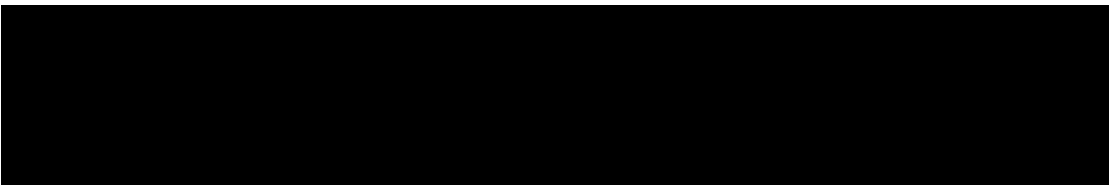
- (i) Proposals that are Māori-led;
- (ii) Proposals that are jointly led by Māori and the relevant Territorial Authority; and
- (iii) Proposals where Māori are a partner in a Programme Path.

6.2. At the EOI Stage a total of 43 Proposals were received across these three categories, and 21 of them were invited to progress to the RFP Stage. Due to some Proposals choosing not to progress, or being merged with other Proposals, there were ultimately 18 Māori Proposals evaluated at the RFP Stage.

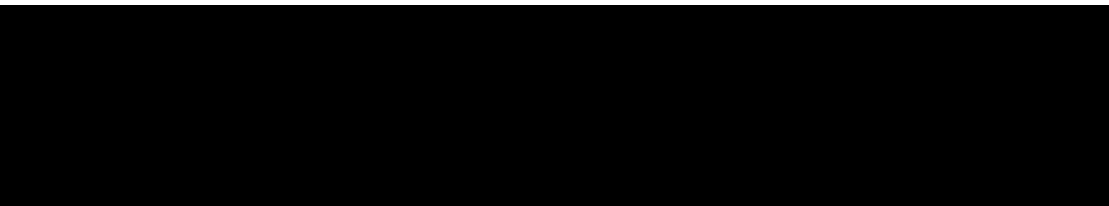
Māori Proposals overview

6.3. Of the 18 Māori Proposals evaluated at the RFP Stage, 12 are included in the recommended portfolio of Proposals to progress to the Negotiation Stage. This is a successful recommendation rate of 67% for Māori Proposals, which is higher than the overall successful recommendation rate of 48%.

6.4.



6.5.



Involvement of mana whenua in Proposals

6.6. The Evaluation Sub-Criteria 1.5 – ‘Māori Land and Mana Whenua Involvement’ was used to identify whether Proposals in the recommended portfolio had generally scored well in this aspect. On a scale of one to four, 26 Proposals in the recommended portfolio (72%) scored either three or four in relation to Evaluation Sub-Criteria 1.5. Of the remaining ten Proposals, seven scored a two out of four, and three scored a one out of four.

6.7. Overall, these numbers show that Proposals in the recommended portfolio have generally scored well in relation to Evaluation Sub-Criteria 1.5. For Proposals which have not scored well in relation to Evaluation Sub-Criteria 1.5, this will be discussed

at the Negotiation Stage to ensure that Applicants are appropriately engaging with mana whenua.

- 6.8. Proposals that have scored well in relation to Evaluation Sub-Criteria 1.5 will be encouraged to continue that appropriate level of involvement and engagement with mana whenua.

7. Alignment with the Broader Considerations of the IAF

Introduction

- 7.1. The following section provides a discussion as to how the recommended portfolio aligns with each of the Broader Considerations of the IAF and the areas of sharper focus that were identified at the EOI Stage.

Regional overview

- 7.2. As demonstrated in the Regional Overview shown in Section 2 of this Report, the recommended portfolio includes Proposals spread across a mix of both large urban areas and regional centres, with funding being provided to [REDACTED] different Territorial Authorities.
- 7.3. Regions that remain relatively over-represented are [REDACTED] [REDACTED]. However, this is considered to be appropriate given the strong opportunity presented by Proposals in those regions.
- 7.4. One of the underlying reasons for this is that each of those regions includes a large brownfield intensification Proposal that forms a significant portion of the IAF funding ask for the region.
- 7.5. These brownfield intensifications are considered to be a strong opportunity for maximising the impact of the IAF. They were well supported by cross agencies and are aligned with the Evaluation Criteria and Broader Considerations, and therefore supporting these Proposals is considered to be appropriate given the objectives of IAF. Further detail on these brownfield Proposals is provided below in paragraphs 7.16 to 7.28.
- 7.6. Input received from The Treasury noted that substantial central government funding was already being made in [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- 7.7. The region which remains most significantly under-represented [REDACTED]. However, two of the three Proposals in the region which were evaluated at the RFP Stage are included in the recommended portfolio being:

[REDACTED]

7.8.

[REDACTED]

7.9.

[REDACTED]

7.10. The [REDACTED] region is also slightly under-represented and was identified as an area of high housing need in a number of the metrics provided by HUD. One Proposal in the region is included in the recommended portfolio which is [REDACTED]

[REDACTED]

7.11.

[REDACTED]

7.12. [REDACTED] is also under-represented as a region when considered against population metrics. At the RFP Stage, three Proposals were received for the region, [REDACTED] All three of these Proposals scored well against the Evaluation Criteria and are included in the recommended portfolio. Therefore, there are no further Proposals to progress in the region. [REDACTED]

[REDACTED]

7.13. [REDACTED] was also identified as a region of high housing need which was initially under-represented in IAF funding. A regional adjustment was made to include three Proposals within the region [REDACTED] [REDACTED] in the recommended portfolio. These Proposals have a cumulative funding request [REDACTED] All three Proposals were very close to the threshold of progression based on score, and therefore inclusion in the recommended portfolio is considered appropriate when accounting for regional spread and housing need.

7.14. No Proposals have been included [REDACTED], as none were progressed to the RFP Stage [REDACTED]

[Redacted]

7.15.

[Redacted]

[Redacted] This Proposal has not been included in the recommended portfolio based on the assessment of the portfolio against the Evaluation Criteria. Further detail is provided in the Individual Proposal Report [Redacted] which is included in Annexure A.

Brownfield and greenfield

7.16. Another Broader Consideration identified by Cabinet is to enable brownfield intensification and greenfield expansion in locations with access to amenity and opportunity.

7.17. The recommended portfolio comprises [Redacted] greenfield Proposals, [Redacted] brownfield Proposals and [Redacted] Proposal which includes both greenfield and brownfield developments.

7.18.

[Redacted]

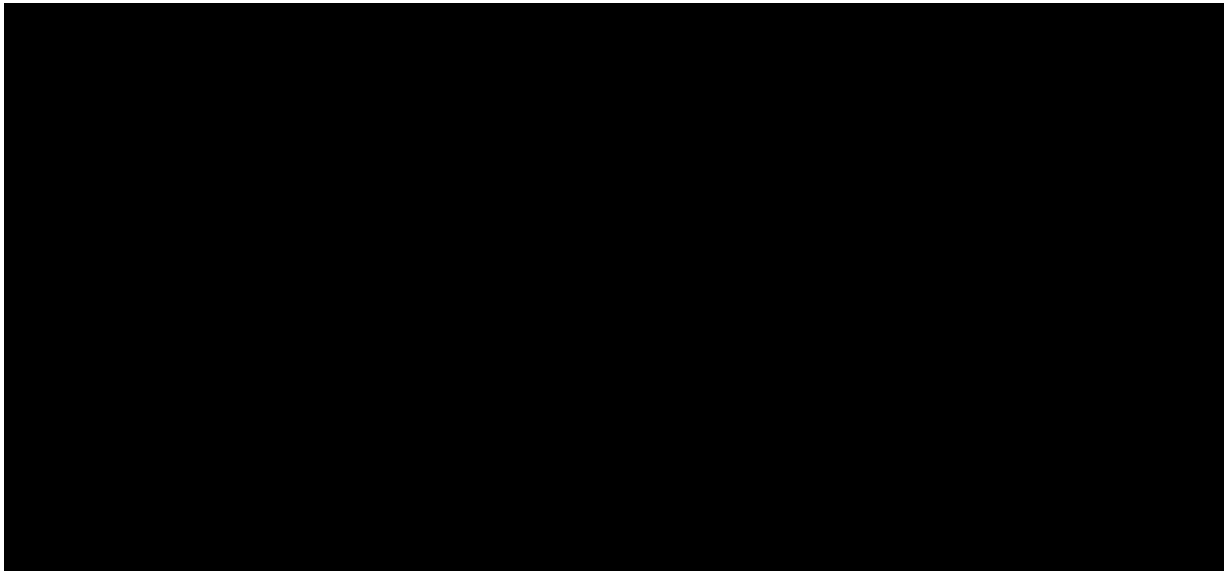
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[Redacted]

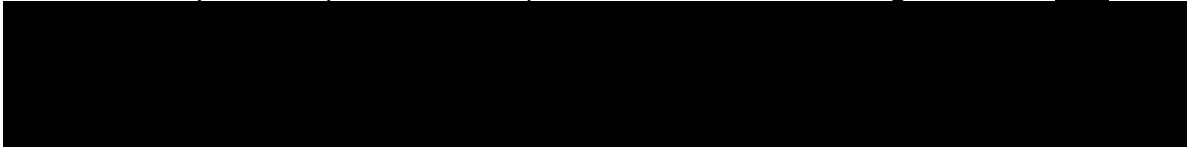
Table 5: Brownfield Intensification Proposals

[Redacted Table Content]

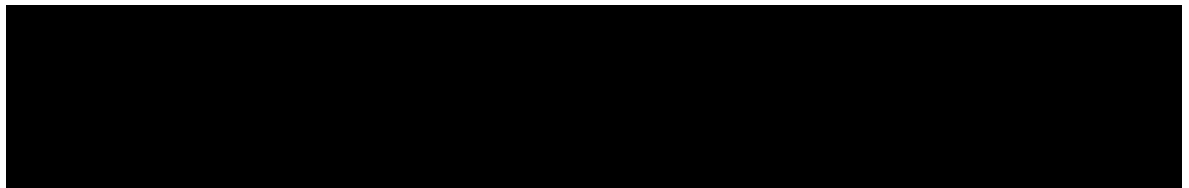
[Redacted]



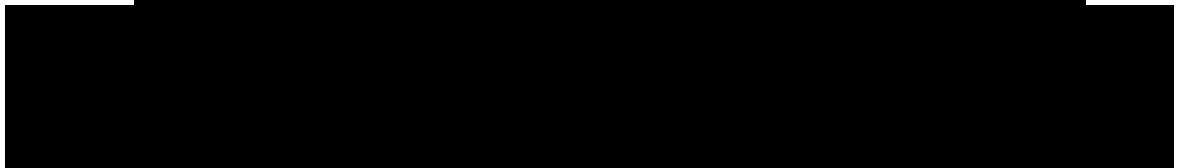
7.20. The Committee notes that the nature of brownfield developments means that there is rarely a developer identified up front to deliver the housing outcomes.



7.21.



7.22. In the Letter of Expectations, the Minister of Housing encouraged the Committee to be ambitious in its advice and acknowledged that funding developments that are ‘truly additional and impactful’ means accepting a greater degree of uncertainty and risk.



7.23. A further relevant consideration in relation to brownfield and greenfield Proposals is the expected carbon impact of housing developments. This was also identified as an area for sharper focus for the RFP Stage based on input from the CARG.

7.24. An additional review was made of Evaluation Sub-Criteria 1.6 – Environmental Sustainability, to see whether the portfolio overall was supporting positive environmental outcomes. On a scale of one to four, 28 Proposals in the recommended portfolio have scored either three or four in relation to Sub-Criteria 1.6. The remaining eight Proposals scored a two out of four.

7.25. Overall, the Committee considers that the balance of brownfield and greenfield Proposals supports a positive outcome in this area, with [REDACTED] of IAF funding being contributed to brownfield Proposals.

7.26. This view is supported by input received from the Ministry of Housing and Urban Development and Waka Kotahi who provided the following observations in the CARG report:

(i) **Ministry of Housing and Urban Development** - *HUD supports the current balance between greenfields and brownfields* [REDACTED]

(ii) **Waka Kotahi** - *The indicative portfolio includes a number of projects that not only provide housing in areas experiencing the greatest need, but also have access to key public transport, walking and cycling routes.* [REDACTED]

7.27. At the EOI Stage, the Committee noted that a sharper focus on carbon impact would lend itself to a slight bias to brownfield Proposals. However, the Committee was also aware that a balance was required in order to not disadvantage a number of developments on Māori land in more rural settings.

7.28. The recommended portfolio also includes strong housing outcomes in relation to Māori Proposals, as were discussed in Section 6 of this Report. Therefore, the Committee considers that a good balance has been achieved to support both of these objectives.

Capacity of the Fund

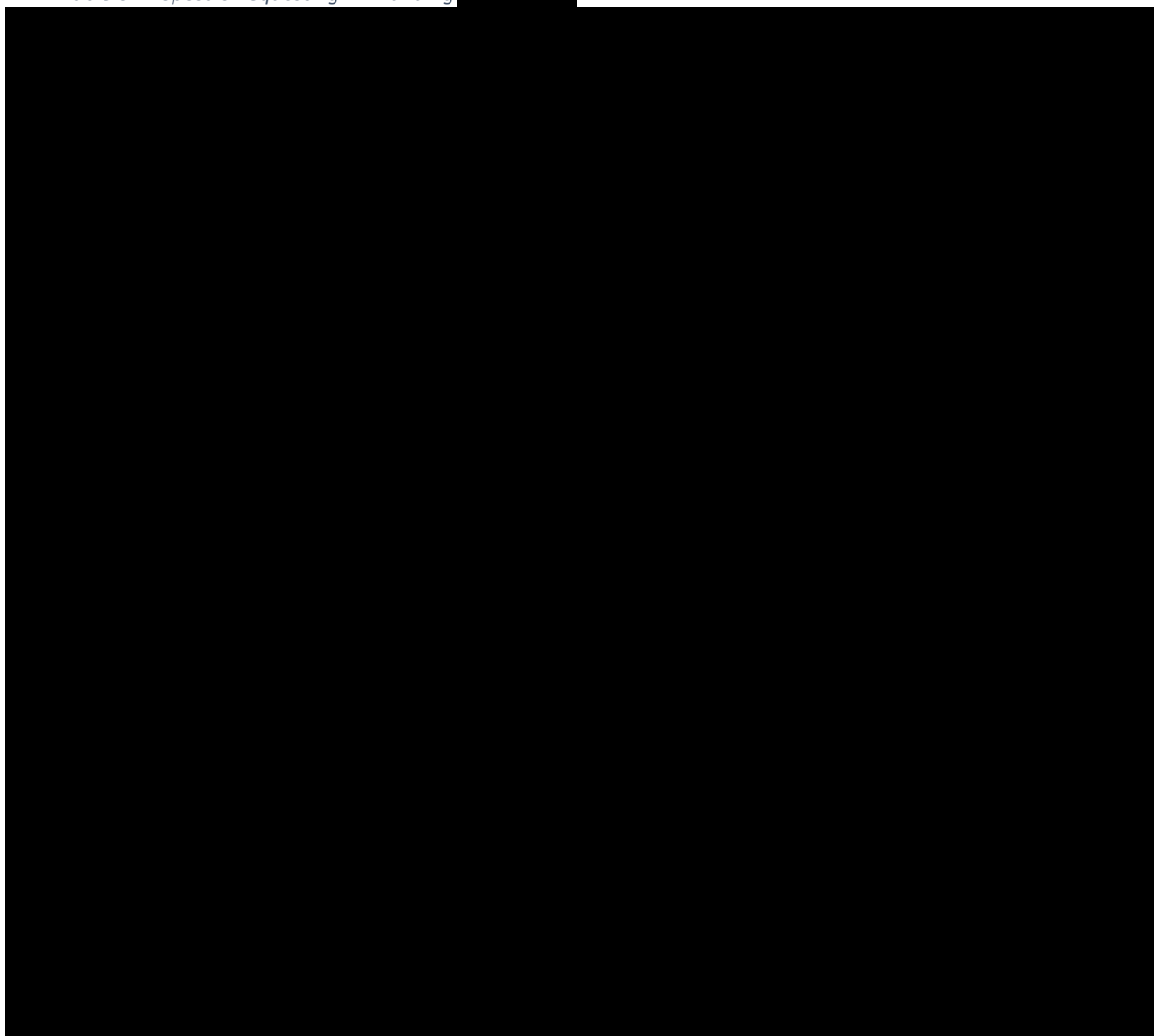
7.29. At the RFP Stage, Kāinga Ora evaluated [REDACTED] which had a funding request in excess [REDACTED] and a further [REDACTED] which had a funding request between [REDACTED]

7.30. As discussed in Section 3 of this Report, Kāinga Ora engaged with Applicants in relation to these large Proposals which led to a material reduction in their cumulative funding request. However, it is noted that these larger Proposals still have a significant bearing on the overall funding distribution and call for consideration of the 'capacity of the fund'.

7.31. Proposals requesting IAF funding in excess [REDACTED], and the recommendation with respect to each of these, are outlined in the table below. The IAF funding

request amounts listed in this table are the reduced figures following the aforementioned engagement with Applicants:

Table 6: Proposals Requesting IAF Funding



- 7.32. Following the application of the evaluation methodology, [REDACTED] Proposals are recommended to progress to the Negotiation Stage. These Proposals have a cumulative funding ask [REDACTED], which is approximately [REDACTED] of the total recommended portfolio.
- 7.33. Supporting information in relation to the recommendation for each of these Proposals is provided in the relevant Individual Proposal Report.

Construction sector capacity

- 7.34. A further portfolio level objective identified by the Minister of Housing in her Letter of Expectations was that a pipeline of investment activity be created that allows the construction sector to steadily increase its capacity without price escalation.

- 7.35. The Kāinga Ora team engaged the engineering consultancy firm Beca Group to report on construction sector capacity. The executive summary of this report is included at Schedule 5.
- 7.36. The Beca Group report concludes that “the scale and timing of investment should be able to be accommodated by their local markets. The larger regions will need to focus on engagement with the market to encourage interest and tendering in their projects. Contractors in a busy region have options and will want to invest in opportunities with good returns and reasonable tendering and contracting approaches. The smaller regions have limited capacity so for them it will be about understanding the timing of the opportunities and whether the delivery time frames are realistic to the resources available or whether they can build capacity to meet the expected need.”
- 7.37. The Core Evaluation Team considered this Broader Consideration as part of the moderation process and no adjustments were made to the recommended portfolio on this basis.
- 7.38. In relation to any regions where risks around the capacity of the construction sector have been identified, Kāinga Ora will discuss these with Applicants during negotiation to determine an appropriate mitigation strategy.

Timing of housing delivery

- 7.39. It is important to note that the dwelling figures throughout this Report are as provided by Applicants in their Proposals and are considered to be the upper limit of what may be achievable. As such, there is a level of aspiration in these figures that we intend to work through with Applicants at the Negotiation Stage to test and “firm-up”.
- 7.40. The Applicants’ profile of anticipated dwelling delivery is outlined in Section 2 of this Report.
- 7.41. The Core Evaluation Team considered this Broader Consideration as part of the moderation process and no adjustments were made to the recommended portfolio on this basis.

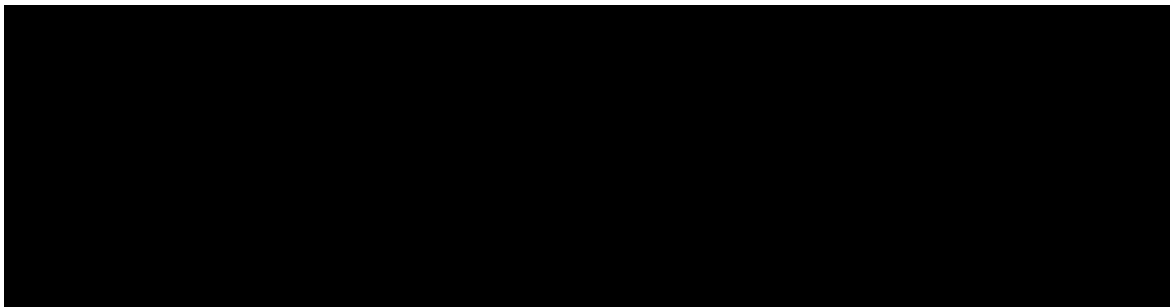
Affordable housing

- 7.42. The third and final area of sharper focus which was identified through input from the CARG was in relation to affordable housing outcomes. In the context of the IAF, affordable housing was defined as house prices which are within First Home Grant price caps.

7.43. While affordable housing has always formed part of the Evaluation Criteria, further consideration has also been given to the potential affordable housing outcomes at a portfolio level.

7.44. An additional review was made of Evaluation Sub-Criteria 1.2 – Affordable Housing, to see whether Proposals with strong affordable housing outcomes were well reflected in the recommended portfolio. On a scale of one to four, 26 Proposals in the recommended portfolio (72%) have scored either three or four in relation to Sub-Criteria 1.2. Of the remaining ten Proposals, eight scored a two out of four, and two scored a one out of four.

7.45.



7.46. At the Negotiation Stage, Kāinga Ora will discuss affordable housing outcomes and seek to incorporate appropriate commitments as part of the IAF Agreements. Further information on the approach to negotiation and the IAF Agreements is provided in Section 8 of this Report.

8. The Negotiation Stage

Introduction

- 8.1. This section identifies key matters which will be a focus for discussion at the Negotiation Stage. Satisfactory resolution on these matters will be central to reaching signed IAF Agreements with Applicants.
- 8.2. The matters outlined are those that were considered most significant and were widely seen across the portfolio. Certain matters, such as determining a clear landowner fair share contribution, will be a relevant area of negotiation for almost all Proposals.
- 8.3. This section discusses each of these matters in general terms and outlines common themes across the portfolio. Areas of negotiation as they relate to a specific Proposal are outlined in the relevant Individual Proposal Report.
- 8.4. This section also outlines the recommended approach to be taken during negotiation with Applicants from Programme Path regions.

Key issues for negotiation

Ensuring landowners and developers are paying their fair share

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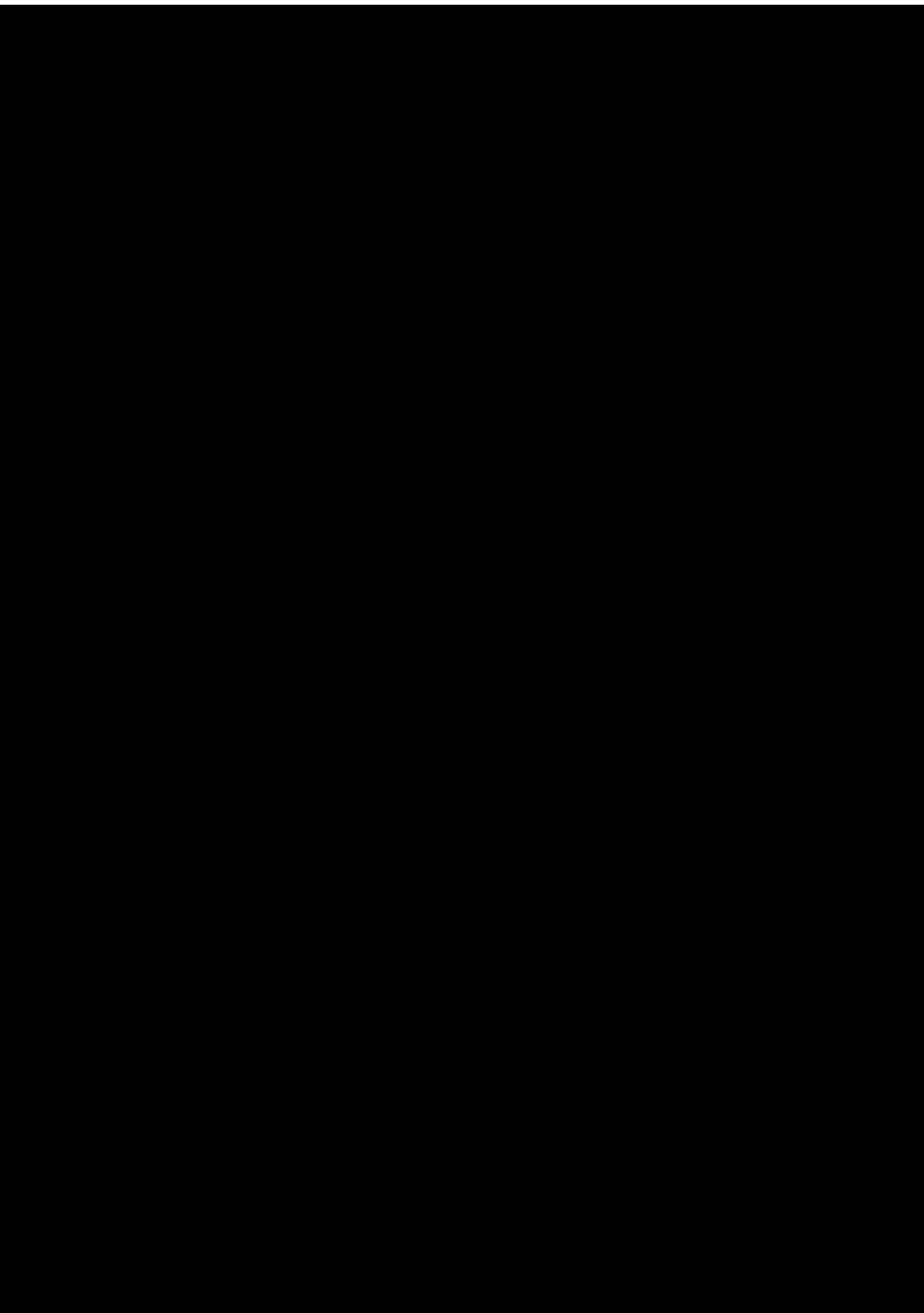
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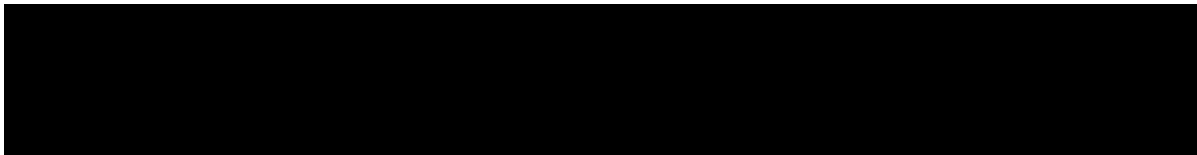
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8.15.



Ensuring Proposals are aligned with other government infrastructure investment

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8.17.

8.18.

8.19.

Ensuring affordable housing outcomes are maximised

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8.21.

8.22.

8.23.

8.24.

Leveraging complementary actions of central government

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8.26.

8.27.

8.28.

Ensuring all necessary regulatory requirements are satisfied, [REDACTED]

8.29. [REDACTED]

8.30. [REDACTED]

Approach for Programme Path and joined up Applicants

- 8.31. As determined by Cabinet, investment decisions for 'Programme Path' regions and other 'joined up' Applicants should support a holistic approach to investment in those places and, if necessary, support joined up negotiation around other government priorities.
- 8.32. To support this objective, Applicants were asked at the RFP Stage to provide a prioritisation of Proposals in their region. This informed the evaluation work completed by Kāinga Ora.
- 8.33. The Committee also recommends that the following approach be adopted at the Negotiation Stage for Applicants in Programme Path regions:

IAF Agreements

- 8.34. There are two contractual arrangements to be entered into in relation to each successful Proposal:
- (i) the Funding Agreement; and
 - (ii) the Housing Outcomes Agreement.
- 8.35. These IAF Agreements represent the start of the journey between Kāinga Ora, Applicants, cross agencies and other key parties as they work towards the delivery of the enabling infrastructure and housing outcomes. Government funding provides the confidence to get underway and for other parties to invest to move forward.
- 8.36. It is important that Applicants and other parties have confidence and are able to rely on the IAF funding. The Funding Agreement will make it clear that IAF funds will be available so long as the Applicant is meeting Eligible Infrastructure Project(s) Milestones and is compliant with the provisions of the Funding Agreement. However, the Crown will retain the right to suspend, and ultimately withdraw, IAF funding should the Applicant fail to comply with the terms of the Funding Agreement.
- 8.37. Any proposed material variation to the Proposal as it progresses through the delivery phase, e.g. a change in project scope which impacts on the IAF funding request or housing outcomes, requires the consent of Kāinga Ora and will be brought back to Ministers for approval. Further discussion on this is provided in Section 9 of this Report.

IAF Funding Agreement

- 8.38. The Funding Agreement will be between Kāinga Ora (as agent for the Crown) and the relevant Territorial Authority. It will record the terms of grant funding to the relevant Territorial Authority towards the Eligible Infrastructure Project(s) and the co-funding requirements (consistent with the co-funding principles of the IAF).
- 8.39. The Funding Agreement will provide that IAF funding will be contingent on key confirmations from Applicants (including Territorial Authorities and developers / landowners) regarding the funding and delivery of Eligible Infrastructure Project(s) and ineligible infrastructure.
- 8.40. The Funding Agreement will stipulate specific Eligible Infrastructure Project(s) Milestones that will need to be achieved by Applicants. Funds will be released to Applicants over time as these milestones are met.

IAF Housing Outcomes Agreement

- 8.41. The Housing Outcomes Agreement will be between Kāinga Ora, the relevant Territorial Authority and known developers [REDACTED]. [REDACTED] It will record developer/s' commitments to housing outcomes, along with complementary commitments to be given by the relevant Territorial Authority.
- 8.42. [REDACTED]
[REDACTED] Under the Housing Outcomes Agreement, developers are required to establish monitoring systems to monitor specified risks, including risks to the achievement of housing outcomes, and to notify Kāinga Ora of these as they arise. If the outcomes are at risk at any time, Kāinga Ora has consultation rights under the agreement in order for it to seek to facilitate the best possible outcomes.
- 8.43. If some or all developers are not yet known when the Housing Outcomes Agreement is signed, then Territorial Authorities will be required to ensure that relevant developers sign the Housing Outcomes Agreement (with necessary updates) by a specified Eligible Infrastructure Project Milestone under the Funding Agreement as a condition to the applicable payment of IAF funding in respect of that milestone.
- 8.44. For Proposals that are intensifying a general area, Territorial Authorities will be expected to use their best endeavours to secure developers' and landowners' agreement to the Housing Outcomes Agreement by a specified Eligible Infrastructure Project Milestone under the Funding Agreement.

Negotiation and approval of IAF Agreements

- 8.45. The IAF Agreements will reflect the nature and complexity of each successful Proposal, the relevant current Phase of the housing development and the relevant current stage of the Eligible Infrastructure Project(s). The general terms and conditions of the IAF Agreements will be standardised and will generally reflect the terms and conditions of other government funding agreements.
- 8.46. [REDACTED]
- 8.47. Ministerial approval for each Funding Agreement will be sought before it is executed by Kāinga Ora on behalf of the Crown.

- 8.48. Due to the differing levels of complexity across Proposals it is expected that some Proposals will be able to agree terms faster than others. It is therefore intended that IAF Agreements will be presented to Ministers for final approval in batches. This will ensure more advanced Proposals are not unduly held up by other Proposals requiring more detailed negotiation.
- 8.49. The current expectation is that the first batch of Proposals will be ready for Ministerial approval in June 2022.

Ongoing role of Kāinga Ora

- 8.50. As noted above, in most cases IAF funding will be provided to Territorial Authorities progressively as certain agreed Eligible Infrastructure Project Milestones are met. Therefore, negotiation of the Funding Agreement is seen as the first step in the journey of the funding of the infrastructure works.
- 8.51. Kāinga Ora will continue to be involved in supporting Applicants, monitoring progress and providing IAF funding in line with the Funding Agreements as milestones are reached.
- 8.52. Where an Applicant is struggling to meet milestones or make sufficient progress, Kāinga Ora may consider how it can use its resources and experience to further support those Applicants.
- 8.53. Information provided by iwi and developer Applicants has highlighted the need and opportunities they see being unlocked once the enabling infrastructure is provided. They will also be important parties with a vested interest in the delivery of the needed infrastructure.

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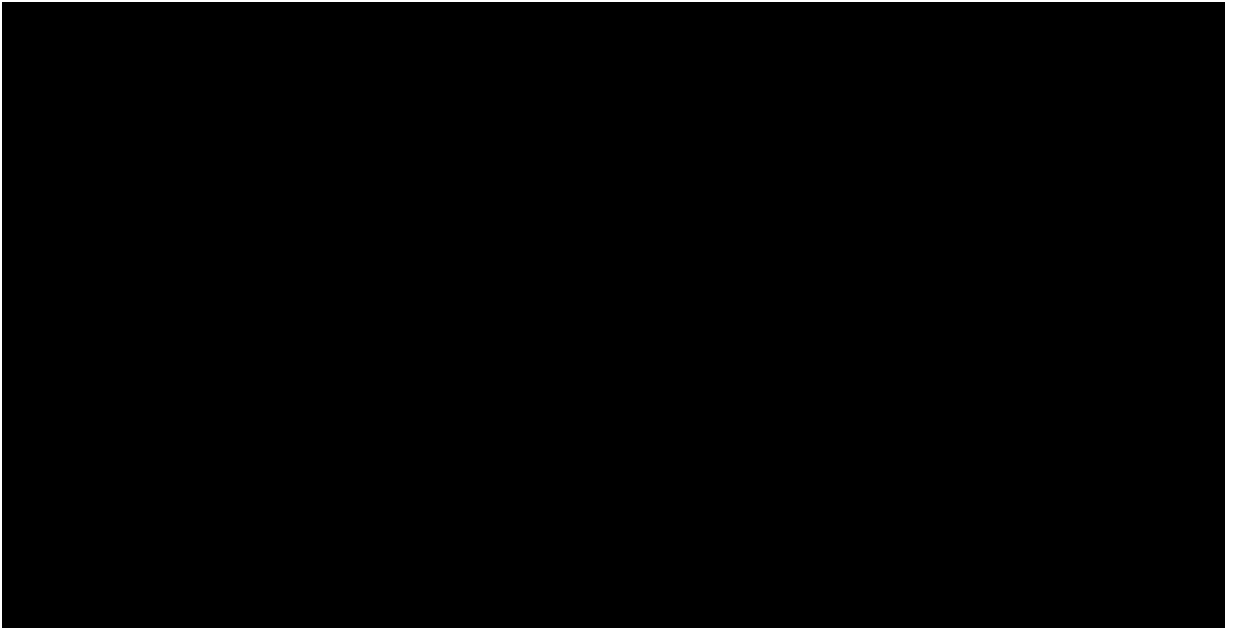
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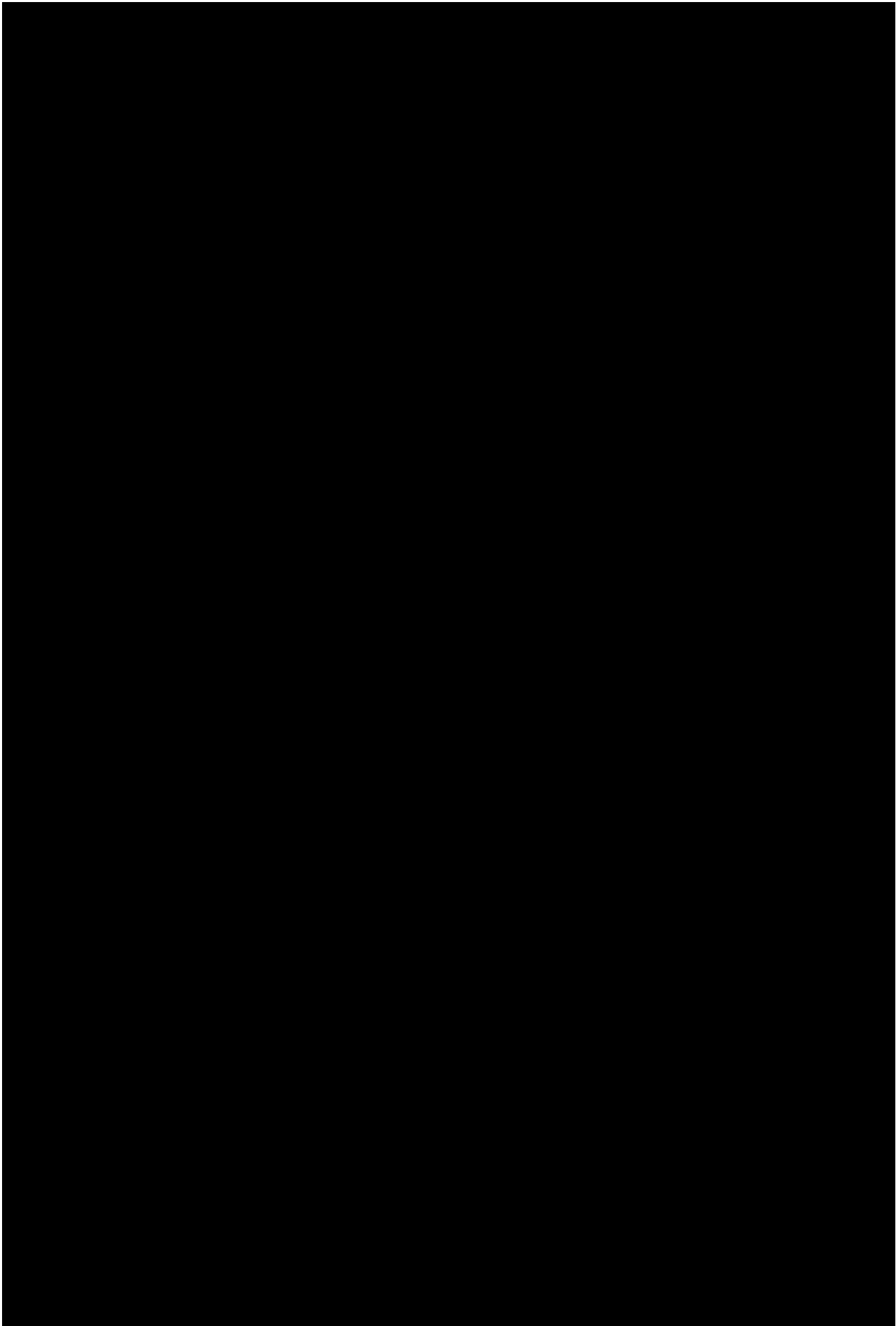
10. Risks and Opportunities

Introduction

- 10.1. In the Letter of Expectations, the Minister of Housing encouraged the Committee to be ambitious in its advice and acknowledged that funding developments that are ‘truly additional and impactful’ means accepting a greater degree of uncertainty and risk.
- 10.2. In considering this Report, there are a number of key risks and opportunities that the Government needs to be aware of. These risks and the associated mitigants and some of the opportunities the IAF presents are briefly noted in this section.

10.3.





10.4.

10.5.

10.6.

Infrastructure delivery

- 10.7. As with all infrastructure projects – there will be risk associated with successful delivery and timing of the infrastructure projects, including those noted below.
- 10.8. It is recognised that Territorial Authorities have a mixed track record in delivering infrastructure projects on the original expected timetable.

Table 9: Risks and Mitigants (risks relating to infrastructure delivery)

| Risk | Mitigant |
|---|---|
| 1. Planning consents not obtained or are delayed. | The timetable has been assessed as part of evaluation. Consents will be a key milestone in the Funding Agreements. Kāinga Ora will be proactively managing the Funding Agreement to identify any emerging risks. Kāinga Ora has rights under the Funding Agreement to help support the Territorial Authority navigate these issues and would make available its internal expertise in relation to these matters. |
| 2. Sector capacity constraints delay project works. | The timetable has been assessed as part of evaluation. There is good regional and timing spread of Proposals minimising impact on sector capacity. |

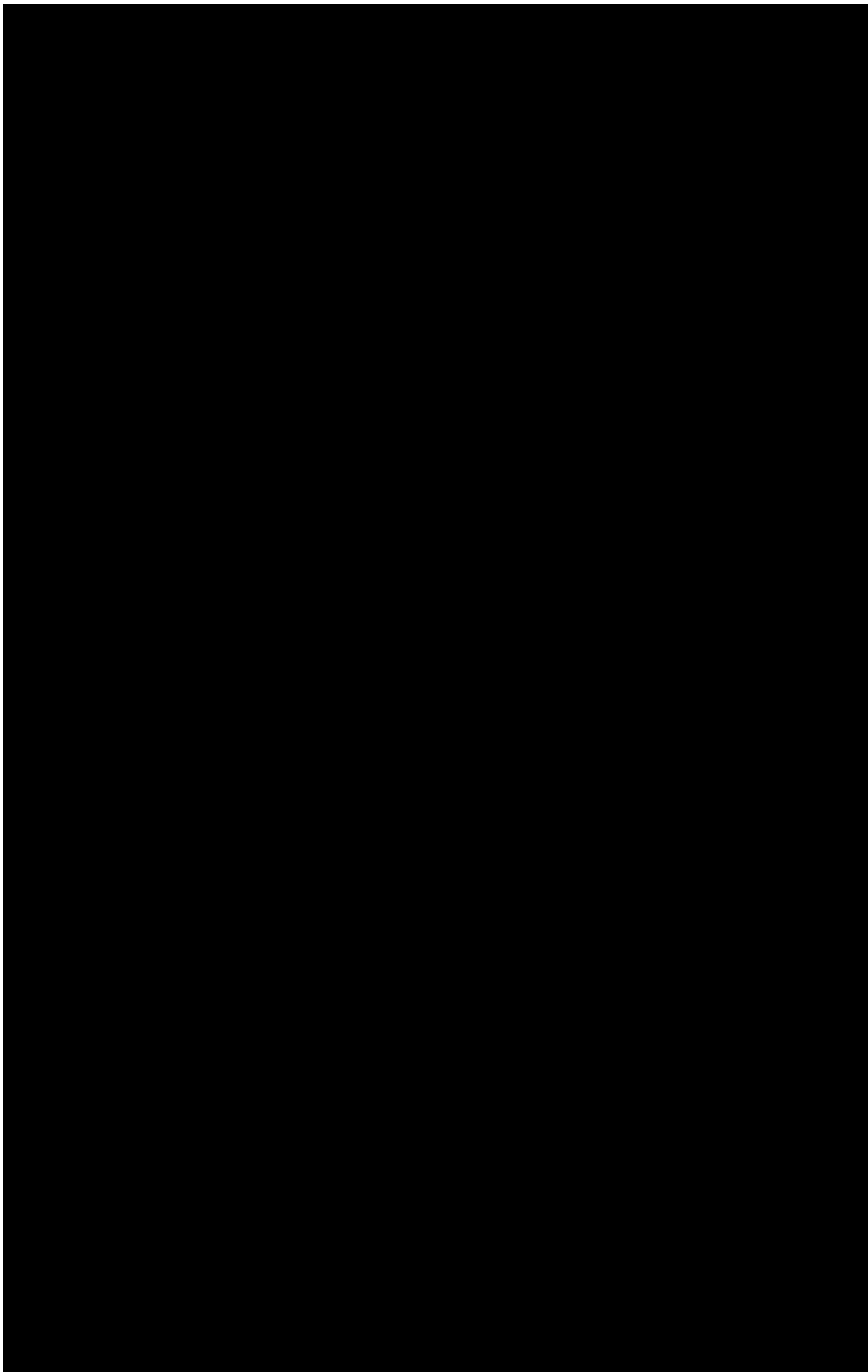
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|--|--|
| | <p>Kāinga Ora will be proactively managing the Funding Agreement to identify any emerging risks.</p> <p>Kāinga Ora has rights under the Funding Agreement to help support the Territorial Authority navigate these issues and would make available its internal expertise in relation to these matters.</p> |
| <p>3. Other technical factors delay the works. This includes the risk that the Territorial Authority does not have capacity / capability to manage the infrastructure projects.</p> | <p>The Funding Agreements will be milestone based, meaning funding is conditional on progress.</p> <p>Kāinga Ora will be proactively managing the Funding Agreement to identify any emerging risks.</p> <p>Kāinga Ora has rights under the Funding Agreement to help support the Territorial Authority navigate these issues and would make available its internal expertise in relation to these matters.</p> |
| <p>4. There is a risk that infrastructure projects will be unable to satisfy the specific milestones set out in the Funding Agreements. This could be after IAF funding has already been spent on preliminary costs.</p> | <p>As noted, preliminary costs are expected to be borne pro-rata with Applicants, so they also have “skin in the game”.</p> |
| <p>5. Changes to infrastructure solution in regards to scope requirements from further design works results in Proposals being uneconomical.</p> | <p>Confirmation of sufficient funds to complete the infrastructure project/s will be an ongoing condition of IAF funding, meaning the Government can manage its funding exposure if this eventuates through the project.</p> |
| <p>6. Territorial Authorities rescope the infrastructure project to reduce costs and this impacts the housing outcomes.</p> | <p>Territorial Authorities will be required to report and Kāinga Ora can monitor, any proposed material scope changes. Any material reduction or increase to the scope of the project requires the consent of Kāinga Ora. If this is not</p> |

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| | obtained, Kāinga Ora has the ability to terminate the Funding Agreements. |
| 7. Unforeseen events occur (i.e. flooding, severe storm, earthquake) delay or make infrastructure projects unachievable. | <p>Kāinga Ora has rights under the Funding Agreement to help support the Territorial Authority navigate these issues.</p> <p>Kāinga Ora will have the ability to terminate the Funding Agreement.</p> |

Housing outcomes

10.9. The following risks relate to the housing outcomes being supported by the IAF.

Table 10: Risks and Mitigants (risks relating to housing outcomes)



Increased demands on transport and other government activities

- 10.10. The objective of the IAF is to accelerate housing outcomes across New Zealand. This acceleration risks increasing the pressure on the transport network. Housing acceleration will also cause pressure on funding of schools and health services and the like.

Table 11: Risks and Mitigants (risks relating to transport network and other Government activities)

| Risk | Mitigant |
|---|---|
| <p>1. Acceleration of housing through the IAF will impact the existing transport network through increasing the demand for infrastructure and services. The extent of the impacts on the transport network are not fully understood at this stage, however it is expected that additional investment will be required – across multiple infrastructure types including state highways, local roads, walking and cycling and public transport – to manage increased demand and address safety and efficiency challenges arising from IAF-enabled developments.</p> | <p>In many cases IAF Funding will be conditional on Waka Kotahi NLTF funding.</p> <p>The IAF has prioritised funding in areas of greatest housing demand. In most cases these pressures on infrastructure, schools etc. are already apparent.</p> |

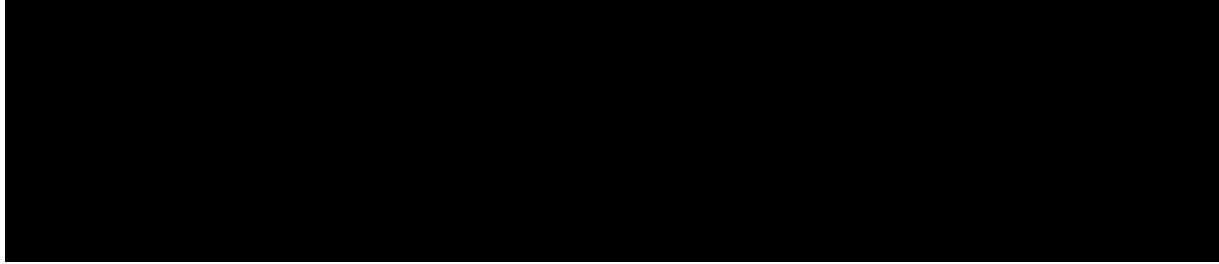
Miscellaneous

- 10.11. The following risks relate to the process.

Table 12: Risks and Mitigants (risks relating to the IAF process)

| Risk | Mitigant |
|--|---|
| <p>1. Some Applicants who are ultimately unsuccessful may be disappointed and consider that their Proposals had more merit than other Proposals which were successful and/or based</p> | <p>A clear, transparent and structured process has been followed.</p> <p>Debriefs will be offered to Applicants with Proposals which did not progress</p> |

| | |
|--|--|
| on the particular acute needs in their location and/or regional imbalance. | which will explain the evaluation methodology. |
|--|--|



Opportunities

- 10.12. In addition to the risks above, the IAF presents very real opportunities. Most of the opportunities underpin the policy objective of IAF, so are not repeated here. Additional opportunities include those in the following table.

Table 13: Opportunities

| Opportunity | Comment |
|---|---|
| 1. The IAF is used as a longer term funding source for housing related infrastructure. | Over 200 Proposals were received at the EOI Stage, of which approximately 15% will be funded by the IAF in the recommended portfolio. There is an opportunity to turn the IAF into a longer term, sustainable and predictable form of funding to support delivery of housing related infrastructure. |
| 2. The IAF has created a very rich source of data of potential housing projects around the country. | There is a rich source of data from the Proposals. There is an opportunity to use this for forward planning and to identify trends and challenges at a regional level. |
| 3. Central agency co-ordination. | The IAF process has required several central government agencies to collaborate to review the Proposals and make a recommendation under tight time pressure. The approach used to capture this cross-agency feedback (series of structured meetings and feedback loops using well developed |

| | |
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| | materials) could be adopted in other settings. |
| 4. Co-ordination with other funding sources. | There are several other funding initiatives for infrastructure in New Zealand, including potential Shovel Ready funding, 3-waters funding, NLTF, IFF and other Housing Acceleration Fund projects. There is an opportunity to co-ordinate the delivery and share ideas / observations between them. |

11. Key Observations


Observations

11.1. The following section outlines a number of key observations that were made throughout the RFP evaluation process. Further detail on these observations is provided in the Briefing to Ministers accompanying this Report.

- (i) **Cross Agency Reference Group** – there was a strong focus on cross-government alignment of infrastructure initiatives throughout. The clear mandate from Ministers gave the CARG gravitas and drove accountability and motivation. The value of this group was sharpened at the RFP Stage, with members from HUD and Waka Kotahi sitting on the Moderation Panel to ensure their views were incorporated into the recommended portfolio.
- (ii) **Consideration of investments as a package (portfolio view)** – the Core Evaluation Team utilised the Broader Considerations set by Cabinet as well as the sharper focus on areas of demand, affordability and carbon emissions to determine the final package of investments, leading to a strong balance across the recommended portfolio of all of these matters.
- (iii) **Regional distribution** – the recommended portfolio will provide a significant number of dwellings across most parts of Aotearoa, with areas of greatest need receiving significant developments.
- (iv) **Brownfield intensification and greenfield expansion** – while greenfields are generally considered easier to deliver from an infrastructure perspective, a conscious effort was made to support investment in brownfield intensification projects that otherwise would not be funded (afforded) by local councils that offer immediate access to amenity and reduced carbon emissions.
- (v) **Affordability** – the majority of Proposals that are recommended to progress to the Negotiation Stage include some element of affordable housing. During negotiations affordability will be a major focus to increase the number of affordable dwellings within all developments.
- (vi) **Contribution to a pipeline of investment** – the recommended portfolio provides a mix of brownfield and greenfield developments which significantly vary in size [REDACTED]. This portfolio will help ensure that there are a constant pipeline of dwellings delivered.

(vii) [REDACTED]



- (viii) **Balance between overall objectives of the IAF and a funding package based only on the investment criteria** – careful consideration has been undertaken to ensure the portfolio delivers on both the investment criteria and the overall objectives of the fund. To achieve the overall objectives, only Proposals that scored relatively high in the investment criteria were adjusted up.
- (ix) **Māori Infrastructure Fund** – a number of Proposals with strong Māori partnerships were deemed ineligible through the RFP evaluation process. However, these Proposals have strong housing outcomes and are considered to be very worthy of funding. The Kāinga Ora team is working with the Māori Infrastructure Fund being administered by HUD to ensure the analysis and review work completed on these Proposals can be transferred to this team for consideration of funding.
- (x) 
- (xi) **The start of a journey** – the Funding Agreements and Housing Outcomes Agreements represent the start of the journey. Government funding provides the confidence to get underway and for other parties to invest to move forward, but inevitably there will be issues to navigate. However, some issues will ultimately fall away, reflecting the fact that the Funding Agreement and the Housing Outcomes Agreement is the start of the journey.

12. Next Steps

- 12.1. Applicants were advised in the RFP document that they could expect to be notified of outcomes by the end of April 2022. Kāinga Ora considers that the process is on track to meet this timeframe.
- 12.2. Following Ministerial decision-making on the RFP process, Applicants will be advised of the outcome for their Proposal through the appropriate Kāinga Ora relationship manager prior to receiving a formal outcome letter.
- 12.3. Kāinga Ora will immediately engage with Applicants selected to progress to the Negotiation Stage in order to discuss co-funding and other key features of the Proposal, and to complete further due diligence (as required) to negotiate terms for the IAF Agreements.
- 12.4. As identified in Section 8 of this Report, there are a number of key areas that will need to be resolved as part of the negotiation process, in particular ensuring that landowners are paying their fair share of infrastructure costs. [REDACTED]
- 12.5. The Kāinga Ora team will report on the outcome of the negotiations to the Kāinga Ora Board Committee and where applicable, provide recommendations to the Committee that IAF Agreements be entered into in respect of Proposals. The Committee will consider these recommendations and where applicable, will make recommendations to Ministers.
- 12.6. It is intended that IAF Agreements will be presented to Ministers for final approval in batches. The current expectation is that the first batch of Agreements will be ready for Ministerial approval from June 2022, with subsequent batches provided on a monthly basis thereafter.
- 12.7. An IAF communications plan has been provided to the office of the Minister of Housing outlining the intended next steps in relation to any IAF public announcements. Further details of this communications plan will be provided to Ministers in separate advice.
- 12.8. At a high level, the intended next milestones in terms of public communications are:
 - (i) Early May 2022 – Press release issued announcing the next stage in the IAF process; and
 - (ii) [REDACTED]

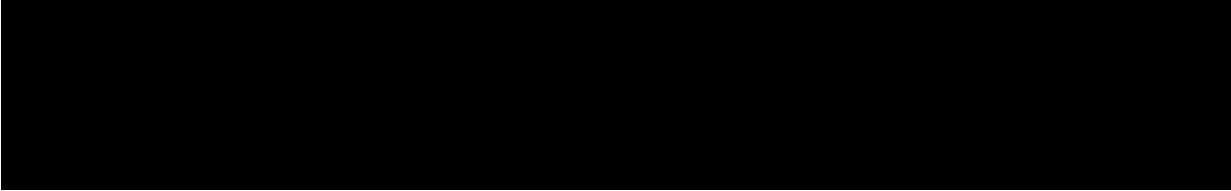


Schedules to the RFP Evaluation Report



Schedule One: Glossary

Glossary of Terms

| Term | Meaning |
|--|--|
| Applicant | A party, including a Territorial Authority, Māori or developer, who has submitted a Proposal in response to the RFP. |
|  | |
| Broader Considerations | The Broader Considerations set out in the EOI. |
| Core Evaluation Team | The group responsible in the RFP Evaluation process to moderate the initial evaluation work and at a portfolio level take into account the Broader Considerations and sharper focus points. Also responsible for making recommendations to the Evaluation Panel. |
| Cross Agency Reference Group | A group made up of senior representatives from various government agencies that have informed the decisions and advice from the Kāinga Ora Board Committee. |
| Eligible Applicant | An Applicant who meets the IAF Eligibility Criteria as agreed by Cabinet. This was provided to Applicants in section 2.1 of the EOI Invitation. |
| Eligible Infrastructure Project | An infrastructure project that meets the IAF Eligibility Criteria as agreed by Cabinet. This was provided to Applicants in section 2.1 of the EOI Invitation. |
| Eligibility Criteria | The criteria used to assess Eligible Applicants, Eligible Infrastructure Projects and Eligible Costs, as set out in section 2.1, 2.2 and 2.3 of the EOI Invitation. |
| EOI | Expression of Interest in response to the EOI Invitation. |
| EOI Invitation | The invitation inviting Applicants to submit an EOI and Proposal to receive funding from the IAF. |

| Term | Meaning |
|--|---|
| EOI Reserve List | Proposals which, at the conclusion of the EOI Stage, were not invited to progress to the RFP Stage, but were notified they could be progressed to the RFP Stage at a later date if funding were to become available. |
| EOI Stage | The stage of the process to allocate funding from the IAF, commencing from the issue of the EOI Invitation and concluding on notification of successful Proposals to move to the RFP Stage by way of an <i>EOI Notification of Outcome Letter</i> . |
| Evaluation Criteria | The criteria agreed by Cabinet to be used to assess Proposals for the IAF. |
| Evaluation Teams | Evaluation teams established to evaluate Proposals in accordance with the Eligibility Criteria and Evaluation Criteria. |
| Funding Agreement | An agreement between Kāinga Ora and a Territorial Authority setting out the terms of IAF funding for an Eligible Infrastructure Project(s). |
| Housing Outcomes Agreement | An agreement setting out the housing outcomes, commitments from developers and other relevant parties, and actions to be taken by the relevant Territorial Authority, in respect of a Proposal subject to a Funding Agreement. |
| IAF Agreements | The Funding Agreement and the Housing Outcomes Agreement. |
| Infrastructure Acceleration Fund (IAF) | A government fund for Eligible Infrastructure Projects, administered by Kāinga Ora. |
| Kāinga Ora Board Committee (the Committee) | A Committee of the Board of Kāinga Ora, including two independent members, which is responsible for providing recommendations to Ministers as to which Proposals should be progressed to the Negotiation Stage. |
| Large Scale Projects | A component of the wider Housing Acceleration Fund. Funding used to support the Kāinga Ora large scale projects in Auckland and Porirua. |
| Māori | Includes, without limitation, iwi, hapū, marae and whānau. |

| Term | Meaning |
|--------------------------|---|
| Ministers | The Minister of Finance and Minister of Housing. |
| Negotiation Stage | The period that commences when an RFP Proposal receives Ministerial approval to progress to negotiation and concludes when a final Ministerial decision as to funding is sought. |
| Probity Auditor | The person identified in the RFP who is appointed to audit, and provide independent assurance to Kāinga Ora on the process undertaken in relation to the IAF. (McHale Group) |
| Programme Path Applicant | <p>A Territorial Authority in any of the following Programme Path areas:</p> <p>Auckland (Auckland Council)</p> <p>Hamilton (Waikato Regional Council, Hamilton City Council, Waikato District Council, Waipā District Council)</p> <p>Tauranga (Bay of Plenty Regional Council, Tauranga City Council, Western Bay of Plenty District Council)</p> <p>Wellington (Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council, Horowhenua District Council, South Wairarapa District Council, Carterton District Council, and Masterton District Council)</p> <p>Christchurch (Christchurch City Council, Selwyn District Council, Waimakariri District Council)</p> <p>Queenstown (Queenstown Lakes District Council)</p> |
| Proposal | The information provided by Applicants regarding applications for funding under the Infrastructure Acceleration Fund (across EOI and RFP Stages and the remaining Negotiation and funding decision processes). |
| RFP | The 'Request for Proposals' issued to Applicants on 15 October 2021. |

| Term | Meaning |
|-----------------------------|--|
| RFP Proposal | A response to the RFP provided by selected Applicants. |
| RFP Stage | The stage of the Infrastructure Acceleration Fund process commencing from the issue of the RFP to notifying successful Applicants. |
| | |
| Territorial Authority | A city council or a district council named in Part 2 of Schedule 2 of the Local Government Act 2002. |
| Urban Growth Partnership(s) | Partnerships, as identified in section 1.3 of the EOI Invitation, between central government, local government and Māori to ensure alignment of government investment in infrastructure. |

Schedule Two: Letter of Expectations from the Minister of Housing to the Kāinga Ora Board

Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Vui Mark Gosche
Chair, Kāinga Ora – Homes and Communities
PO Box 2628
Wellington 6140
Via email Mark.Gosche@kaingaora.govt.nz

17 AUG 2021

Tēnā koe Vui

As you will be aware, on 31 May 2021 Cabinet agreed to establish an Infrastructure Acceleration Fund, to be administered by Kāinga Ora. Let me extend my appreciation for all the hard work that has gone into setting up and launching the Fund since that time. I've been pleased with the rapid pace at which Kāinga Ora has been able to move in releasing an invitation for expressions of interest on 30 June, only a month after Cabinet's decision. I'm anticipating a strong response from councils, developers and Māori in identifying opportunities for the IAF.

Cabinet agreed that Ministerial decisions would be informed by advice from a committee of the Kāinga Ora Board, subject to the Board establishing a Kāinga Ora Board committee with at least two members not on the Kāinga Ora Board and which has the following expertise represented:

- housing development;
- Māori housing
- infrastructure delivery
- local government
- finance and risk management.

I understand the Board is in the process of establishing a committee in accordance with these requirements.

Cabinet further noted that to ensure that the advice from the committee reflects the intent of the Fund and broader government priorities, I would set out my expectations for the advice in a letter to the Chair of the Board. Those expectations are described below.

This letter is limited to my expectations with respect to the advisory role Cabinet has agreed the committee will have. Cabinet has also agreed that Kāinga Ora would administer the IAF on behalf of the Crown. The expectations for Kāinga Ora's role in administering the fund will be set out in the Agency Agreement to be signed in the coming weeks. HUD will work with Kāinga Ora to develop performance measures and finalise monitoring arrangements for the IAF, including reporting. I may also have further expectations coming through the annual Letter of Expectations. I also recognise that Kāinga Ora must act in accordance with its statutory framework, and expect you to perform your role as advisors for the IAF in line with that framework.

Expectations for the advice provided by the committee

I expect the Committee to provide decision-making Ministers (the Ministers of Finance and Housing) with:

- Information on the decisions of the committee to advance expressions of interest (EOIs) to the Request for Proposals (RFP) stage of the process
- Advice on key investments decision points to be made under the Fund, including seeking in-principle agreement prior to progressing a proposal to negotiation and before concluding final agreements.

Basis for decision-making and advice

Cabinet has agreed the investment criteria for the Fund and Cabinet considered various factors in relation to each of the criteria. I expect the Committee's assessment of proposals against those criteria and factors to form the primary basis for its decision making on expressions of interest and its advice to Ministers referred to above.

In addition, and in line with Cabinet's expectations for the Fund, decisions and advice should account for alignment with wider government infrastructure investment processes, with regard given to the views of the cross-agency reference group on this matter.

In addition to these individual proposal-based considerations, I further expect the committee to consider investments as a package, including with regard to proposals already approved for funding, and any likely further investments. When considering investments as a package the committee should consider three of the objectives agreed by Cabinet that relate to the Fund as a whole. These three objectives are that the investment will:

- enable *brownfield intensification and greenfield expansion* in locations with access to amenity and opportunity;
- create a pipeline of investment *including near-term and medium-term activity* that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation;
- be spread across multiple regions and include both large urban areas and regional centres.

The application of these package-wide considerations to each of the stages discussed below.

Role of the committee in making decisions at the Expression of Interest stage

The committee will be responsible for determining which expressions of interest are to advance to the RFP Stage. I expect these decisions to be primarily based on the investment criteria and factors as well as aligning with cross-government investment activities informed by the views of the cross-agency reference group.

Additionally, where consideration of the investment criteria alone would make it difficult to achieve the package-wide objectives, the committee should seek to advance additional proposals that could provide greater balance having regard to those objectives (provided these proposals have high enough potential that it is realistic that they could ultimately be funded).

I appreciate that the intention is to use the first stage of the process to materially reduce the number of proposals. However, it is important that the decisions made by the committee at this stage do not overly reduce the scope for the final Ministerial decision making. There should remain a sufficiently wide range of proposals in the second stage that Ministers can consider trade-offs between the highest recommended proposals.

In the event that the committee considers that there are only a very small number of expressions of interest that justify being advanced, and thus significant decision making power needs to be exercised at this stage, then the committee should provide advice to Ministers and seeking active agreement before proceeding.

Following the committee decisions on which EOIs to advance to full proposals, please provide Ministers with information on:

- Which expressions of interest are being advanced and the key reasons for their being advanced
- Which expressions of interest are not being advanced with very brief descriptions of the reason
- Which, if any, the committee considers appropriate for fast-track consideration and the expected timing of advice on these proposals
- Likelihood of being able to achieve the package-level objectives with the mix of proposals to be advanced
- High-level indication of the scale of fundable proposals anticipated and whether this:
 - Will be less than available funds, suggesting a second round may be required
 - Broadly in line with available funding
 - Significantly more than the available funding, suggesting that the possibility of additional funding through Budget 2022 be considered.

This information should be provided to Ministers at least one week prior to informing applicants of outcomes. It is not generally required that Ministers make an active decision at this stage, however, if Ministers consider that the decisions do not adequately reflect the intended policy for the IAF, additional direction may be provided.

Assessment of full proposals - advice on progression to Negotiation stage

I understand that following the assessment of full proposals and identification of proposals that likely justify funding, significant further negotiation will often be required to agree final terms, and determine if an agreement can be reached.

Proceeding to negotiation with potential recipients should only occur following Ministerial agreement following advice from the committee.

Where practical, advice on these decisions should bundle multiple proposals to support efficiency and joined-up decision making, particularly where proposals relate to the same region. For the programme path investments, this will also support a holistic decision to be taken around investment in those places, and support joined up negotiation around other government priorities if necessary, in line with the intent of the IAF.

In this advice, I expect the committee's advice to identify those proposals which were assessed highest against the investment criteria.

In addition, and as discussed above, if the committee considers that any of the overall objectives of the fund would be poorly achieved by funding a package based only on the investment criteria, then the advice should also include assessment of the strongest alternative proposals (in terms of the investment criteria) that if funded would provide an overall package that better reflected the objectives.

At this stage Kāinga Ora will be expected to consider the role for wider powers of central government to support proposals, and this should be reflected in advice as well.

Advice on in-principle funding (advancing to negotiation) decisions should include:

- Description of the proposal.
- Summary assessment against evaluation criteria.
- Timing for the development, including key milestones and funds expected to be paid at each milestone.
- Expected timing of housing, the strength of the commitments in relation to housing outcomes and uncertainties.
- Key partners in the infrastructure works and housing development(s).
- Any issues raised by the cross-agency reference group (including alignment with other government investment decisions) and how these have influenced decision making.
- Where further negotiation will focus, and any particular matters that are central to whether an agreement is likely to be reached.
- Any complementary actions using other powers of central government identified with views from relevant agencies on the merit in advancing these.
- Co-funding arrangements, risk sharing arrangements including for cost escalations.

I acknowledge that the scale of Kāinga Ora means it may or will have interests in a number of proposals, and these interests will not prevent the Committee advising Ministers on progressing to Negotiation stage or final investment decisions. However, where there are material interests, Cabinet has agreed that secondary advice by the Ministry of Housing and Urban Development is required to manage these interests. This advice will consider whether Kāinga Ora's evaluation of proposals in which it has a material interest is consistent with its evaluation of other proposals.

Advice on final investment decisions

Following negotiation of the funding and housing outcome agreements, I expect that advice will be provided by the Committee and final investment decisions should be sought from the decision making Ministers. No funding obligations should be incurred unless and until final investment approval has been obtained from the decision making Ministers.

I understand that proposals will also progress to the final investment decision as and when they are ready and therefore this advice and decision making will take place over a number of months in batches.

I expect the advice for the final investment decision to address the same matters as set out above in relation to the progression to negotiation.

Risk and uncertainty

In identifying developments for funding, I expect the committee to be ambitious in its advice. I appreciate that, in some cases, funding developments that are truly additional and impactful means accepting a greater degree of uncertainty and risk. While I expect risks to be identified and appropriate mitigations pursued, I also expect that developments with the greatest potential to support housing outcomes for New Zealanders are presented to Ministers, even where these may be more challenging or uncertain. When in doubt about appetite for risk, err on the side of presenting options to Ministers, rather than ruling out proposals entirely.

Role of the committee versus the full Board

Given the importance that Cabinet placed on including non-Kāinga Ora Board members in the committee advising Ministers, it is my expectation that only this committee be involved in agreeing advice to Ministers (rather than advice subsequently being reviewed or approved by the Board).

Ngā mihi



Hon Megan Woods
Minister of Housing

CC: Minister of Finance

Schedule Three: Reconciliation between the Information Requested by Ministers and Reports Provided

Reconciliation between the Information Requested by Ministers and the Reports Provided

| Information requested | Where it is provided in the Reports |
|--|--|
| Description of the Proposal | This information is provided in the 'Proposal Summary' section within each Individual Proposal Report. |
| Summary assessment against evaluation criteria | This information is provided in the 'Evaluation Commentary/Detail' section within each Individual Proposal Report. |
| Timing for the development, including key milestones and funds expected to be paid at each milestone | <p>Each Individual Proposal Report provides the expected IAF drawdown per year, as identified by applicants in their Proposal.</p> <p>Where relevant, key information on the timing of the development is incorporated into the Proposal Summary section within each Individual Proposal Report.</p> <p>Understanding the funds expected to be paid at each milestone will require further discussion and engagement with each applicant as part of the Negotiation Stage. This level of detail will be provided to Ministers following negotiation with applicants.</p> |
| Expected timing of housing, the strength of commitments in relation to housing and uncertainties | <p>Each Individual Proposal Report provides the expected dwelling delivery per year, as identified by applicants in their Proposal.</p> <p>The strength of commitment that is expected in relation to housing outcomes is discussed in general in Section 8 of this Report. Specific commitments in relation to individual Proposals will be an area for further negotiation.</p> |
| Key partners in the infrastructure works and housing development(s) | This information is included in the 'Key Parties' section within each Individual Proposal Report. |
| Any issues raised by the cross-agency reference group (including alignment with other government investment decisions) and how these have influenced decision making | Input from the cross-agency reference group, and how this has influenced decision making and advice, is discussed in Section 4 of this Report. |
| Where further negotiation will focus, and any particular matters that are central to whether an agreement is likely to be reached | <p>Specific negotiation points in relation to a Proposal are noted in the 'Areas of Negotiation' section within each Individual Proposal Report.</p> <p>Key negotiation points are also discussed generally for the portfolio in Section 8 of this Report.</p> |
| Any complementary actions using other powers of central government identified with views from the relevant agencies on the merit in advancing these | Common complementary actions using other powers of central government that have been identified are discussed in general in Section 8 of this Report. Specific use of complementary actions in relation to individual Proposals will be an area for further negotiation. |
| Co-funding arrangements, risk sharing arrangements including for cost escalations | <p>Each Individual Proposal Report summarises the cost and co-funding arrangements in the funding breakdown and funding sources graphs.</p> <p>Risk sharing arrangements and approach to cost escalations are discussed in general in Section 9 of this Report.</p> |

Schedule Four: Worked Examples of Selection Methodology

Worked Examples of Selection Methodology

For illustrative purposes, outlined below are four worked examples of the selection methodology that was described in Section 3:

1. [REDACTED] **(High-scoring Proposal)** – this Proposal scored well against the Evaluation Criteria and was above the threshold for progression to the Negotiation Stage based on score. At a regional consideration level, [REDACTED] over-represented, however due to the strength of this Proposal and strong alignment with cross agencies, it was considered appropriate to retain this Proposal in the recommended portfolio.
2. [REDACTED] **(Proposal included based on regional considerations)** – this Proposal had initially scored below the threshold for progression to the Negotiation Stage based on score. When considering regional spread it was noted that no Proposals had been assessed above the threshold in the [REDACTED] region, which had been identified in the metrics from HUD as an area of need. [REDACTED] had been assessed as the strongest Proposal in [REDACTED] and was considered to be a viable development. Therefore, it has been included in the recommended portfolio on the basis of a regional adjustment.
3. [REDACTED] **(Proposal removed based on cross agency input and misalignment with wider government infrastructure investment processes)** – this Proposal had initially scored above the threshold for progression to negotiation based on score. The Proposal was considered to support regional spread as it was located in [REDACTED], a region which was relatively underweight. However, when considering alignment with cross agencies and other government processes, [REDACTED] provided a red flag on the Proposal. This was for several reasons:
 - a. the transport improvements to support growth in the area were still being considered [REDACTED] and this Proposal may foreclose on these;
 - b. there were risks around transport funding and this could lead to a sub-optimal transport system [REDACTED]; and
 - c. there was a lack of strong support [REDACTED]

The Core Evaluation team considered that on the basis of these risks and potential misalignment, an adjustment should be made to remove the Proposal from the recommended portfolio.

4. [REDACTED] **(Proposal removed based on regional considerations)** – this Proposal had also initially scored well against the Evaluation Criteria and was above

the threshold for progression based on score. However, when considering a regional spread view, [REDACTED] was significantly over-represented in its funding allocation. The other Proposals from [REDACTED] included in the recommended portfolio were [REDACTED]. Both of these Proposals had scored higher against the Evaluation Criteria and were ranked as a higher priority by the Applicant, [REDACTED]. Therefore, an adjustment was made to remove [REDACTED] from the recommended portfolio to support the regional spread of funding.

Schedule Five: Beca Group Report on Construction Sector Market View

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Construction Sector Market View

Executive Summary

IAF is intended to deliver additional and early investment into New Zealand's infrastructure to accelerate the delivery of housing. With the overall investment of IAF funding planned to be \$1.0b, the funds successful delivery could be affected by local market conditions. Beca have been commissioned to review the proposed funding applicants and comment on the local market conditions.

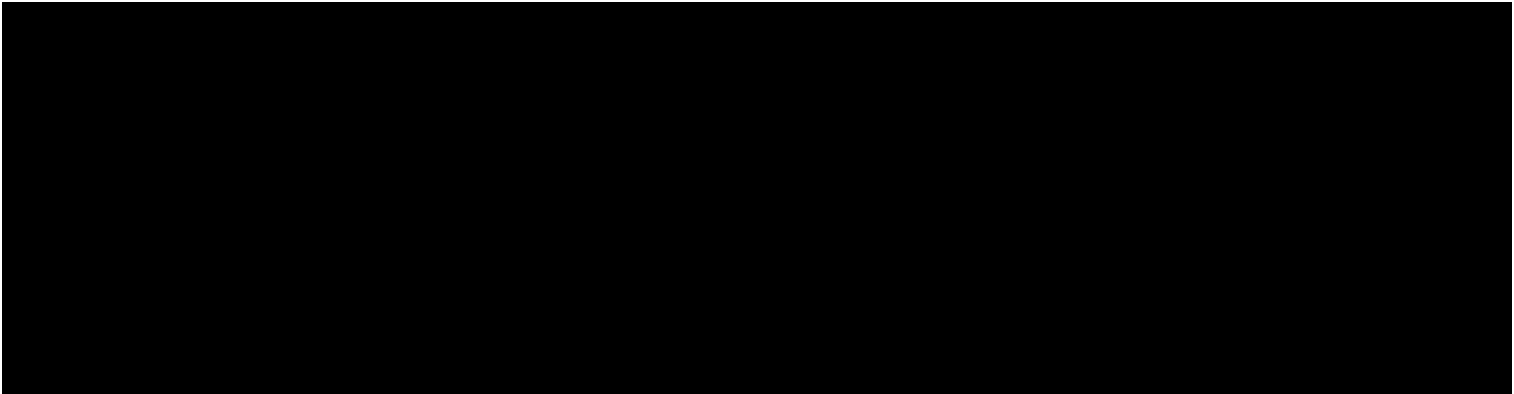
With structured planning and timely market engagement, the additional investment from IAF funded projects can be successfully integrated into the construction market. The local markets will benefit from an assured pipeline of work and a clear programme of delivery. This will enable the construction market to take additional confidence from this investment. In time this could support additional growth and training of staff.

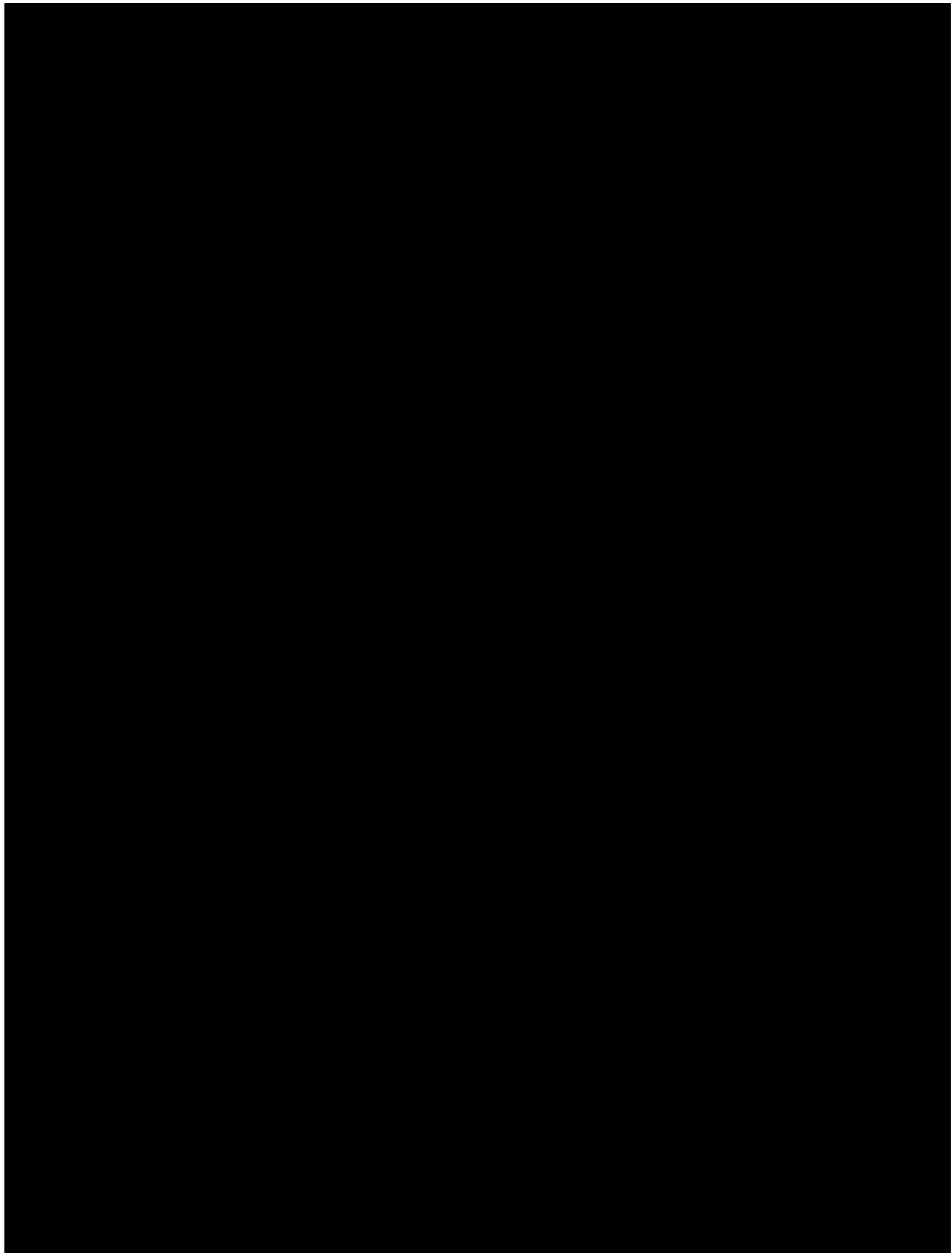
We have taken a regional view of construction markets focusing on housing and infrastructure. Within each of these markets we have assessed the impact and timing of the proposed IAF project investment. Overall, the scale and timing of investment should be able to be accommodated by their local markets. The larger regions will need to focus on engagement with the market to encourage interest and tendering in their projects. Contractors in a busy region have options and will want to invest in opportunities with good returns and reasonable tendering and contracting approaches. The smaller regions have limited capacity so for them it will be about understanding the timing of the opportunities and whether the delivery time frames are realistic to the resources available or whether they can build capacity to meet the expected need.

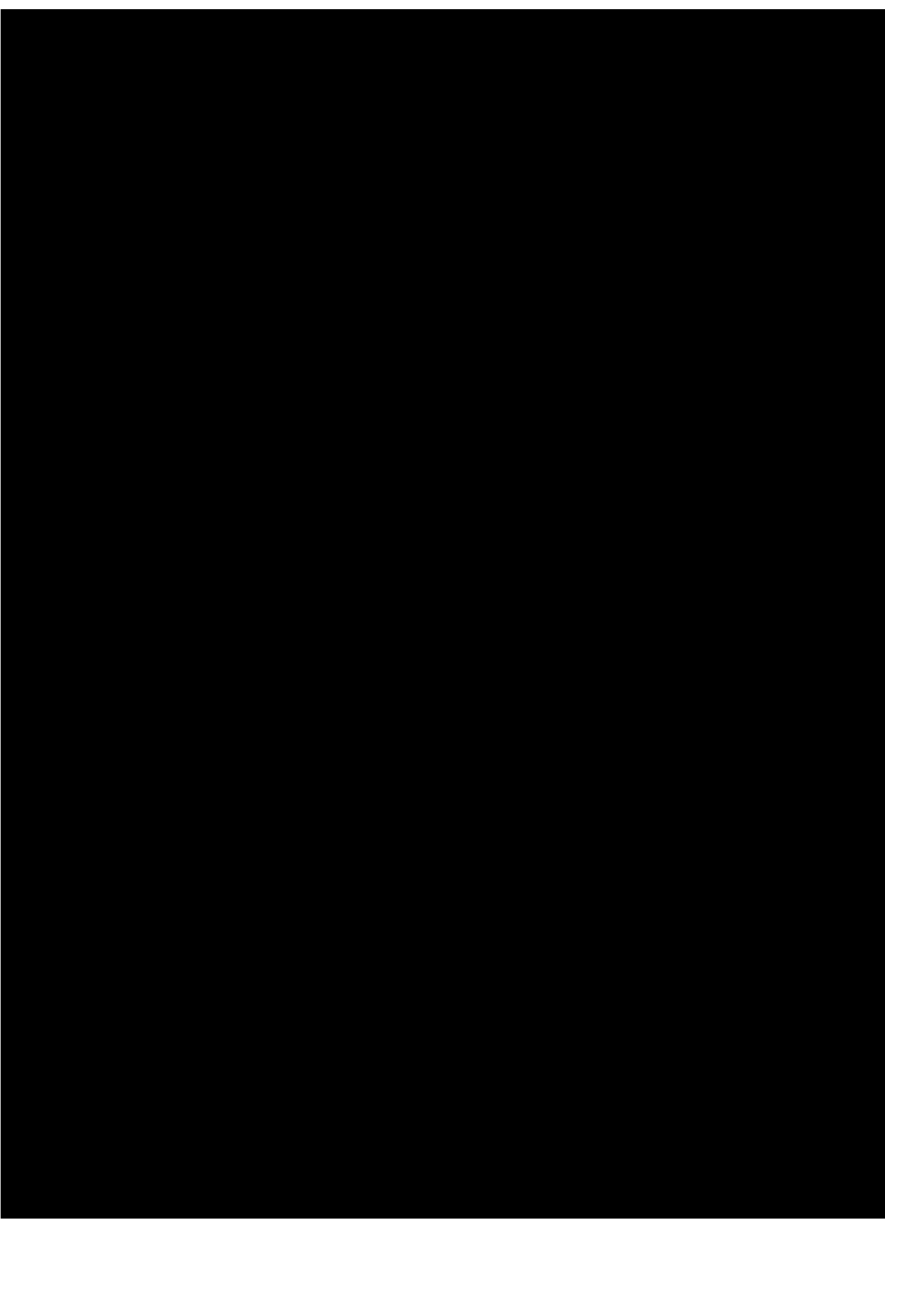
With the IAF funding investment commitment, the contractors aligned to this work will have confidence in this pipeline of work and can be encouraged to plan for it coming to market. The house builders will also have an understanding that sites will become available. However, the housebuilders will still be reliant on both an open market demand for housing and for site owners to release land quickly. Consideration should be given to the funding contracting mechanism to ensure that land released as a result of IAF funding is brought to the market promptly and not land banked and released more slowly.

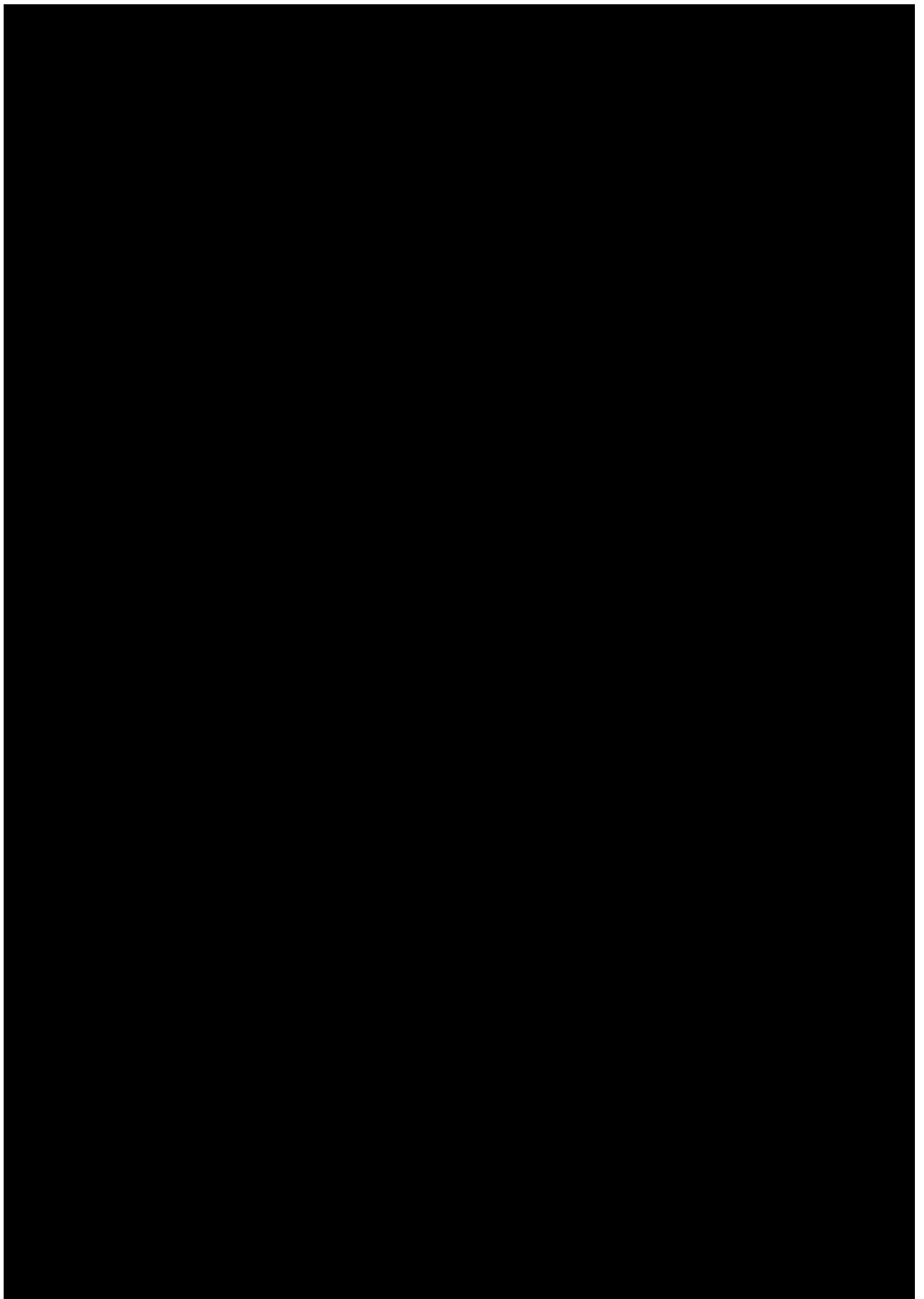
As part of each of the project plans, we would advocate that a procurement strategy is necessary alongside suitable market engagement.

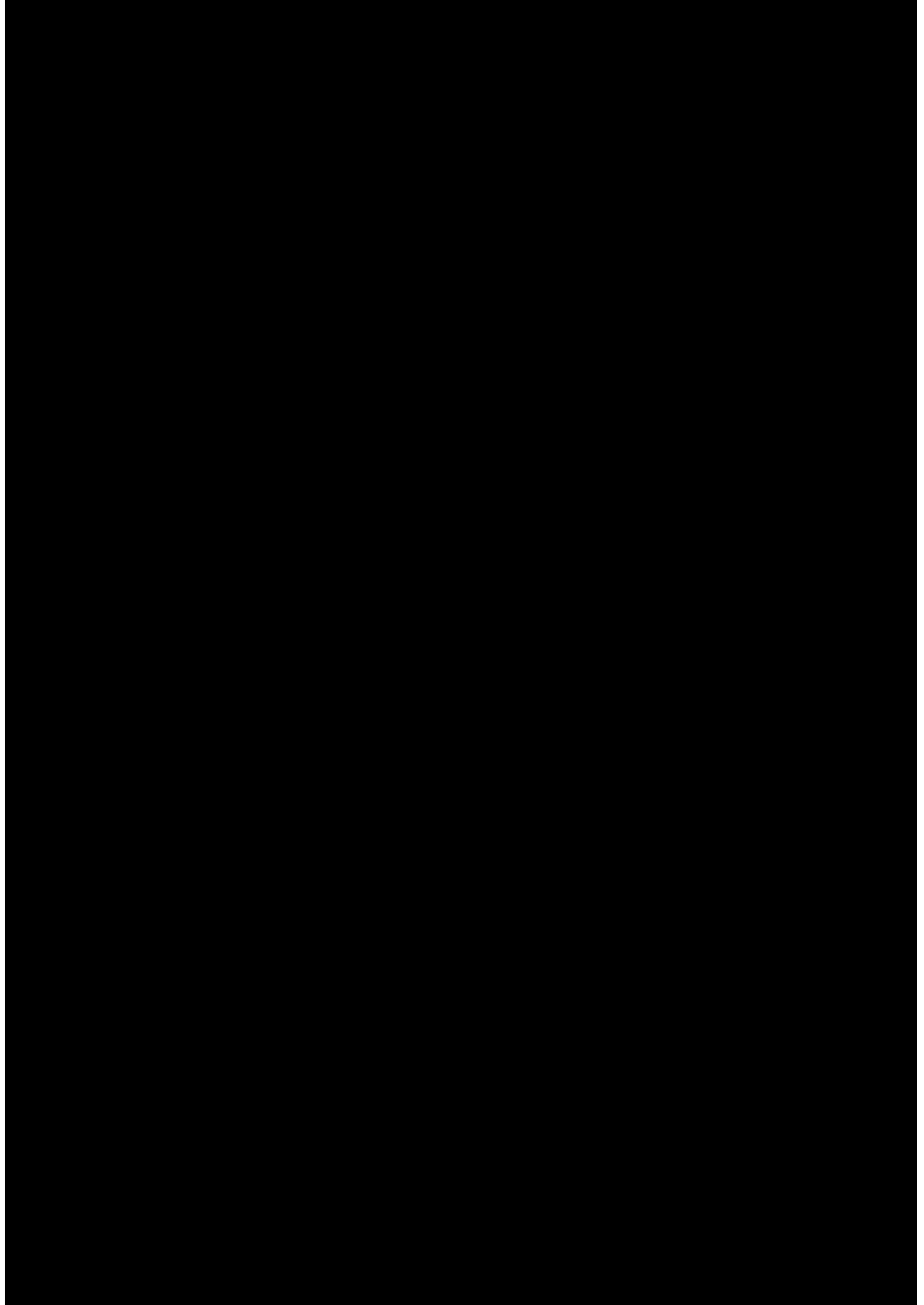
With programmes of this scale and nature, there is a tendency for an “optimism bias” to be present. In our experience, this leads to programmes being extended with slower spending rates achieved. So, alongside project cost contingency an understanding of delays should be applied and monitored across the programme to monitor cash flow.

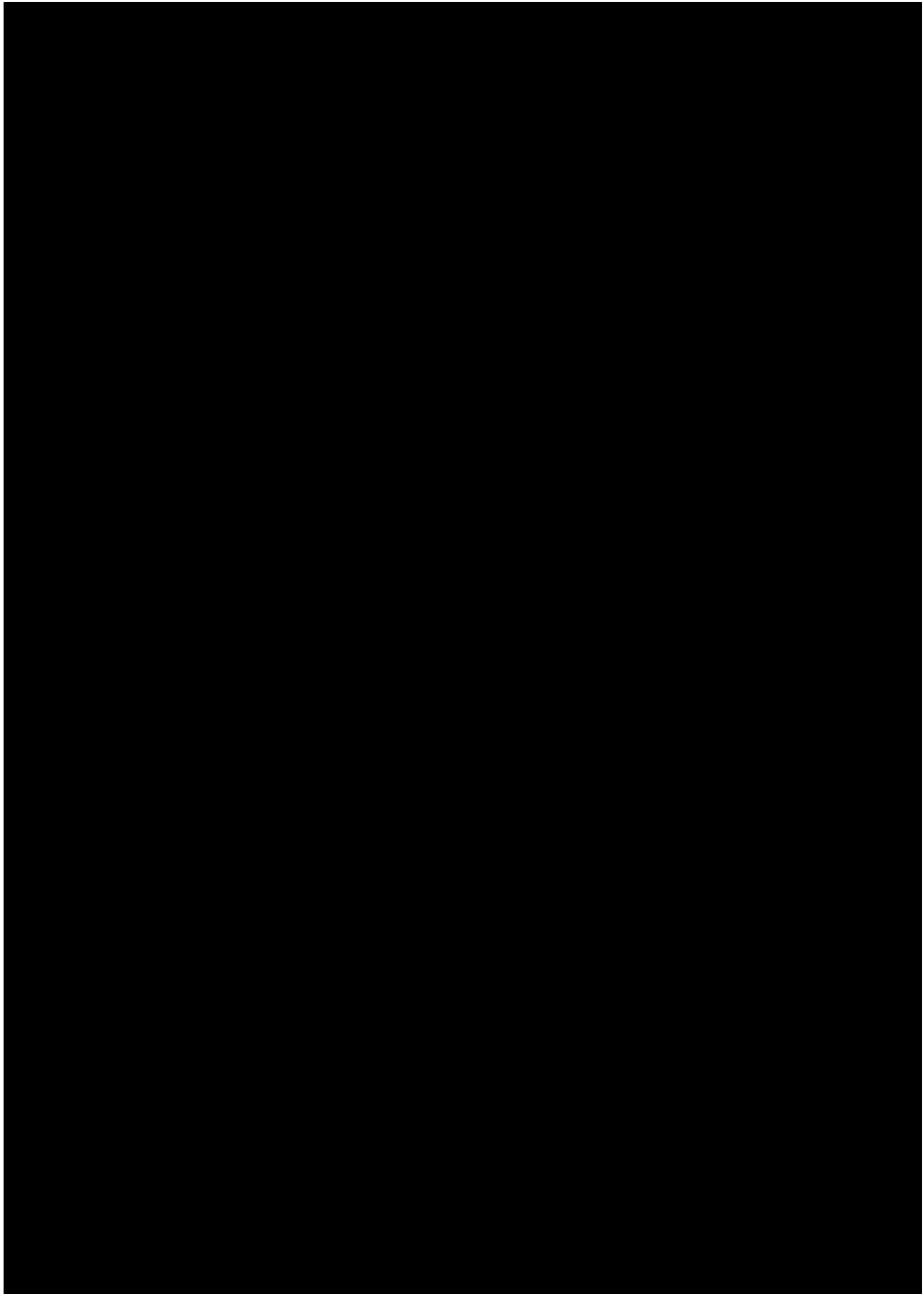


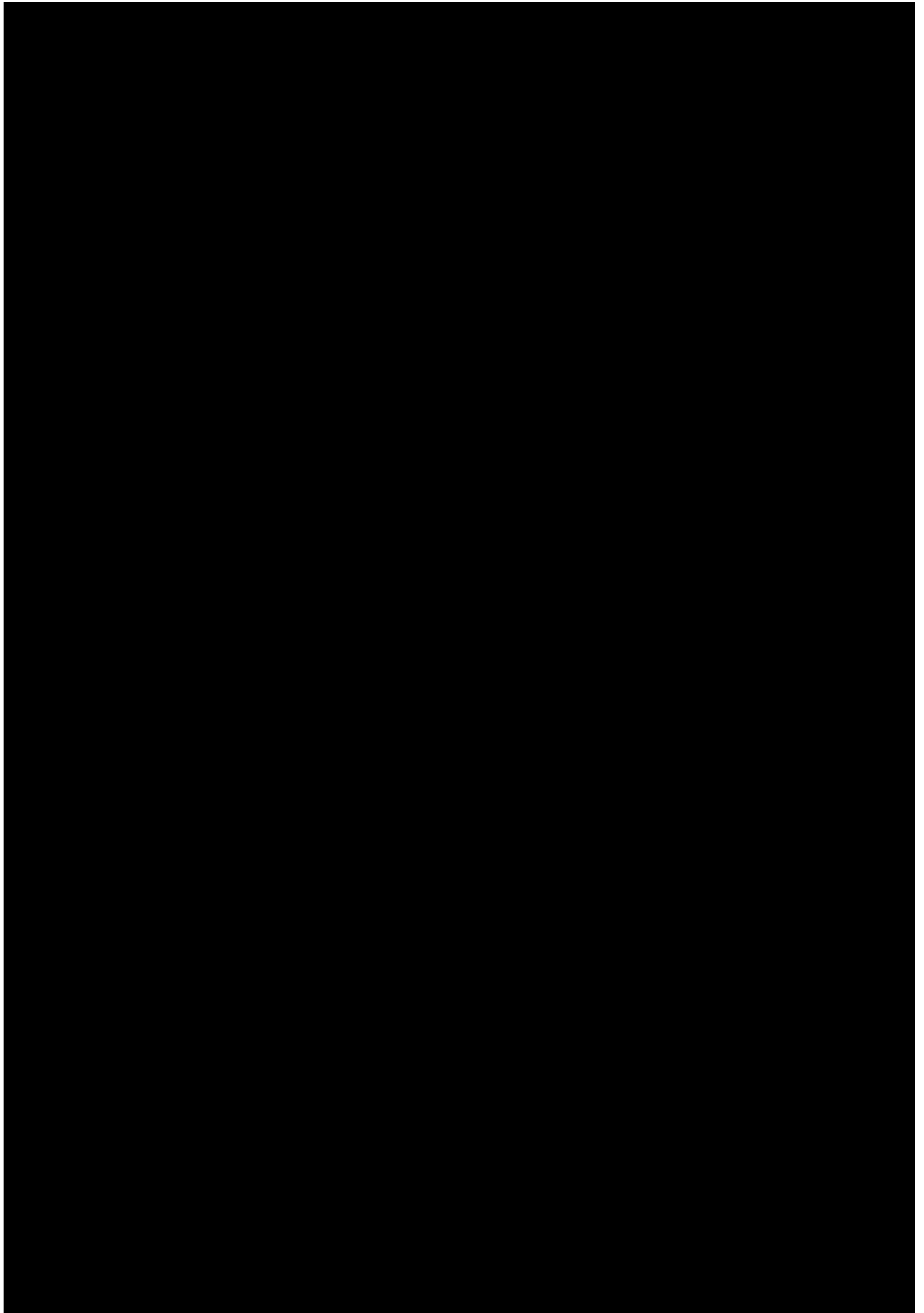


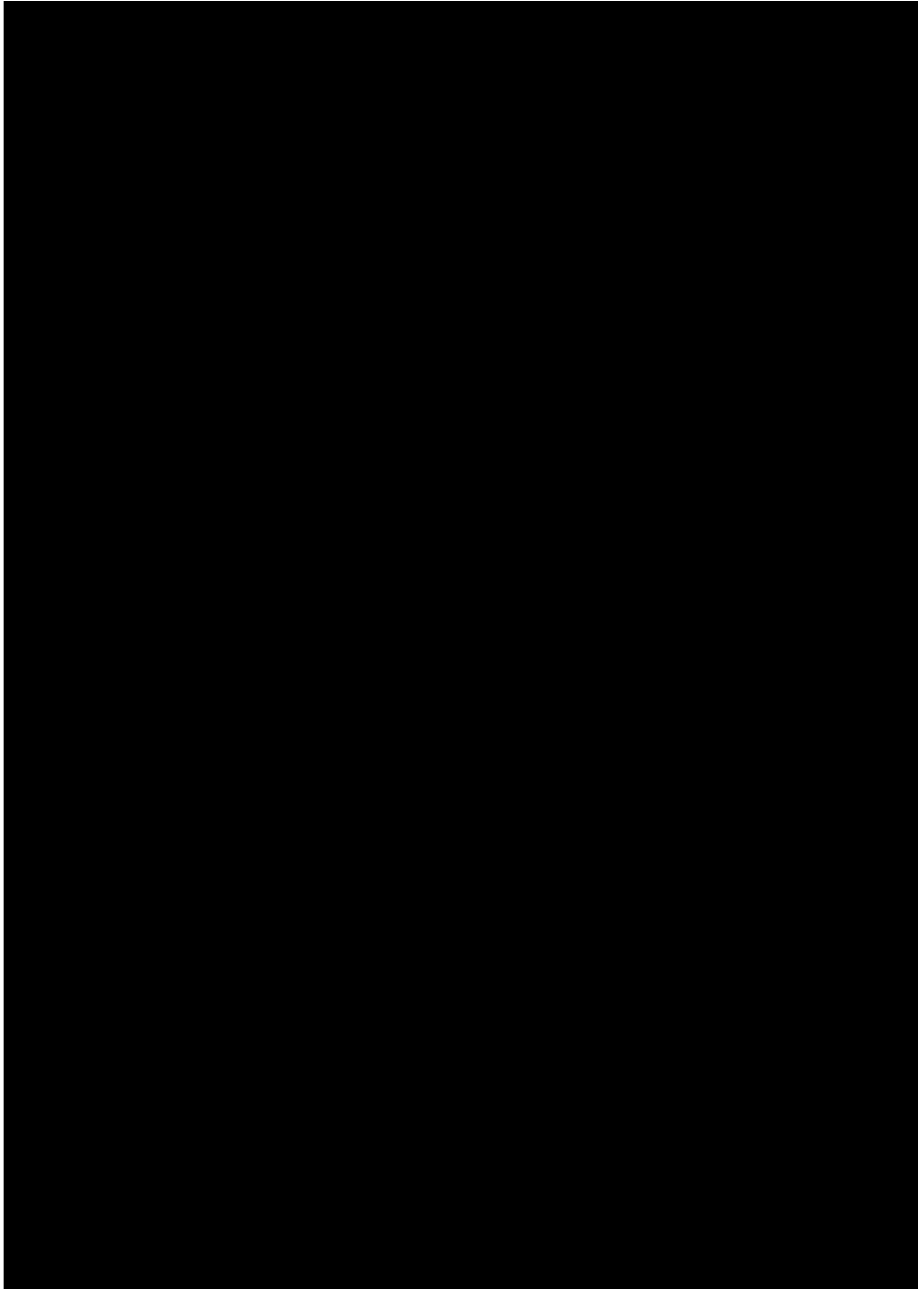


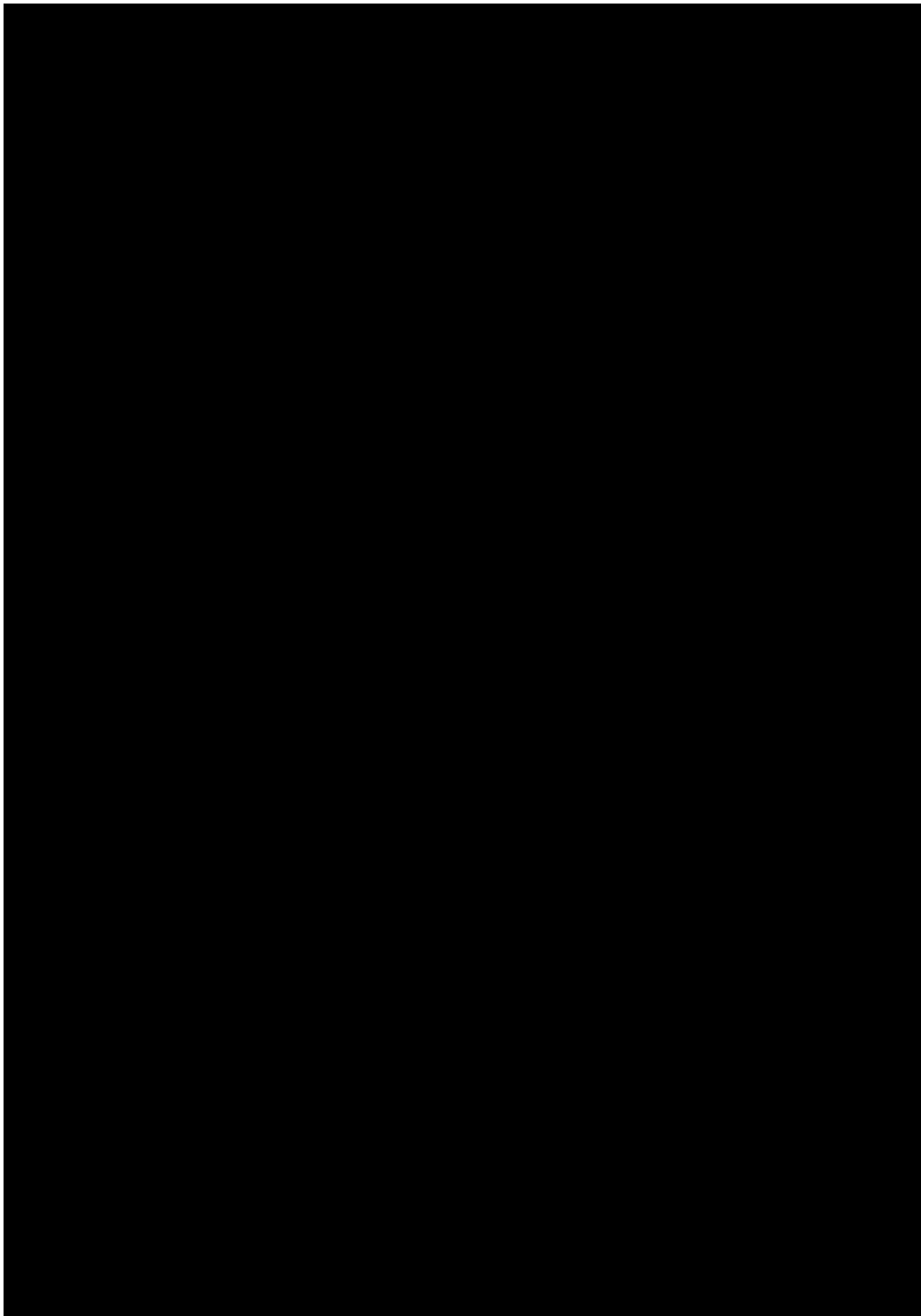


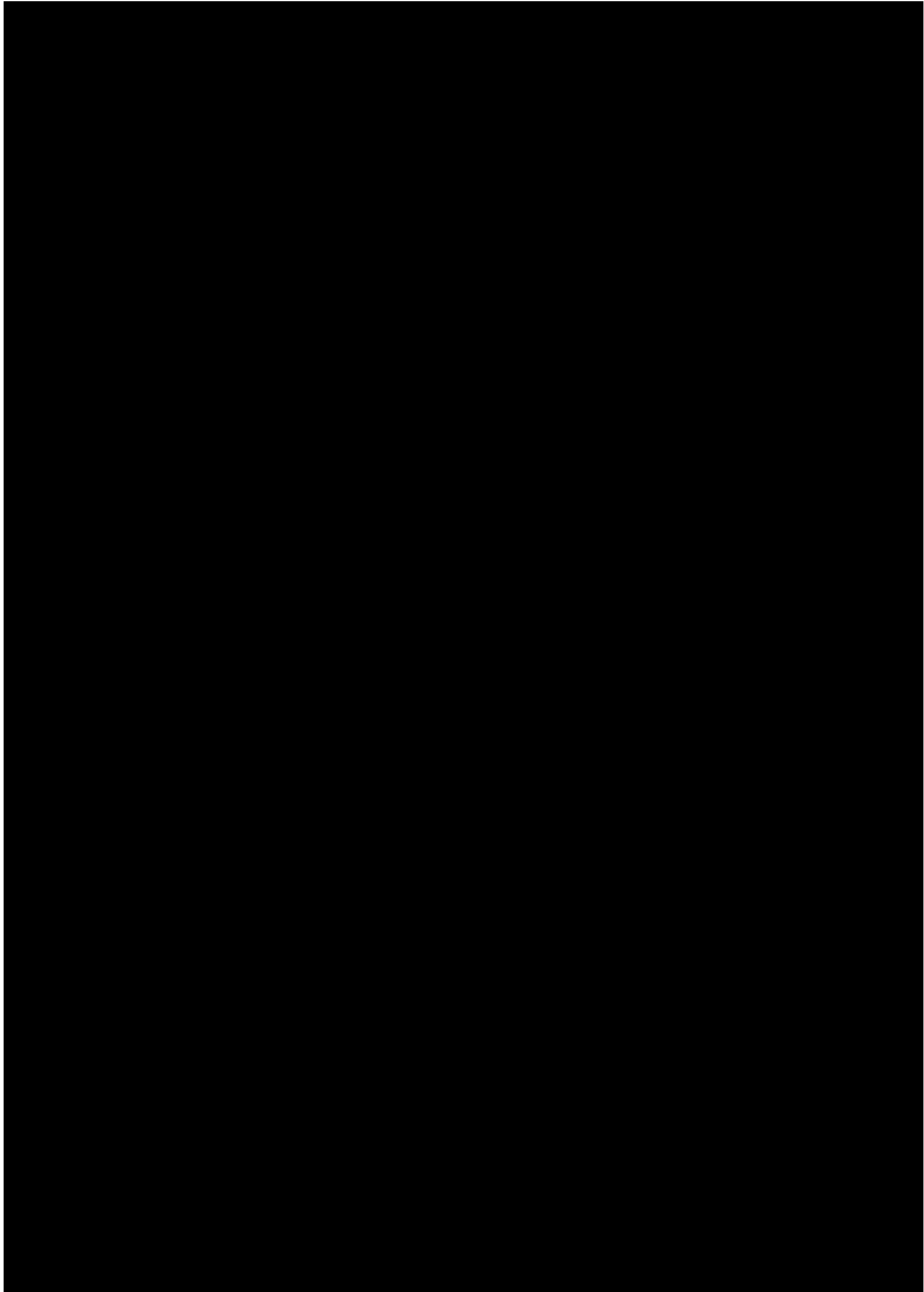


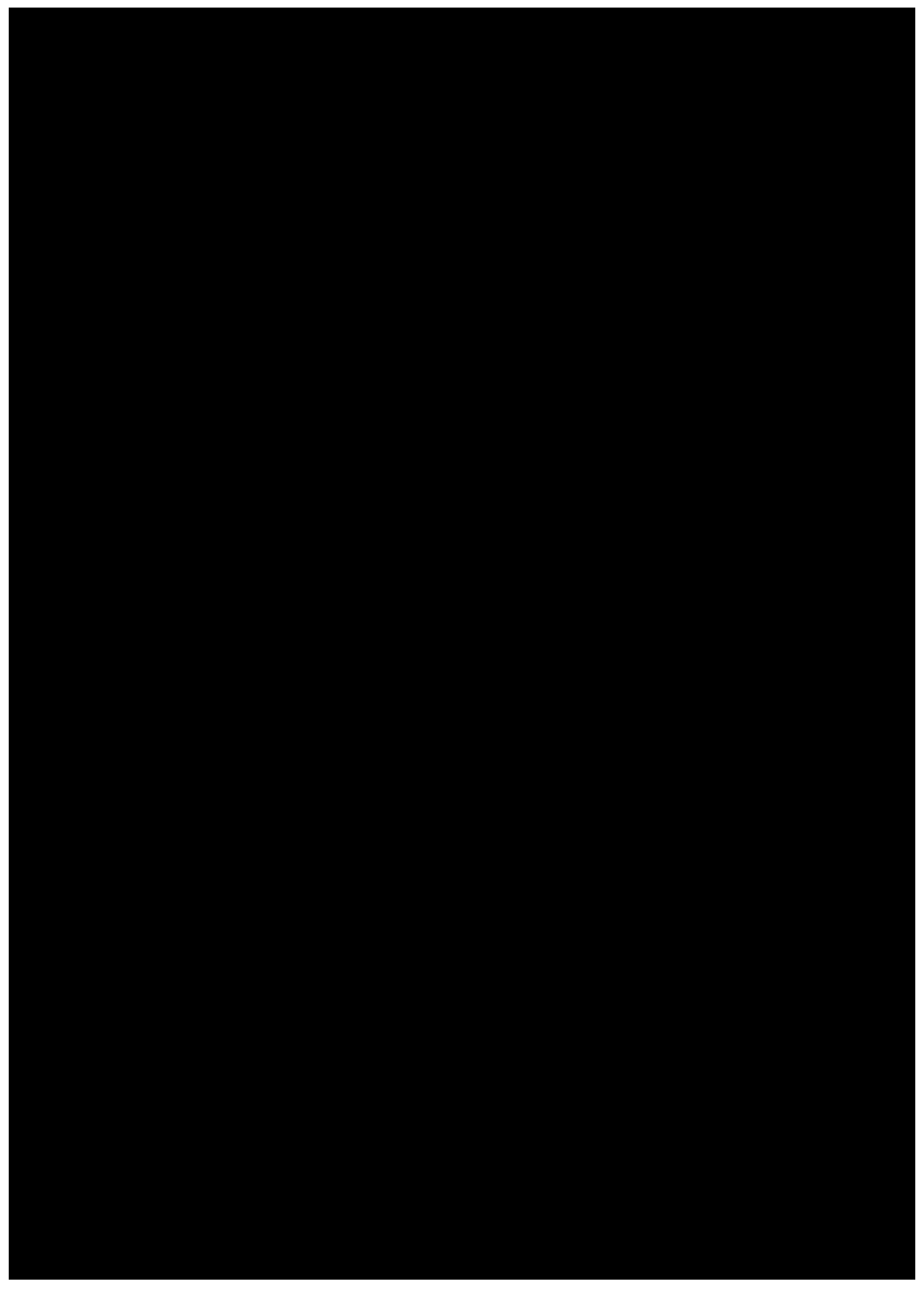










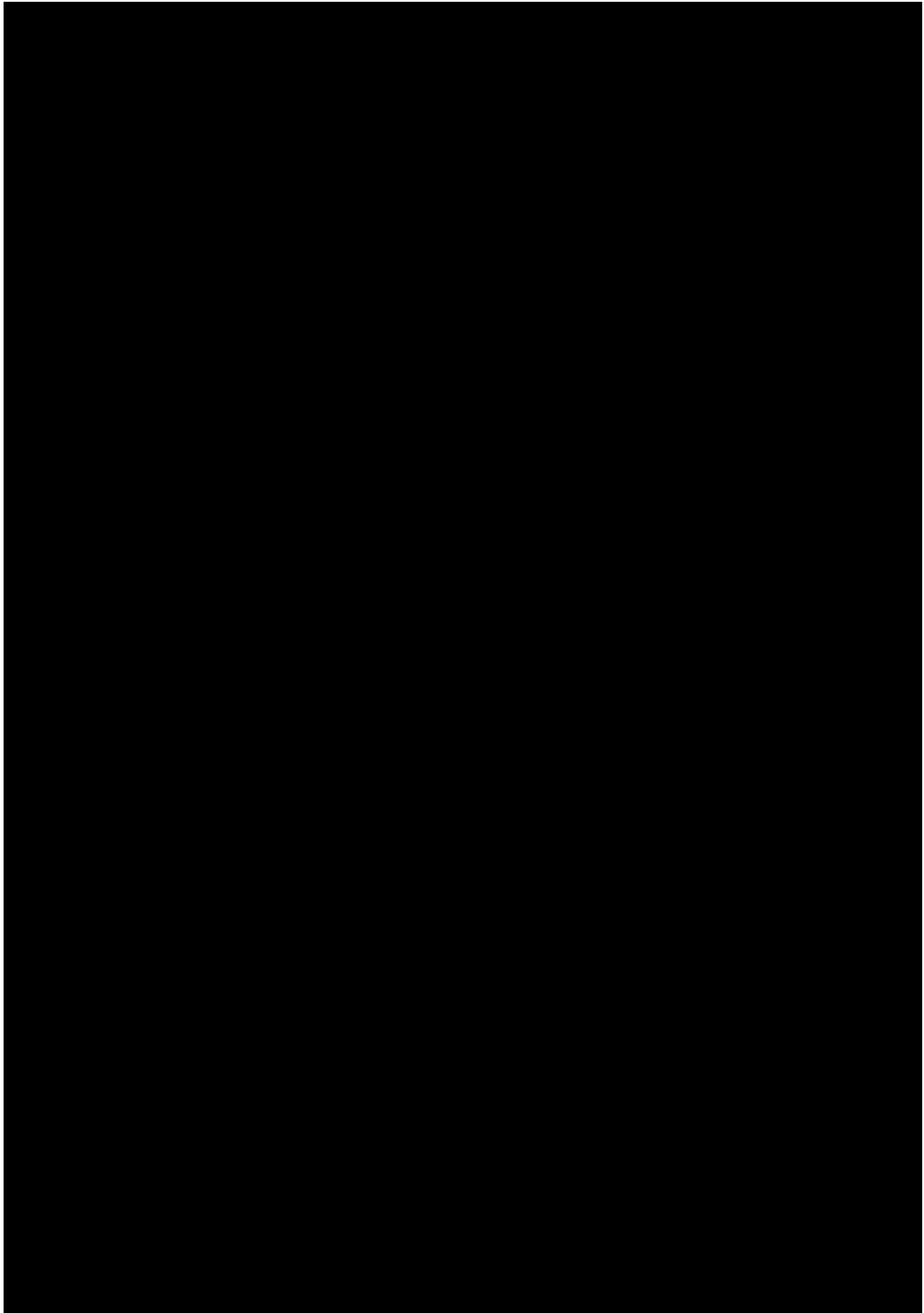


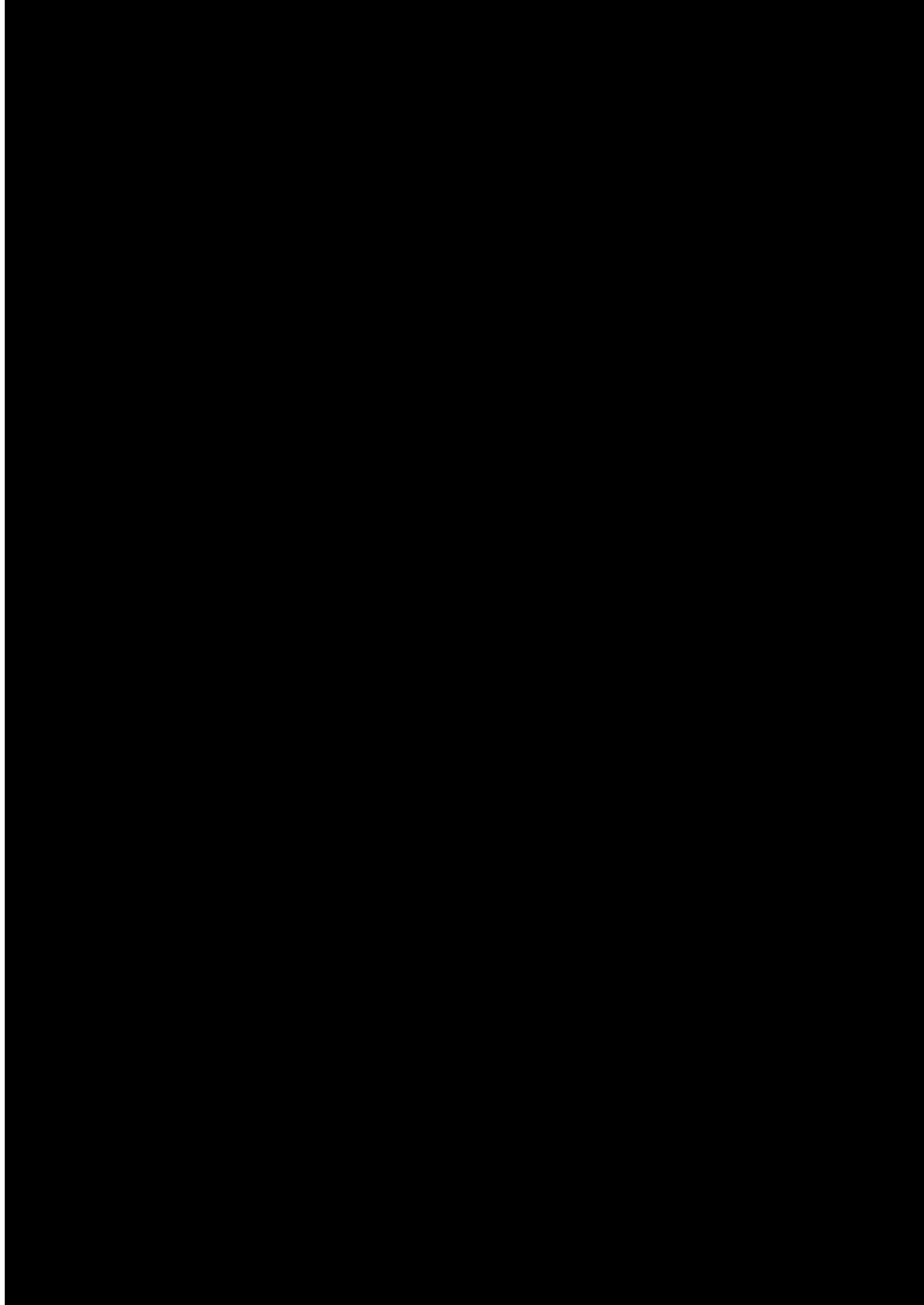
The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses, income, and any other financial activities. The document also highlights the need for regular reconciliation to identify any discrepancies between the recorded amounts and the actual bank statements or receipts.

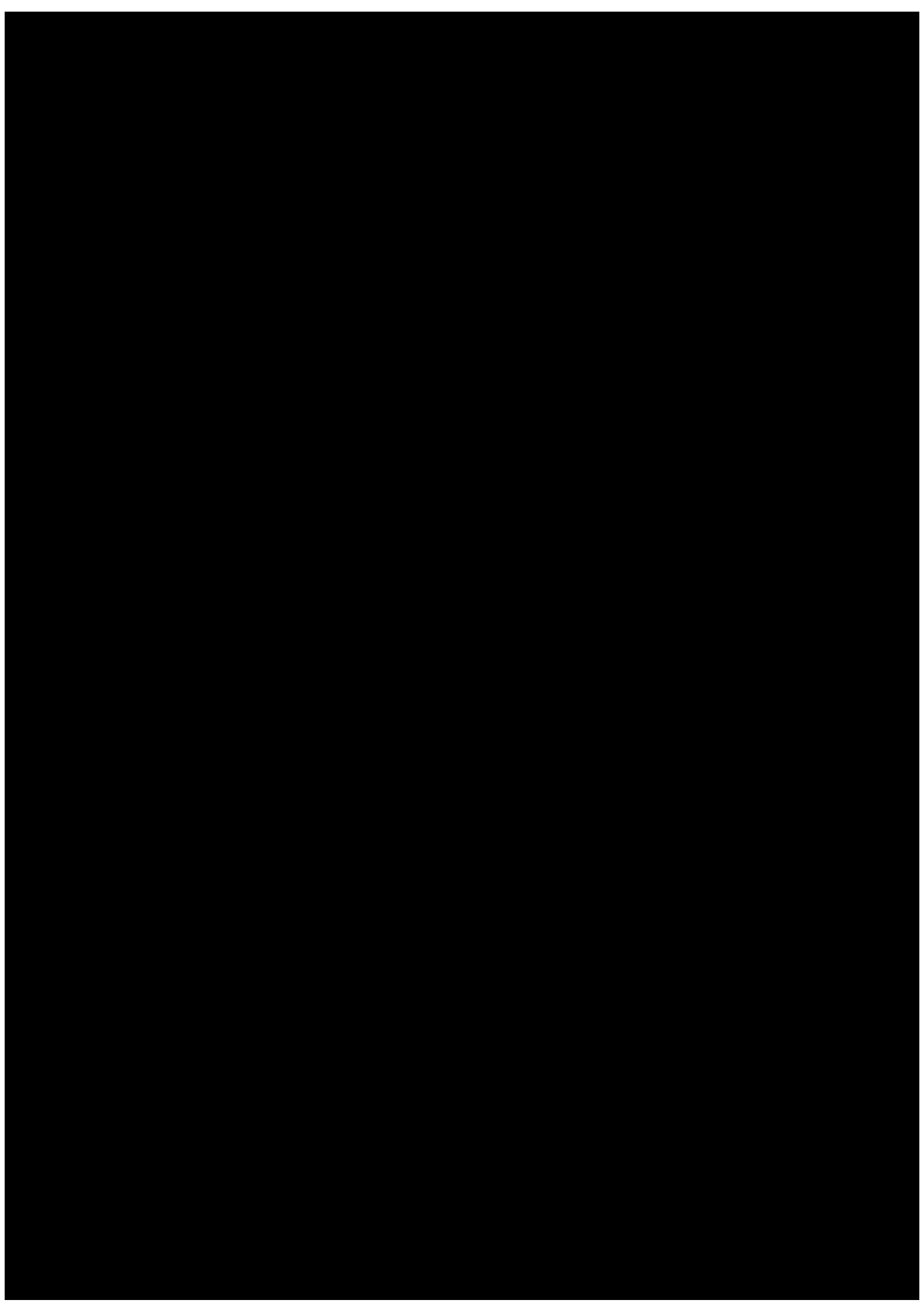
Furthermore, it stresses the importance of using clear and concise language when describing transactions. This helps in avoiding any confusion or misinterpretation of the data. The document also provides guidelines on how to handle complex transactions, such as those involving multiple parties or currencies, to ensure they are recorded accurately and consistently.

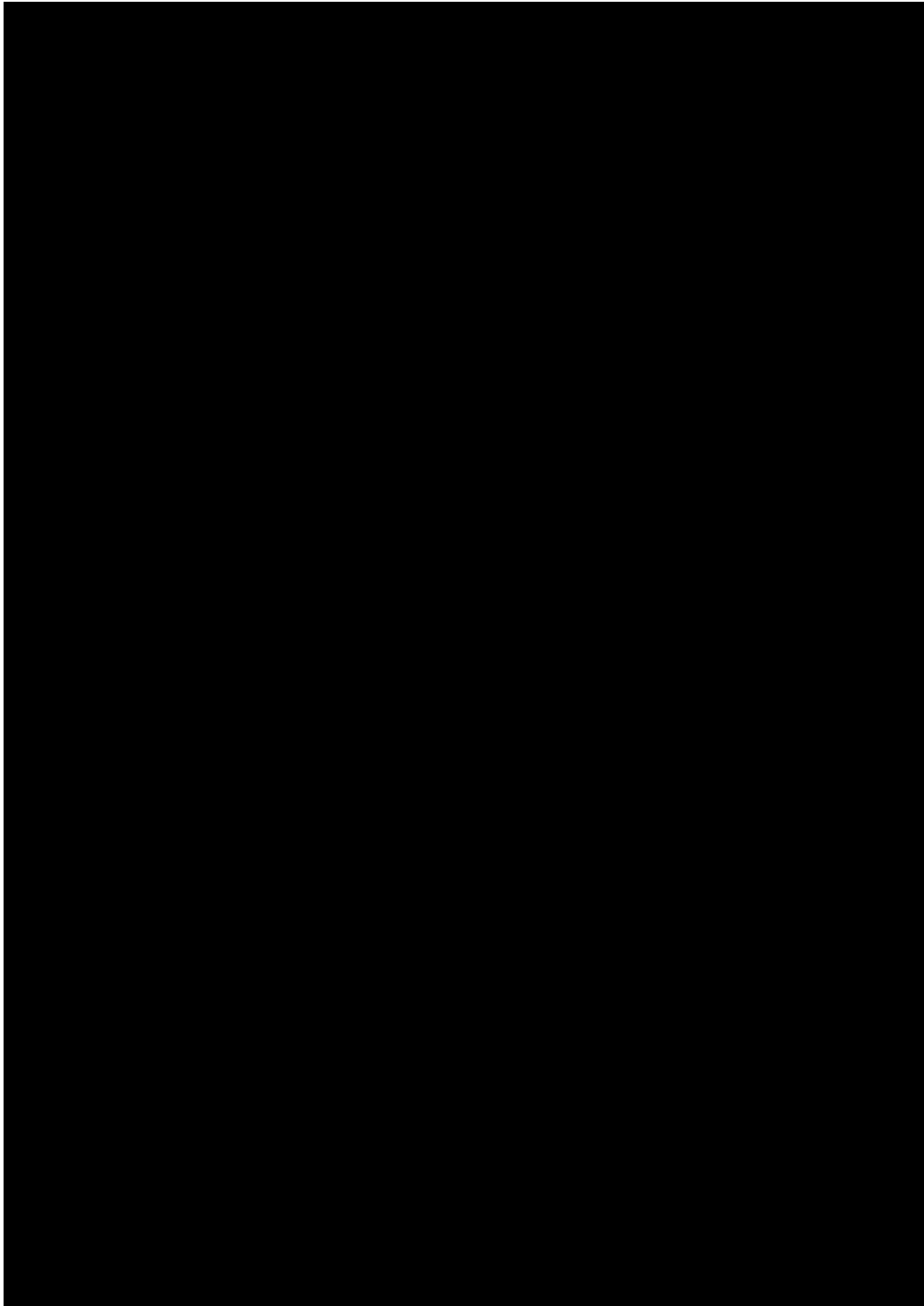
In addition, the document discusses the role of technology in financial record-keeping. It mentions that using accounting software can significantly reduce the risk of human error and streamline the recording process. However, it also cautions against relying solely on technology, as it is essential to verify the accuracy of the data entered into the system.

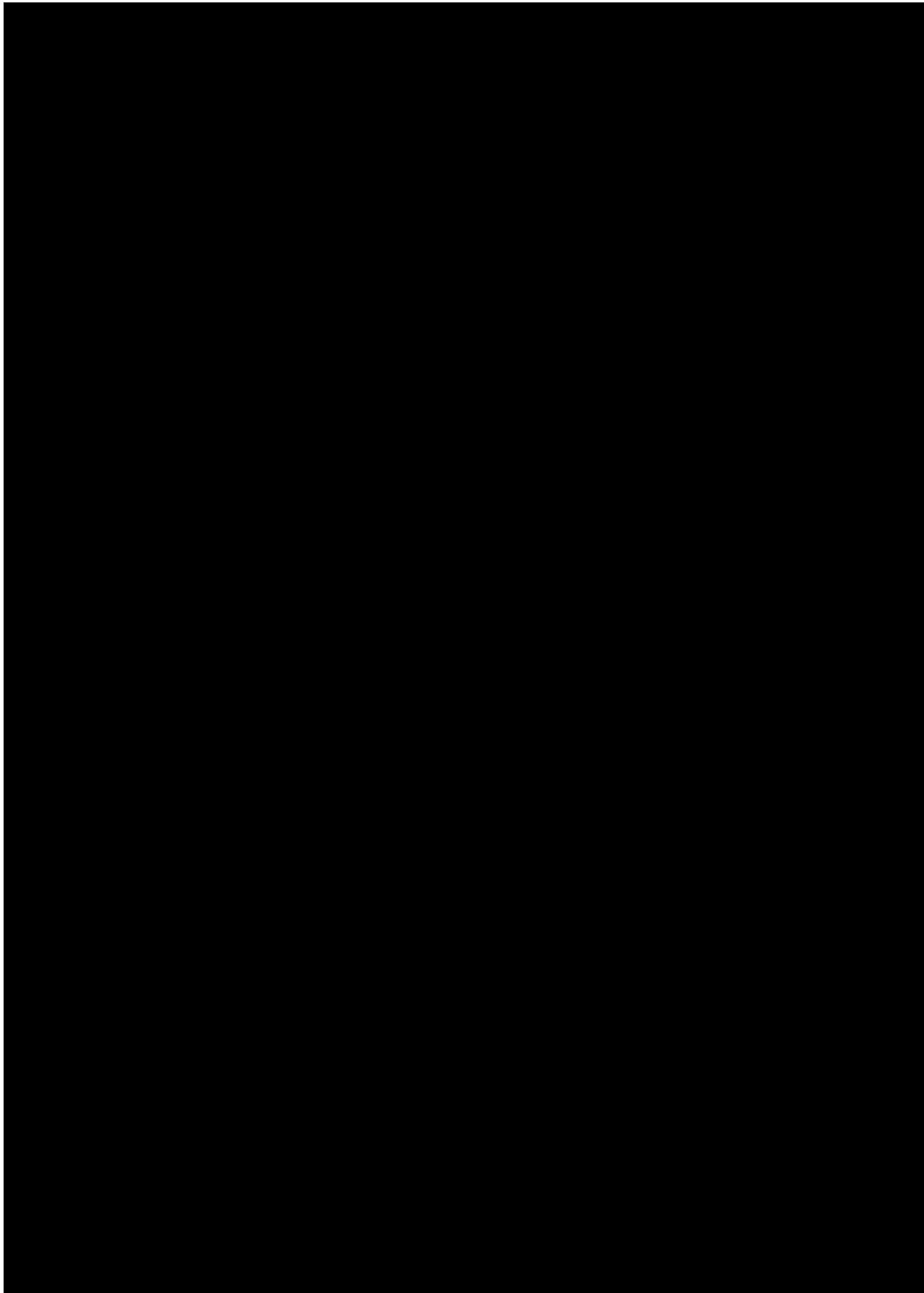
Overall, the document provides a comprehensive overview of the best practices for maintaining accurate financial records. It covers the entire process from recording transactions to reconciling accounts and ensuring the data is reliable and consistent. By following these guidelines, individuals and businesses can ensure that their financial records are accurate and up-to-date, which is crucial for making informed financial decisions.







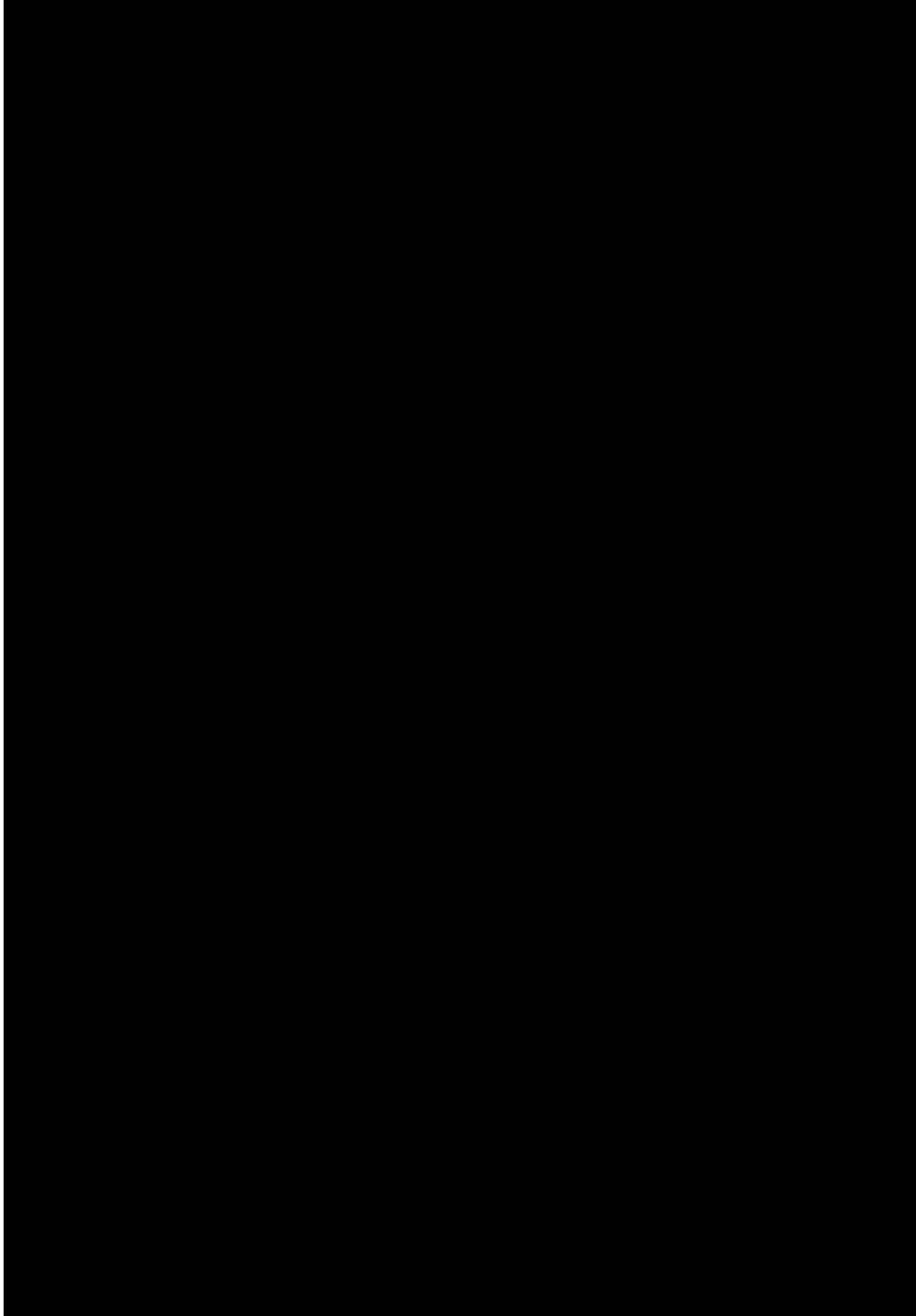


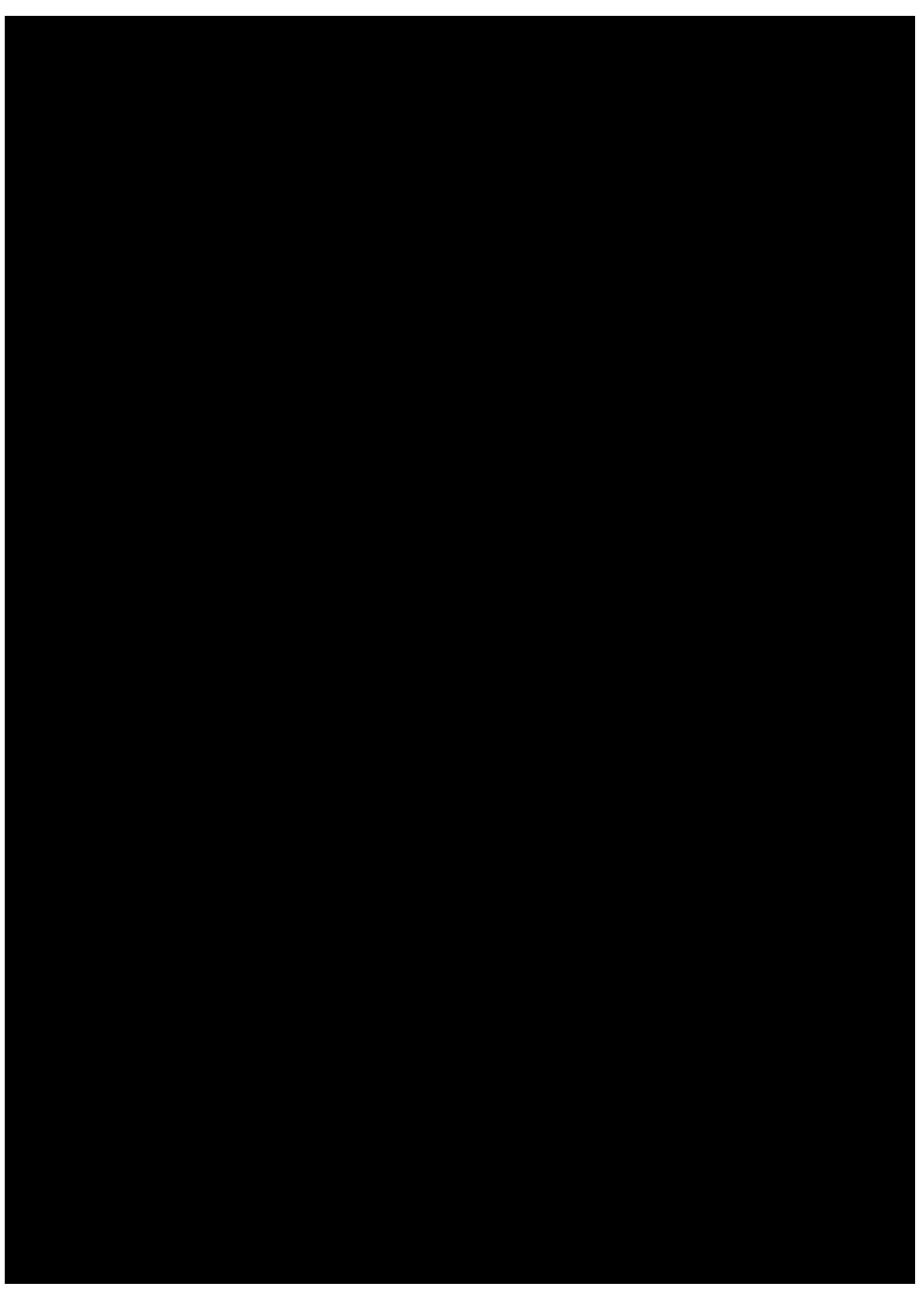


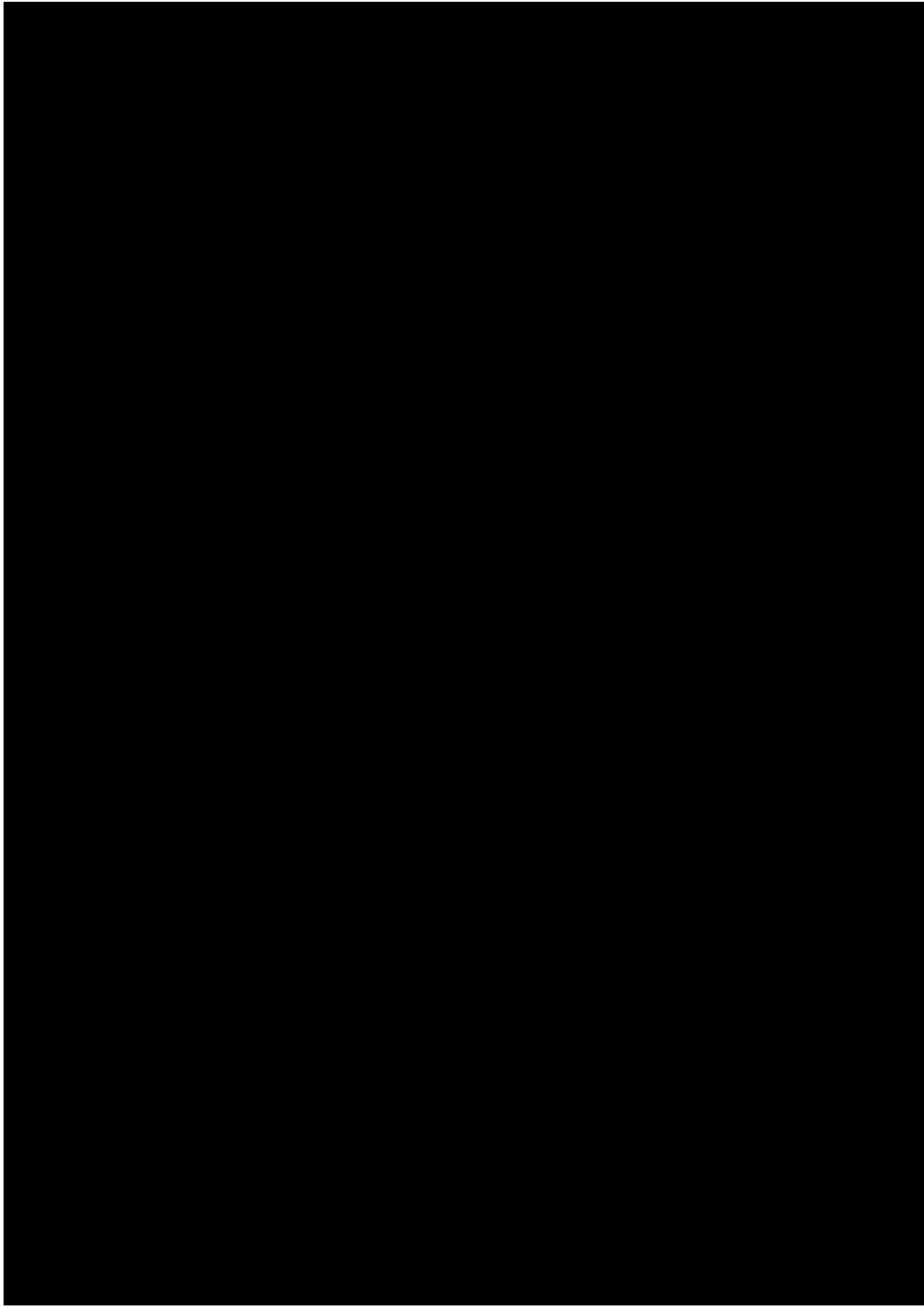
The first part of the document discusses the importance of maintaining accurate records of all transactions. This is essential for ensuring the integrity of the financial statements and for providing a clear audit trail. The second part of the document outlines the various methods used to collect and analyze data, including interviews, focus groups, and surveys. The third part of the document presents the results of the data analysis, highlighting the key findings and their implications for the organization. The final part of the document provides a summary of the research and offers recommendations for future research and practice.

The research was conducted over a period of six months, during which time a total of 120 participants were interviewed. The data was analyzed using a combination of qualitative and quantitative methods, including content analysis and statistical analysis. The results of the research indicate that there are several key factors that influence the success of an organization, including leadership, communication, and employee engagement. These findings have important implications for the organization, as they provide a clear understanding of the factors that are most critical to its success. The research also identifies several areas for future research, including the need to explore the relationship between leadership and employee engagement, and the need to investigate the impact of communication on organizational performance.

The research was conducted in a systematic and rigorous manner, following a clear methodology and using a variety of data collection methods. The results of the research are presented in a clear and concise manner, making it easy for the organization to understand the key findings and their implications. The research provides a valuable resource for the organization, as it offers a clear understanding of the factors that are most critical to its success. The research also identifies several areas for future research, including the need to explore the relationship between leadership and employee engagement, and the need to investigate the impact of communication on organizational performance.







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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The document provides a detailed list of items that should be tracked, such as inventory levels, accounts payable, and accounts receivable. It also outlines the procedures for recording these transactions, including the use of journals and ledgers.

The second part of the document focuses on the reconciliation process. It explains how to compare the company's records with bank statements and other external sources to identify any discrepancies. This process is crucial for detecting errors and preventing fraud. The document provides a step-by-step guide to performing a reconciliation, including how to identify and investigate any differences between the company's records and the bank's records.

The third part of the document discusses the importance of regular audits. It explains that audits are necessary to ensure that the financial records are accurate and complete. The document provides a list of items that should be audited, such as cash, inventory, and accounts payable. It also outlines the procedures for conducting an audit, including how to select the items to be audited and how to document the results of the audit.

The fourth part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The document provides a detailed list of items that should be tracked, such as inventory levels, accounts payable, and accounts receivable. It also outlines the procedures for recording these transactions, including the use of journals and ledgers.

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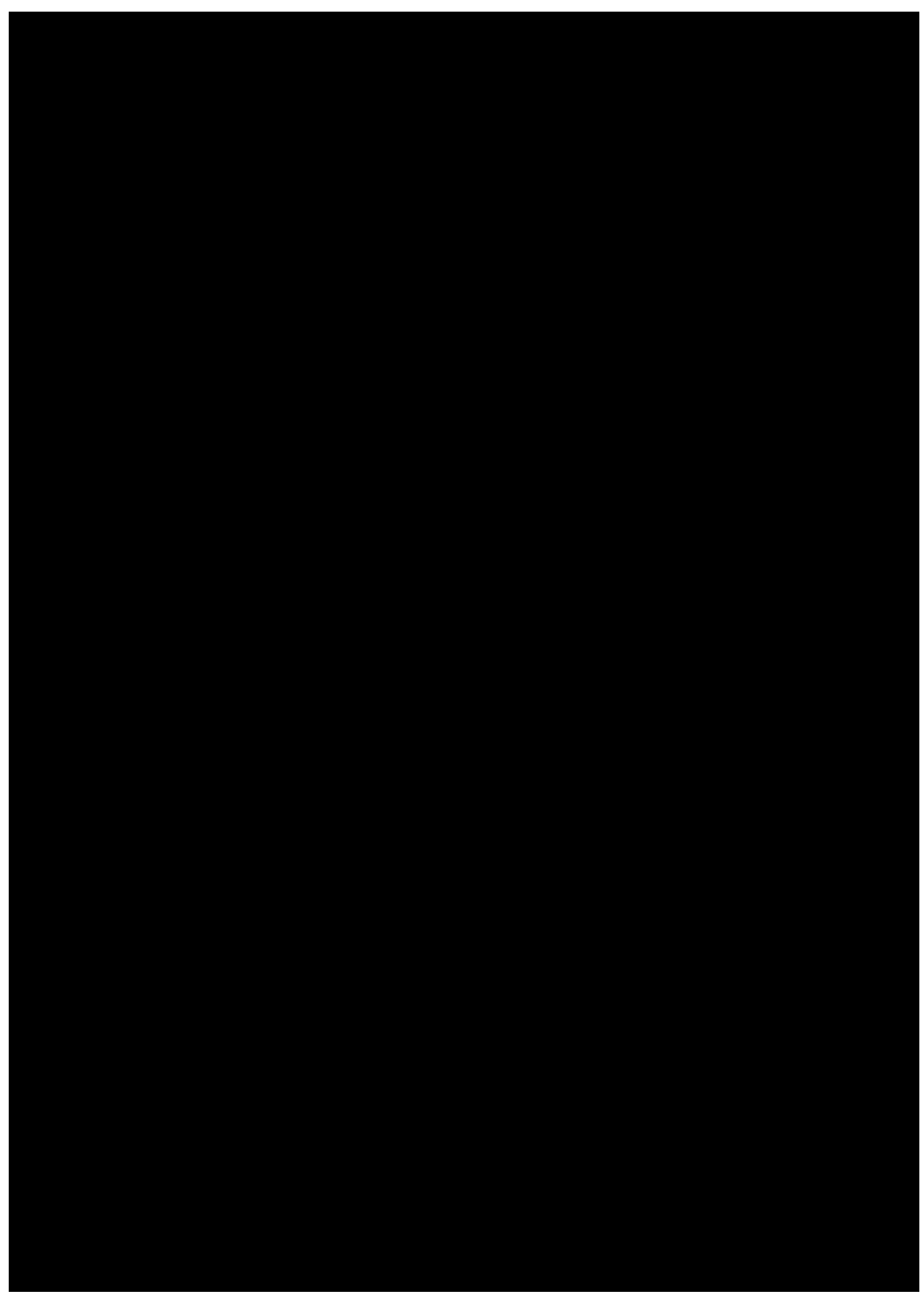
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Schedule Six: Interim Probity Audit Report

4 April 2022

Andrew Brown
Commercial Project Director
Infrastructure Acceleration Fund
Commercial Group
Kāinga Ora (Homes and Communities)
WELLINGTON

Dear Andrew,

INTERIM PROBITY AUDIT REPORT OVER THE COMPLIANCE OF THE INFRASTRUCTURE ACCELERATION FUND APPLICATION PROCESS AGAINST THE APPROVED PROBITY PLAN

Following the completion of the evaluation process for selecting preferred proposals for the Infrastructure Acceleration Fund (“IAF”) Request for Proposal (“RFP”) process, we now supply our interim probity compliance audit report to Kāinga Ora.

As the appointed Probity Auditor for Kāinga Ora’s IAF RFP process to select preferred proposals, McHale Group has undertaken a probity compliance audit throughout the RFP process to confirm compliance against the updated and approved IAF Probity Plan¹. Our engagement was confirmed on 26 August 2021, and we commenced our work immediately.

Our formal probity compliance audit report will be prepared and issued following completion of the IAF RFP process by Kāinga Ora. That is, preparation and approval of the Evaluation Recommendation, and supply to us for review of all relevant RFP process-related documentation that we request.

However, in the interim we understand that Kāinga Ora would like our view on the probity of the RFP process conducted to date in order to give comfort to Kāinga Ora’s appropriate delegated authority. We are able to provide you with this brief preliminary interim probity report (in advance of our formal report covering the completed IAF RFP process, as far as we are aware).

The formal and more detailed final probity report is scheduled for issuance to Kāinga Ora following completion of our review of all the IAF RFP process-related documentation as stated in Appendix 2 of the IAF Probity Plan (including the evaluation scoresheets (on a sample basis), RFP evaluation recommendation report, notification of outcome (once we have received these from Kāinga Ora)).

¹ Approved in December 2021

Interim probity opinion

In this regard, and with these caveats, to date, we confirm that we are satisfied that the IAF Project Team have complied with the probity requirements as stated in the approved IAF Probity Plan when conducting the RFP process. Currently, we are not aware of any significant probity issues outstanding.

Please note that our final probity compliance audit report on the IAF RFP process could change from that contained in this interim report. However, that is unlikely at this point, unless new information or issues arise which could lead us to change our view.

Once the IAF RFP process has been completed and we have reviewed all relevant documentation, we will finalise our probity compliance audit work and issue our final probity report to Kāinga Ora.

If you have any queries, please do not hesitate to contact your Client Relationship Manager for this engagement, Minnie Prakash on (04) 496 5588 or Shaun McHale on (04) 496 5580.

Yours sincerely



Shaun McHale
Managing Director
McHale Group

Minnie Prakash
Senior Assurance Manager
McHale Group



Annexures to the RFP Evaluation Report



Annexure A: Individual Proposal Reports

Please refer to separate A3 volume containing the Individual Proposal Reports.

Annexure B: Proposal Overview Report

Annexure C: Cross Agency Reference Group Report

Item One: State Sector Decarbonisation - Tranche Five



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

TE TARI TIAKI PŪNGAO
ENERGY EFFICIENCY & CONSERVATION AUTHORITY



| | | | |
|------------------------------|--|------------------------------|---------------|
| To | Hon Grant Robertson MINISTER OF FINANCE Hon Dr Megan Woods ASSOCIATE MINISTER OF FINANCE Hon James Shaw MINISTER OF CLIMATE CHANGE | | |
| Title of briefing | State Sector Decarbonisation – drawdown of funding from tagged capital contingency (Tranche Five projects) | | |
| Date | 11/03/2021 | | |
| EECA reference number | EECA 2020 BRF 004 MBIE: 2021-2515 | Response required by: | 19 March 2021 |
| EECA/MBIE priority | Urgent | | |
| Consultation | The Treasury, the Ministry of Health, the Ministry for the Environment, MBIE (New Zealand Government Procurement and Property) | | |

Information withheld under section 9(2)(a) of the Official Information Act

Contacts

| Position | Name | Mobile Number | Work Number | 1 st Contact |
|---------------------------------------|----------------|---------------|-------------|-------------------------|
| Chief Executive | Andrew Caseley | OIA - S9(2)a | 04 470 2201 | ✓ |
| Manager, Energy Markets Policy (MBIE) | Justine Cannon | | 021 837 461 | |
| Principal author (MBIE) | Laurie Boyce | | 021 864 928 | |
| Principal author (EECA) | Nesta Jones | | 04 470 2226 | |

Purpose

1. To seek your approval to draw down funding from the State Sector Decarbonisation tagged capital contingency to support Tranche Five projects.
2. These drawdowns also require the approval of the Ministers responsible for the relevant appropriations, so your approval is sought to refer this briefing to them.

Key messages

- We recommend that you draw down \$10.683 million from the State Sector Decarbonisation tagged capital contingency for Tranche Five projects.
- We estimate these projects will reduce the State sector's carbon emissions by around 9,400 tonnes over the next ten years (around 940 tonnes per annum on average). See Table Two on page 15 for a summary of recommended Tranche Five projects.
- All six projects in Tranche Five are electric vehicle projects, where funding recipients will receive co-funding to procure vehicles and install charging infrastructure.
- In February 2021, Ministers agreed to the drawdown of \$0.580 million from the State Sector Decarbonisation Fund to cover operational costs for the establishment of the Carbon Neutral Government Programme (CNGP) in 2020/21.
- This will take the total capital funding drawn down under the first five tranches to \$96.450 million, with \$102.970 million remaining in the tagged capital contingency (taking into account the above agreed drawdown). We estimate the combined emissions reduction impact of the funding allocated to date will be around 292,304 over the next ten years (around 29,230 tonnes per annum on average).
- Funding will be drawn down into the relevant appropriations that are the responsibility of portfolio Ministers, so their approval is also sought.
- EECA will begin working with funding recipients to implement projects as soon as you have approved the drawdown. Should you wish to announce these projects, EECA and MBIE will work with your offices to arrange this.
- We expect to provide advice on at least one further tranche before 30 June 2021 (for funding from 2021/22). We will keep you informed about progress through our monthly New Zealand Upgrade Programme report and dashboard.

Recommended actions

- a. **Note** that Cabinet allocated \$200 million of capital expenditure to reduce State sector greenhouse gas emissions in the Capital Investment Package previously agreed ^SCAB-19-MIN-0572 .
- b. **Note** that in June 2020 you agreed to re-phase the tagged capital contingency in Vote Business, Science and Innovation as follows:

| | \$m | | | | |
|---|---------|---------|---------|---------|---------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| State Sector Decarbonisation – Tagged Capital Contingency | 100.000 | 50.000 | 50.000 | - | - |

- c. **Note** that the Minister of Finance and the Minister of Climate Change are jointly authorised to draw down the tagged capital contingency funding, in consultation with the Minister of Energy and Resources.
- d. **Note** that the Minister of Energy and Resources is now also an Associate Minister of Finance with a delegated function of assisting with work on the State Sector Decarbonisation Fund, and the Minister of Finance expects her and the Minister of Climate Change to reach a consensus view on recommendations before he receives advice on them.
- e. **Agree** to consider the advice in recommendation f below and discuss any issues before referring this advice to the Minister of Finance (and the relevant appropriation Ministers).

Associate Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- f. **Note** that we recommend you approve drawdown of funding to the agencies listed below, to procure (lease or buy) electric vehicles and install associated charging infrastructure, as part of Tranche Five:

Vote Business Science and Innovation

- i) \$1.126 million for Kainga Ora (40 vehicles);
- ii) \$0.096 for Scion (3 vehicles);

Vote Conservation

- iii) \$4.088 million for Department of Conservation (118 vehicles);

Vote Education

- iv) \$0.084 million for Ministry of Education (3 vehicles);

Vote Defence

- v) \$0.983 million for New Zealand Defence Force (32 vehicles);

Vote Health

- vi) \$4.306 million for Northland DHB (150 vehicles);

- g. **Refer** this briefing to the Minister of Finance and the relevant appropriation Ministers (Energy and Resources, Conservation, Education, Defence and Health) to seek their approval for the following changes to appropriations for Tranche Five projects.

Associate Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- h. **Note** that as some of the projects in recommendation f involve contributions to the cost of leases for electric vehicles that have annual costs extending out to 2024/25, we advise re-phasing the tagged capital contingency, including some provision for further leasing projects.

- i. **Agree** to re-phase the remaining funds in the tagged capital contingency as follows:

| | \$m | | | | |
|---|---------|---------|---------|---------|---------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| State Sector Decarbonisation – Tagged Capital Contingency | 13.653 | 50.000 | 40.000 | 5.000 | 5.000 |

Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- j. **Approve** the following changes to appropriations and capital injections to provide for the decision in recommendation f above, with a corresponding impact on the operating balance and net core Crown debt:

| | \$m – increase/(decrease) | | | | |
|---|---------------------------|----------------|----------------|----------------|----------------|
| Vote Business, Science and Innovation Minister of Energy and Resources | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Non-Departmental Capital Expenditure: Energy and Resources: Crown Energy Efficiency – Capital Injection | 1.222 | - | - | - | - |
| Total Operating | - | - | - | - | - |
| Total Capital | 1.222 | - | - | - | - |

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|----------------|----------------|----------------|----------------|
| Vote Conservation Minister of Conservation | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Capital Injections: Department of Conservation – Capital Injection | 4.088 | - | - | - | - |
| Total Operating | - | - | - | - | - |
| Total Capital | 4.088 | - | - | - | - |

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|----------------|----------------|----------------|---------------------|
| Vote Education Minster of Education | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 ONLY |
| Multi-Category Expenses and Capital Expenditure: Outcomes for Target Student Groups MCA Departmental Output Expense: Interventions for Target Student Groups (funded by revenue Crown) | 0.002 | 0.020 | 0.020 | 0.020 | 0.014 |
| Capital Injections: Ministry of Education – Capital Injection | 0.008 | - | - | - | - |
| Total Operating | 0.002 | 0.020 | 0.020 | 0.020 | 0.014 |
| Total Capital | 0.008 | - | - | - | - |

| | \$m – increase/(decrease) | | | | |
|---|---------------------------|----------------|----------------|----------------|-------------------------|
| Vote Defence Minister of Defence | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 ONLY |
| Departmental Output Expense: Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) | - | 0.050 | 0.050 | 0.051 | 0.025 |
| Departmental Output Expense: Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) | - | 0.050 | 0.051 | 0.050 | 0.025 |
| Departmental Output Expense: Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) | - | 0.051 | 0.050 | 0.050 | 0.024 |
| Capital Injections: New Zealand Defence Force – Capital Injection | - | 0.456 | - | - | - |
| Total Operating | - | 0.151 | 0.151 | 0.151 | 0.074 |
| Total Capital | - | 0.456 | - | - | - |

| | \$m – increase/(decrease) | | | | |
|---|---------------------------|----------------|----------------|----------------|-------------------------|
| Vote Health Minister of Health | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 ONLY |
| Non-Departmental Output Expenses: Health and Disability Support Services – Northland DHB | - | 0.966 | 0.966 | 0.966 | 0.968 |
| Non-Departmental Capital Expenditure: Health Capital Envelope 2020- 2025 (MYA) | 0.440 | - | - | - | - |
| Total Operating | - | 0.966 | 0.966 | 0.966 | 0.968 |
| Total Capital | 0.440 | - | - | - | - |

- k. **Agree** that the multi-year appropriation “Health Capital Envelope 2020-2025” is increased by \$0.440 million;
- l. **Note** that the amount for the multi-year appropriation “Health Capital Envelope 2020-2025” is the change to the indicative expenditure profile;
- m. **Note** that EECA and MBIE will sign a joint Memorandum of Understanding (or other formal agreement) with each organisation receiving funding drawn down in recommendations f) detailing project implementation timeframes and providing for effective monitoring and evaluation of the programme.
- n. **Agree** that the operating expenses and capital injections above are charged against the State Sector Decarbonisation – Tagged Capital Contingency;
- o. **Agree** that the proposed changes to appropriations and capital injections for 2020/21, above be included in the 2020/21, Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.
- p. **Note** that the balance of the tagged capital contingency (which expires on 30 June 2025) will be as follows:

| | \$m | | | | |
|---|---------|---------|---------|---------|---------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| State Sector Decarbonisation – Tagged Capital Contingency | 7.893 | 48.407 | 38.863 | 3.863 | 3.944 |

- q. **Note** that EECA and MBIE will provide advice on at least one further tranche before 30 June 2021.
- r. **Agree** to forward this briefing to the Minister for Economic and Regional Development, the Minister of Housing and the Minister of Research, Science and Innovation.

Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree



Andrew Caseley
CHIEF EXECUTIVE
10 / 03 / 2021



Justine Cannon
MANAGER, ENERGY MARKETS POLICY, MBIE
10 / 03 / 2021

Hon James Shaw
MINISTER OF CLIMATE CHANGE
--/ --/ --

Hon Grant Robertson
MINISTER OF FINANCE
--/ --/ --

Hon Dr Megan Woods
ASSOCIATE MINISTER OF FINANCE
--/ --/ --

Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES
--/ --/ --

Hon Andrew Little
MINISTER OF HEALTH
--/ --/ --

Hon Chris Hipkins
MINISTER OF EDUCATION
--/ --/ --

Hon Peeni Henare
MINISTER OF DEFENCE
--/ --/ --

Hon Kiritapu Allan
MINISTER OF CONSERVATION
--/ --/ --

Background

3. In December 2019, the Government announced \$200 million in capital expenditure to reduce State sector emissions, as part of its Capital Investment Package. The Minister of Finance and Minister of Climate Change were delegated joint authority to make further decisions on how to deploy this capital, in consultation with the Minister of Energy and Resources.
4. To date, you have approved the drawdown of \$85.767 million under this arrangement in four tranches as follows:
 - \$22.733 million for Tranche One and Two projects
 - \$56.783 million for Tranche Three projects
 - \$6.251 million for Tranche Four Projects
5. **See Table One** on page 13 for a summary of all previously approved projects.

There is a new process for making decisions on how to deploy this capital

6. On 6 November 2020, the Hon Dr Megan Woods was appointed Associate Minister of Finance. The Minister of Finance subsequently delegated her the function of assisting with work relating to public sector carbon neutrality, including on the State Sector Decarbonisation Fund.
7. The Minister of Finance has set an expectation that the Associate Minister of Finance and the Minister of Climate Change will reach a consensus view on projects recommended for funding before he receives advice on them.

A small amount of the State Sector Decarbonisation Fund has been re-deployed

8. As part of the Carbon Neutral Government Programme (CNGP) agreed on 30 November 2020 CBC-20-SUB-0078 , Cabinet authorised the Minister of Finance, Minister of Energy and Resources, Minister for Economic and Regional Development, and Minister of Climate Change to jointly approve a draw down from the State Sector Decarbonisation Fund to enable the establishment of the CNGP.
9. Ministers have now received advice on this and in February 2021 agreed to draw down \$0.580 million to cover CNGP operational costs at the Ministry for the Environment in 2020/21, decreasing the amount of funding remaining in the tagged capital contingency for decarbonisation projects. There is now \$113.653 remaining in the tagged capital contingency.

The Carbon Neutral Government Programme has longer term implications for this fund

10. The CNGP commits to phasing out of the largest and most active coal boilers in the State sector by the end of 2025, and measures to transition the Government fleet. These actions will be supported in part by the State Sector Decarbonisation Fund.

11. EECA and MBIE are working with MfE and other relevant organisations to establish the CNGP and ensure appropriate resources from the State Sector Decarbonisation Fund are available in support. An initiative has been submitted to Budget 2021 seeking further funding support for the CNGP.

Recommended Tranche Five Projects

12. We recommend you approve drawdown of \$10.683 million for Tranche Five projects. We recommend these projects based on their fit with the five investment principles you agreed when establishing the tagged capital contingency in January (Treasury Report Number T2019/4160):
- i) Projects must be able to be fully implemented by 2022/23, and be broadly implementation ready and supported by business case and/or feasibility studies where appropriate;
 - ii) Projects should provide significant emissions reductions, including by catalysing additional emissions abatement beyond the State sector;
 - iii) Projects should aim to optimise Crown value for money;
 - iv) Projects should, where possible, demonstrate government leadership and reinforce signals from wider climate policy;
 - v) The number of decarbonisation projects should, where possible, be maximised by leveraging funding from State sector organisations.
13. Our recommended projects are as follows (**see Table Two** for a summary of all Tranche Five projects):
- i) **\$1.126 million for Kainga Ora** to buy 40 vehicles and install charging infrastructure. We estimate that this will reduce carbon emissions by around 860 tonnes over the next ten years (around 86 tonnes per annum on average over ten years).
 - ii) **\$0.096 million for Scion** to buy three vehicles and install charging infrastructure. We estimate this will reduce carbon emissions by around 60 tonnes over the next ten years (around 6 tonnes per annum on average over ten years).
 - iii) **\$4.088 million for Department of Conservation** to buy 118 vehicles and install the charging infrastructure. We estimate this will reduce carbon emissions by around 3,530 tonnes over the next ten years (around 353 tonnes per annum on average over ten years).
 - iv) **\$0.084 million for Ministry of Education** to procure three vehicles and install charging infrastructure. We estimate that this will reduce carbon emissions by around 60 tonnes over the next ten years (around 6 tonnes per annum on average over ten years).

- v) **\$0.983 million for New Zealand Defence Force** to procure 32 vehicles (a mix of leasing and buying) as well as install charging infrastructure. We estimate this will reduce carbon emissions by around 1,050 tonnes over the next ten years (around 105 tonnes per annum on average over ten years).
 - vi) **\$4.306 million for Northland DHB** to procure 150 vehicles and install charging infrastructure. We estimate that this will reduce carbon emissions by around 3,840 tonnes over the next ten years (around 384 tonnes per annum on average over ten years).
14. In total, we estimate these projects will reduce the State sector's carbon emissions by around 9,400 tonnes over the next ten years (around 940 tonnes per annum on average), and will increase the State sector electric vehicle fleet by 346 vehicles (currently there are around 155 battery electric vehicles).
 15. Should you approve our recommended \$10.683 million for Tranche Five projects, this will bring the total funding drawn down to \$95.870 million (including the \$0.580 million for CNGP establishment costs agreed in February 2021), leaving \$102.970 million remaining in the tagged capital contingency. This will take the combined emissions reduced from the first five tranches to an estimated 292,304 over the next ten years (around 29,230 tonnes per annum on average over ten years).¹
 16. This tranche includes three projects where agencies will lease electric vehicles, as opposed to purchasing them outright (New Zealand Defence Force, Ministry of Education, and Northland DHB). This requires funding from the tagged capital contingency for these projects to be converted into operating expenses, including up to 2024/25 (leasing arrangements are typically multi-year). We therefore recommend the conversion to operating expenses for these projects, as well as re-phasing of the tagged capital contingency to cover these projects and some provision for further leasing projects.
 17. Note these carbon reduction estimates are based on projected fossil fuel consumption and savings estimates reported by agencies. As we deliver projects, we will assess the actual abatement impact and report to Ministers on progress (as part of our monitoring and evaluation of projects).
 18. We estimate the combined capital cost per tonne abated for these projects is between \$578 and \$1,041 (see Table Two below).
 19. EECA and MBIE (where relevant) will draft and sign a Memorandum of Understanding (or other formal agreement) with each organisation receiving funding. This Memorandum of

¹ Note many coal or gas boilers remain in use for longer than ten years, meaning the actual emissions impact may be greater.

Understanding will detail specific deliverables and implementation timeframes and provide for robust monitoring and evaluation of project outcomes.

Next steps

20. Should you wish to announce Tranche Five publicly, EECA and MBIE will work with your offices on arrangements for an announcement.
21. We expect to provide advice on at least one further tranche before 30 June 2021 (for funding from 2021/22). We will keep you informed about progress through our monthly New Zealand Upgrade Programme report.

Table One – Summary of previously approved projects (Tranche One to Tranche Four)

| Sector | Organisation | Tranche | Location | Project Type | Project cost (\$m) ² | SSD Funding (\$m) | Co-funding % | Ten-year emissions reduction (tonnes Co2) | Estimated breakeven cost of abatement (\$/tonne) | Project status |
|------------------------------------|--|------------------------------|--|--|---------------------------------|-------------------|--------------|---|--|---|
| Central Government | Accident Compensation Corporation | 4 | Fleet | Electric vehicles (25) & charging infrastructure | 1,517 | 0.758 | 50% | 350 | 1,547 | Approved and awaiting Minister announcement |
| | Department of Conservation | 4 | Fleet | Electric vehicles (30) & charging infrastructure | 2,079 | 1,039 | 50% | 1,369 | 299 | Approved and awaiting Minister announcement |
| | Inland Revenue Department | 2 | Fleet | Electric vehicles (33) & charging infrastructure | 2,000 | 1,015 | 51% | 570 | 1,181 | Coordinating delivery of vehicles |
| | New Zealand Defence Force | 2 | Burnham | Boiler Replacement | 9,600 | 3,840 | 40% | 48,600 | 79 | Project design |
| | Parliamentary Services | 3 | Parliamentary Precinct | Lighting upgrade | 1,600 | 0,640 | 40% | 1,290 | 153 | Preparing for tender |
| | Parliamentary Services | 3 | Parliamentary Precinct | Roof mounted solar PV | 0,650 | 0,650 | 100% | 400 | 762 | Preparing for tender |
| | Statistics New Zealand | 4 | Fleet | Electric vehicles (4) | 0,216 | 0,108 | 50% | 78 | 845 | Approved and awaiting Minister announcement |
| | Te Puni Kokiri | 4 | Fleet | Electric vehicles (16) & charging infrastructure | 1,005 | 0,493 | 50% | 363 | 851 | Approved and awaiting Minister announcement |
| Health | Auckland District Health Board | 4 | Building 32, Auckland City Hospital Campus | Lighting upgrade | 0,430 | 0,172 | 40% | 355 | 131 | Approved and awaiting Minister announcement |
| | Canterbury District Health Board | 1 | Ashburton | Boiler replacement | 6,000 | 2,400 | 40% | 23,850 | 109 | Awaiting consent |
| | Canterbury District Health Board | 1 | Hillmorton | Green Star sustainability rating | 2,800 | 2,800 | 100% | 0 | N/A | Project design |
| | Counties Manukau District Health Board | 3 | Kidz First & McIndoe | Lighting replacement | 0,367 | 0,147 | 40% | 420 | -130 | Tendering |
| | Hawkes Bay District Health Board | 4 | Fleet | Electric vehicle & charging infrastructure | 0,062 | 0,029 | 47% | 36 | 390 | Approved and awaiting Minister announcement |
| | Hawkes Bay District Health Board | 4 | Information Services Server Room, Hastings | Replace process cooler unit | 0,125 | 0,050 | 40% | 45 | 1,417 | Approved and awaiting Minister announcement |
| | Hawkes Bay District Health Board | 4 | Villa 6 Outpatients Facility, Hastings | Replace and upgrade air conditioning units | 0,032 | 0,013 | 40% | 21 | 423 | Approved and awaiting Minister announcement |
| | Lakes District Health Board | 2 | Taupo Hospital | Chiller replacement | 0,184 | 0,092 | 50% | 340 | 394 | Equipment order |
| | MidCentral District Health Board | 2 | Palmerston North Hospital | Chiller replacement | 0,350 | 0,175 | 50% | 3,050 | 52 | Equipment order |
| | MidCentral District Health Board | 2 | Palmerston North Hospital | Electric vehicle & charging infrastructure | 0,073 | 0,041 | 56% | 15 | 1,785 | Vehicle in use |
| | Southern District Health Board | 3 | Invercargill | Chiller replacement | 0,800 | 0,320 | 40% | 1,500 | 388 | Equipment ordered |
| | Taranaki District Health Board | 3 | Renal Unit, New Plymouth | Energy efficiency improvement | 0,960 | 0,200 | 21% | 300 | 2,283 | Project design |
| | Taranaki District Health Board | 4 | Acute Services, Taranaki Base Hospital | Natural gas boiler replacement | 2,700 | 1,080 | 40% | 10,040 | 138 | Approved and awaiting Minister announcement |
| Waikato District Health Board | 4 | Hague Road Carpark, Hamilton | Lighting upgrade | 0,134 | 0,058 | 43% | 127 | 9 | Approved and awaiting Minister announcement | |
| Primary/Secondary Education | Ministry of Education | Multiple | Up to approximately 90 schools | Boiler replacements | 54,840 | 54,840 | 100% | 40,500 | 737 | Site visits underway |

² Rounded to nearest \$1000

| | | | | | | | | | | |
|---------------------------------------|-----------------------------------|---|----------------------------|---------------------------------|---------|--------|-----|---------|------|---|
| Tertiary Education | Auckland University of Technology | 2 | WB Building, Auckland | Boiler and chillers replacement | 2.812 | 1.290 | 40% | 4,010 | 378 | Project design |
| | Auckland University of Technology | 2 | WB Building, Auckland | Lighting upgrade | 0.259 | | 40% | 440 | -225 | Project design |
| | Auckland University of Technology | 2 | WB Building, Auckland | Natural gas boiler replacement | 0.150 | | 40% | 330 | 241 | Project design |
| | Lincoln University | 3 | Lincoln | Boiler replacement | 11.440 | 4.576 | 40% | 45,500 | 109 | Project design |
| | Massey University | 4 | Palmerston North | Building improvements | 4.762 | 2.000 | 42% | 3,910 | 374 | Approved and awaiting Minister announcement |
| | Southern Institute of Technology | 4 | Telford College, Balclutha | Two boiler replacements | 0.552 | 0.276 | 50% | 3,819 | 65 | Approved and awaiting Minister announcement |
| | The University of Auckland | 3 | B201, Auckland | Gas boiler replacement | 0.625 | 0.250 | 40% | 530 | 644 | Project design |
| | University of Canterbury | 2 | Ilam, Christchurch | Boiler replacement | 15.600 | 6.240 | 40% | 90,000 | 81 | Project design |
| | Victoria University | 4 | Rankine Brown, Wellington | Lighting upgrade | 0.436 | 0.175 | 40% | 746 | -351 | Approved and awaiting Minister announcement |
| Total/ Average³ | - | - | - | - | 125.160 | 85.767 | 48% | 282,904 | 203 | - |

³ The weighted average estimated capital cost per tonne abated is provided

Table Two – Summary of recommended Tranche Five Projects

| Sector | Organisation | Project Type | Total project cost (\$m) ⁴ | Recommended draw-down (\$m) | Ten-year emissions reduction (tonnes CO2) | Estimated capital cost per tonne abated |
|--|----------------------------|-------------------|---------------------------------------|-----------------------------|---|---|
| Central government (Public Service) | Kainga Ora | Electric Vehicles | \$2.260 | \$1.126 (50%) | 860 | \$790 |
| | Scion | Electric Vehicles | \$0.200 | \$0.096 (50%) | 60 | \$1,104 |
| | Department of Conservation | Electric Vehicles | \$8.176 | \$4.088 (50%) | 3,530 | \$652 |
| | Ministry of Education | Electric Vehicles | \$0.169 | \$0.084 (50%) | 60 | \$874 |
| | New Zealand Defence Force | Electric Vehicles | \$2.363 | \$0.983 (42%) | 1,050 | \$623 |
| Health | Northland DHB | Electric Vehicles | \$8.613 | \$4.306 (50%) | 3,840 | \$620 |
| Total/Average ⁵ | - | - | \$21.781 | \$10.683 | 9,400 | \$653 |

⁴ Rounded to nearest \$1000⁵ The weighted average estimated capital cost per tonne abated is provided

Item Two: State Sector Decarbonisation - Tranche Seven



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

TE TARI TIAKI PŪNGAO
ENERGY EFFICIENCY & CONSERVATION AUTHORITY



| | | | |
|------------------------------|--|------------------------------|-------------------|
| To | <p>Hon Grant Robertson MINISTER OF FINANCE</p> <p>Hon Dr Megan Woods ASSOCIATE MINISTER OF FINANCE</p> <p>Hon James Shaw MINISTER OF CLIMATE CHANGE</p> | | |
| Title of briefing | State Sector Decarbonisation – drawdown of funding from tagged capital contingency (Tranche Seven projects) | | |
| Date | 31/08/2021 | | |
| EECA reference number | EECA 2021 BRF 016 MBIE: 2122-0691 | Response required by: | 10 September 2021 |
| EECA/MBIE priority | Routine | | |
| Consultation | The Treasury, the Ministry of Health, the Ministry for the Environment, MBIE (New Zealand Government Procurement and Property) | | |

Contacts

| Position | Name | Mobile Number | Work Number | 1 st Contact |
|---------------------------------------|----------------|---------------|-------------|-------------------------|
| Chief Executive | Andrew Caseley | [REDACTED] | 04 470 2201 | ✓ |
| Manager, Energy Markets Policy (MBIE) | Justine Cannon | | 021 837 461 | |
| Principal author (MBIE) | Laurie Boyce | | 021 864 928 | |
| Principal author (EECA) | Nesta Jones | | 04 470 2226 | |

Information withheld under section 9(2)(a) of the Official Information Act 1982

Purpose

1. To seek your approval to draw down funding from the State Sector Decarbonisation tagged capital contingency to support Tranche Seven projects.
2. These drawdowns also require the approval of the Ministers responsible for the relevant appropriations, so your approval is sought to refer this briefing to them.

Key messages

- We recommend that you draw down [REDACTED] from the State Sector Decarbonisation tagged capital contingency for Tranche Seven projects.
- We estimate these projects will reduce the State sector's carbon emissions by around [REDACTED] tonnes over ten years (around [REDACTED] tonnes per annum on average). See Table Two on page 18 for a summary of recommended Tranche Seven projects. The estimated project breakeven cost of abatement for these projects ranges from -\$296 to \$1,069 per tonne of carbon dioxide equivalent (tCO₂-e).

The total capital funding drawn down under this and the previous six tranches will be [REDACTED], with [REDACTED] remaining in the tagged capital contingency (taking into account new funding from Budget 2021 and \$0.580 million allocated to the establishment of the Carbon Neutral Government Programme (CNGP)). We estimate the combined emissions reduction impact of the funding allocated to date will be around [REDACTED] tonnes over ten years (around [REDACTED] tonnes per annum on average).

- Funding will be drawn down into the relevant appropriations that are the responsibility of portfolio Ministers, so their approval is also sought.
- EECA will begin working with funding recipients to implement projects as soon as you have approved the drawdown. Should you wish to announce these projects, EECA and MBIE will work with your offices to arrange this.
- We expect to provide advice on Tranche Eight in September. We will keep you informed about progress through our monthly New Zealand Upgrade Programme report and dashboard.

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Recommended actions

- a. **Note** that \$219.537 million of capital expenditure has been allocated to reduce State sector greenhouse gas emissions through the Cabinet agreed Capital Investment Package CAB-19-MIN-0572 and Budget 2021 ('top up' of \$19.537 million).
- b. **Note** that the balance of the tagged capital contingency (which expires in June 2025) in Vote Business, Science and Innovation is as follows:

| | \$m | | | |
|---|---------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| State Sector Decarbonisation – Tagged Capital Contingency | 71.745 | 38.863 | 3.863 | 3.944 |

- c. **Agree** to consider the advice in recommendation d below and discuss any issues before referring this advice to the Minister of Finance (and the relevant appropriation Ministers).

Associate Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- d. **Note** that we recommend you approve drawdown of funding to the agencies listed below, for the following projects, as part of Tranche Seven:

Vote Corrections

- i) \$2.829 million for the Department of Corrections to replace a coal boiler.

Agriculture, Biosecurity, Fisheries and Food Safety

- ii) \$1.553 million for Ministry of Primary Industries to purchase electric vehicles and charging infrastructure (52 vehicles).

Vote Business Science and Innovation

- iii) \$0.224 million for University of Otago to replace a coal boiler;
- iv) \$0.138 million for Waikato Institute of Technology (Wintec) to install efficient lighting;
- v) \$0.105 million for Western Institute of Technology to purchase electric vehicles and charging infrastructure (three vehicles); and
- vi) \$0.100 million for University of Waikato to replace a chiller.

Vote Health

- vii) \$2.031 million for Auckland DHB to install efficient lighting;
- viii) \$1.708 million for Waitemata DHB to purchase electric vehicles and charging infrastructure (62 vehicles);

- ix) [REDACTED]
- x) \$0.366 million for Counties Manukau DHB to replace a chiller;
- xi) \$0.067 million for Nelson Marlborough DHB to install efficient lighting; and
- xii) \$0.030 million for Southern DHB to convert a diesel boiler.

Note that we are recommending two of these projects receive co-funding in excess of 50%:

- i) Recommended SSD Funding for the Department of Corrections to replace a coal boiler at Invercargill prison is 70% of total project costs.

ii) [REDACTED]

- f. **Refer** this briefing to the Minister of Finance and the relevant appropriation Ministers (Corrections, Agriculture, Energy and Resources and Health) to seek their approval for the following changes to appropriations for Tranche Seven projects.

Associate Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- g. **Approve** the following changes to appropriations and capital injections to provide for the decision in recommendation d above, with a corresponding impact on net core Crown debt:

| | \$m - increase/(decrease) | | | |
|--|---------------------------|----------|----------|----------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Vote Corrections | | | | |
| Minister of Corrections | | | | |
| Capital Injections: | | | | |
| Department of Corrections - Capital Injection | 2.829 | - | - | - |
| Total Capital | 2.829 | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Corrections: Approved / Not approved

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| | \$m - increase/(decrease) | | | |
|---|---------------------------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Vote Agriculture, Biosecurity, Fisheries and Food Safety Minister of Agriculture | | | | |
| Capital Injections: Ministry for Primary Industries – Capital Injection | 1.553 | - | - | - |
| Total Capital | 1.553 | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Agriculture: Approved / Not approved

| | \$m - increase/(decrease) | | | |
|---|---------------------------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Vote Business, Science and Innovation Minister of Energy and Resources | | | | |
| Non-Departmental Capital Expenditure: Energy and Resources: Crown Energy Efficiency – Capital Injection | 0.567 | - | - | - |
| Total Capital | 0.567 | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Energy and Resources: Approved / Not approved

Information withheld under section 9(2)(f)(iv) of the Official Information Act

| Vote Health Minister of Health | \$m – increase/(decrease) | | | |
|--|---------------------------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Non-Departmental Capital Expenditure: | | | | |
| Health Capital Envelope 2020-2025 (MYA) | ■ | - | - | - |
| Total Capital | ■ | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Health: Approved / Not approved

- h. **Note** that the amount shown for the multi-year appropriation “Health Capital Envelope 2020-2025” is the change to the indicative expenditure profile;
- i. **Note** that EECA and MBIE will sign a joint Memorandum of Understanding (or other formal agreement) with each organisation receiving funding drawn down in recommendations g) detailing project implementation timeframes and providing for effective monitoring and evaluation of the programme.
- j. **Agree** that the capital expenditure and injections incurred under recommendation g) above be charged against the State Sector Decarbonisation – Tagged Capital Contingency.
- k. **Agree** that the proposed changes to appropriations and capital injections above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.
- l. **Note** that the Budget 2021 significant recommendations (CAB-21-MIN-0116.04 refers) changed the expiry date of the State Sector Decarbonisation - Tagged Capital Contingency to 1 February 2022 and that this is an error.
- m. **Agree** that the expiry date of the State Sector Decarbonisation - Tagged Capital Contingency is 30 June 2025;

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

- n. **Note** that the balance of the tagged capital contingency (which expires on 30 June 2025) will be as follows:

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| | \$m | | | |
|---|---------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| State Sector Decarbonisation – Tagged Capital Contingency | ■ | ■ | ■ | ■ |

- o. **Note** that EECA and MBIE expect to provide advice on Tranche Eight in September.
- p. **Agree** to forward this briefing to the Minister for Economic and Regional Development for his information.

Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

Andrew Caseley
CHIEF EXECUTIVE, EECA
 31 / 08 / 2021

Justine Cannon
MANAGER, ENERGY MARKETS POLICY, MBIE
 31 / 08 / 2021

Hon James Shaw
MINISTER OF CLIMATE CHANGE
 -- / -- / --

Hon Grant Robertson
MINISTER OF FINANCE
 -- / -- / --

Hon Dr Megan Woods
ASSOCIATE MINISTER OF FINANCE
--/ --/ --

Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES
--/ --/ --

Hon Andrew Little
MINISTER OF HEALTH
--/ --/ --

Hon Kelvin Davis
MINISTER OF CORRECTIONS
--/ --/ --

Hon Damien O'Connor
MINISTER OF AGRICULTURE
--/ --/ --

Background

3. In December 2019, the Government announced \$200 million in capital expenditure to reduce State sector emissions, as part of its Capital Investment Package. The Minister of Finance and Minister of Climate Change were delegated joint authority to make further decisions on how to deploy this capital, in consultation with the Minister of Energy and Resources. The Minister of Finance has now set an expectation that the Associate Minister of Finance and the Minister of Climate Change will reach a consensus view on projects recommended for funding before he receives advice on them.
4. To date, you have approved the drawdown of \$101.122 million under this arrangement as follows:

| Drawdown | Funding (\$m) |
|---|----------------|
| Tranches One and Two | 22.733 |
| Tranche Three | 56.783 |
| Tranche Four | 6.251 |
| Tranche Five | 10.683 |
| Tranche Six ¹ | 4.092 |
| Operational costs for the establishment of the CNGP | 0.580 |
| Total | 101.122 |

5. **See Table One** on pages 16-17 for a summary of all previously approved projects under the six tranches².

CNGP Ministerial Group decisions

Investment principles and notional allocations

6. At the last CNGP Ministerial Group meeting on 7 July, Ministers discussed investment principles and notional allocations for the remaining funding and agreed to:
 - a. revise the project implementation date from 2022/23 to the end of the 2025 calendar year (CNGP target date),

¹ Funding also includes \$0.002m to cover small funding shortfalls due to rounding.

² Four projects under Tranche Six were pending approval by the Minister of Health at the time of writing.

- b. notionally allocate a further \$10m to replacing coal boilers in schools and \$9.537m to fleet electrification projects (both from the Budget 2021 ‘top-up’), and
- c. support higher levels of co-funding on a case-by-case basis.

We are recommending a higher level of co-funding (greater than 50%) for two projects

- 7. In Tranche Seven we are recommending that two projects receive a higher level of co-funding. Both projects are high-impact coal boiler replacement or conversion projects in the South Island:
 - a. \$2.829 million for the Department of Corrections to replace a coal boiler with a wood pellet boiler at Invercargill Prison. Recommended SSD funding is 70% of total project costs to allow the project to proceed. Corrections will eliminate its coal use at Invercargill prison, converting one of two boilers to biomass fuel and decommissioning the other.

b.

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Marginal abatement costs for SSD projects

- 8. At the last CNGP Ministerial Group meeting Ministers also queried why agencies are relying on SSD Fund support for projects that have negative marginal abatement costs. The SSD projects in this category to date are lighting projects (though not all lighting upgrade projects have negative abatement costs).
- 9. While these projects tend to stack up strongly on a payback period basis, they are often deprioritised by agencies in favour of core service delivery and more critical asset replacement (such as where a boiler is failing).
- 10. EECA’s Crown Loan scheme was designed to address this. It makes \$2 million in interest-free loans available to agencies each year to help get these projects across the line. These loans are repaid (usually over a five-year period) using the energy savings from the project, making the scheme relatively cash flow neutral.

11.

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- 12. Note that Tranche Seven includes two lighting upgrade projects:

- a. \$0.138 million for Waikato Institute of Technology (Wintec) to install efficient lighting. We are recommending 40% SSD co-funding with the remaining project costs (60%)

to be covered by a Crown Loan. This funding arrangement was developed and agreed prior to the development of alternative funding arrangements, hence the higher (40% and not 25%) level of SSD co-funding.

- b. \$2.031 million for Auckland DHB to install efficient lighting. We are recommending 25% SSD co-funding and EECA has undertaken to give ADHB as much as the current scheme Crown Loan scheme allows, however this will be insufficient to cover total project costs.

13.



Recommended Tranche Seven Projects

14. We recommend you approve drawdown of [REDACTED] million for Tranche Seven projects. We recommend these projects based on their fit with the five investment principles you agreed when establishing the tagged capital contingency in January 2020³, and as revised (italicised) by agreement of the CNGP Ministerial Group⁴:

- i) Projects must be able to be fully implemented *by the end of 2025⁵*, and be broadly implementation ready and supported by business case and/or feasibility studies where appropriate;
- ii) Projects should provide significant emissions reductions, including by catalysing additional emissions abatement beyond the State sector;
- iii) Projects should aim to optimise Crown value for money;
- iv) Projects should, where possible, demonstrate government leadership and reinforce signals from wider climate policy;
- v) The number of decarbonisation projects should, where possible, be maximised by leveraging funding from State sector organisations.


15. Our recommended projects are as follows (see **Table Two** for a summary of all Tranche Seven projects):

- i) **\$2.829 million for the Department of Corrections** to replace a coal boiler with a wood pellet boiler at Invercargill Prison. The Department of Corrections will invest \$1.213 million from its own budget. We estimate that this will reduce carbon emissions by around 8,742 tonnes over the next ten years (around 874.2 tonnes per annum on average over ten years).

³ Treasury Report Number T2019/4160

⁴ Following discussion at its 7 July 2021 meeting

⁵ From 2022/23

- ii) **\$1.553 million for the Ministry of Primary Industries** to purchase 52 electric vehicles and charging infrastructure. The Ministry of Primary Industries will invest \$1.707 million from its own budget. We estimate that this will reduce carbon emissions by around 1,001 tonnes over the next ten years (around 100.1 tonnes per annum on average over ten years).
- iii) **\$0.224 million for University of Otago** to replace a coal boiler with a wood pellet boiler at its residential college Arana College. University of Otago will invest \$0.337 million from its own budget. We estimate that this will reduce carbon emissions by around 7,175 tonnes over the next ten years (around 717.5 tonnes per annum on average over ten years).
- iv) **\$0.138 million for Waikato Institute of Technology (Wintec)** to install efficient lighting on campus. Wintec will invest \$0.208 million from its own budget. We estimate that this will reduce carbon emissions by around 319 tonnes over the next ten years (around 31.9 tonnes per annum on average over ten years) and approximately 315,701 kilowatt-hours (kWh) per annum.
- v) **\$0.105 million for Western Institute of Technology** to purchase three electric vehicles and install charging infrastructure. Western Institute of Technology will invest \$0.137 million from its own budget. We estimate that this will reduce carbon emissions by around 101 tonnes over the next ten years (around 10.1 tonnes per annum on average over ten years).
- vi) **\$0.100 million for University of Waikato** to replace a chiller on campus with a low emissions alternative. Western Institute of Technology will invest \$0.120 million from its own budget. We estimate that this will reduce carbon emissions by around 170 tonnes over the next ten years (around 17 tonnes per annum on average over ten years).
- vii) **\$2.031 million for Auckland DHB** to transition Building A32 at its Grafton campus to LED lighting. EECA has undertaken to provide Auckland DHB with as much Crown Loan funding as the current scheme allows (currently \$2 million a year) to cover remaining project costs (\$6.094 million). We estimate that the project (if completed in full) would reduce carbon emissions by around 4,813 tonnes over the next ten years (around 481.3 tonnes per annum on average over ten years) and save approximately 4,765,009 kWh per annum.
- viii) **\$1.708 million for Waitemata DHB** to purchase 62 electric vehicles and install charging infrastructure. Waitemata DHB will invest \$1.708 million from its own budget. We estimate that this will reduce carbon emissions by around 1,131 tonnes over the next ten years (around 113.1 tonnes per annum on average over ten years).
- ix) 

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Information withheld under section 9(2)(f)(iv) of the Official Information Act

- [REDACTED]
- x) **\$0.366 million for Counties Manukau DHB** to replace a chiller with a low emissions alternative at Manukau Health Park. Counties Manukau DHB will invest \$0.549 million from its own budget. We estimate that this will reduce carbon emissions by around 3,991 tonnes over the next ten years (around 399.1 tonnes per annum on average over ten years).
- xi) **\$0.067 million for Nelson Marlborough DHB** to install efficient lighting at Wairau Hospital in Blenheim. Nelson Marlborough DHB will invest \$0.100 million from its own budget. We estimate that this will reduce carbon emissions by around 254 tonnes over the next ten years (around 25.4 tonnes per annum on average over ten years).
- xii) **\$0.030 million for Southern DHB** to replace a diesel boiler with an electric heat pump solution at the Tokanui Medical Centre. Southern DHB will invest \$0.045 million from its own budget. We estimate that this will reduce carbon emissions by around 83 tonnes over the next ten years (around 8.3 tonnes per annum on average over ten years).
16. In total, we estimate these projects will reduce the State sector's carbon emissions by around [REDACTED] tonnes over ten years⁶ (around [REDACTED] tonnes per annum on average).
17. The fleet electrification projects will increase the number of electric vehicles co-funded through the State Sector Decarbonisation Fund (by 117) to 583 vehicles.
18. Should you approve our recommended [REDACTED] million for Tranche Seven projects, this will bring the total funding drawn down to [REDACTED] million (including the \$0.580 million for CNGP establishment costs agreed in February 2021), leaving [REDACTED] million remaining in the tagged capital contingency (including the additional funding from Budget 2021). This will take the combined emissions reduced from the first seven tranches to an estimated [REDACTED] tonnes over ten years (around [REDACTED] tonnes per annum on average over ten years).⁷
19. Note these carbon reduction estimates are based on projected fossil fuel consumption and savings estimates reported by agencies. As we deliver projects, we will assess the actual abatement impact and report to Ministers on progress (as part of our monitoring and evaluation of projects).

⁶ Ten years from the date of commissioning, which in some cases will not occur until future financial years

⁷ Note many coal or gas boilers remain in use for longer than ten years, meaning the actual emissions impact may be greater.

Information withheld under section 9(2)(f)(iv) of the Official Information Act

20. The estimated project breakeven cost of abatement⁸ for Tranche Seven projects ranges from -\$296 to \$1,069/tCO₂-e (see Table Two below).
21. EECA and MBIE (where relevant) will draft and sign a Memorandum of Understanding (or other formal agreement) with each organisation receiving funding. This Memorandum of Understanding will detail specific deliverables and implementation timeframes and provide for robust monitoring and evaluation of project outcomes.

Support for leasing of electric vehicles

22. Budget 2021 also included \$41.792 million increase in operational funding over four years for EECA, mainly to support fleet optimisation and the leasing of electric vehicles but also to support delivery of the CNGP.

Approach to allocation and delivery

23. When providing SSD Funding towards the purchase of electric vehicles (capital expenditure), EECA's approach is to recommend 50% of the cost of the electric vehicle after the Clean Car Discount (up to a \$30k cap) and 50% of the cost of installing charging infrastructure for that vehicle (up to \$5k cap).
24. The cost of leasing electric vehicles is operating expenditure, whereas the cost of charging infrastructure is capital expenditure. As EECA can only provide agencies with grant funding for operational expenditure (not capital expenditure), the agency will receive the equivalent amount of operational funding towards the project.

Projects approved to date

25. Eligible agencies complete an application form for their project (in the same way they would for a capital funding project), and funding is paid out to agencies as grants subject to approval by the relevant EECA designated financial authority⁹.
26. To date, EECA has agreed to support three leasing projects (leased vehicles and associated charging infrastructure):
 - i) **\$0.654 million for MidCentral DHB** to lease 40 electric vehicles and install charging infrastructure,
 - ii) **\$0.719 million for Waka Kotahi** to lease 45 electric vehicles, and
 - iii) **\$0.061 million for Northland Polytechnic** to lease 3 electric vehicles and install charging infrastructure.

⁸ The estimated project breakeven cost of abatement refers to the CO₂ price at which net present value of the project is zero.

⁹ EECA designated financial authority for the below projects is: Manager Public Sector Portfolio to \$100k and Group Manager Investment & Engagement to \$1m.

27. We will provide updates on further leasing projects in future drawdown briefings.

Next steps

28. Should you wish to announce Tranche Seven publicly, EECA and MBIE will work with your offices on arrangements for an announcement.
29. We expect to provide advice on Tranche Eight projects in September. We will keep you informed about progress through our monthly New Zealand Upgrade Programme report and dashboard.

Table One – Summary of projects to which funding has been committed (Tranche One to Tranche Six)¹⁰

| Sector | Organisation | Tranche | Location | Project | Project cost (\$m) ¹¹ | SSD Funding (\$m) | Co-funding % | Ten-year emissions reduction (tonnes) | Estimated breakeven cost of abatement (\$/tCO ₂ -e) | Project status |
|--------------------|---|---------|--|---|----------------------------------|-------------------|--------------|---------------------------------------|--|------------------------------|
| Central Government | Accident Compensation Corporation | 4 | Fleet | Electric vehicles (25) & charging infrastructure | 1,517 | 0.758 | 50% | 350 | 1,547 | Vehicles in use |
| | Department of Conservation | 4 | Fleet | Electric vehicles (30) & charging infrastructure | 2,079 | 1,039 | 50% | 1,369 | 299 | Vehicles delivered |
| | Department of Conservation | 5 | Fleet | Electric vehicles (118) & charging infrastructure | 8,176 | 4,088 | 50% | 3,530 | 652 | Project publicly announced |
| | Inland Revenue Department | 2 | Fleet | Electric vehicles (33) & charging infrastructure | 2,000 | 1,015 | 51% | 570 | 1,181 | 28 vehicles in use |
| | Kāinga Ora | 5 | Fleet | Electric vehicles (40) & charging infrastructure | 2,260 | 1,126 | 50% | 860 | 790 | Project publicly announced |
| | Ministry of Education | 5 | Fleet | Electric vehicles (3) & charging infrastructure | 0.169 | 0.084 | 50% | 64 | 796 | Equipment ordered |
| | New Zealand Defence Force | 2 | Burnham | Coal boiler Replacement | 9,600 | 3,840 | 40% | 48,600 | 79 | Project design |
| | New Zealand Defence Force | 5 | Fleet | Electric vehicles (32) & charging infrastructure | 2,363 | 0,983 | 42% | 1,050 | 623 | Project publicly announced |
| | Parliamentary Services | 3 | Parliamentary Precinct | Lighting upgrade | 1,600 | 0,640 | 40% | 1,290 | 153 | Project design |
| | Parliamentary Services | 3 | Parliamentary Precinct | Roof mounted solar PV | 0,650 | 0,650 | 100% | 400 | 762 | Project design |
| | Scion | 5 | Fleet | Electric vehicles (3) & charging infrastructure | 0,200 | 0,096 | 48% | 65 | 990 | Vehicles in use |
| | Statistics New Zealand | 4 | Fleet | Electric vehicles (4) | 0,216 | 0,108 | 50% | 78 | 845 | Vehicles in use |
| Te Puni Kōkiri | 4 | Fleet | Electric vehicles (16) & charging infrastructure | 1,005 | 0,493 | 50% | 363 | 851 | Vehicles in use | |
| Health | Auckland District Health Board | 4 | Building 32, Auckland City Hospital | Lighting upgrade | 0,430 | 0,172 | 40% | 355 | 131 | Project underway |
| | Canterbury District Health Board | 1 | Ashburton Hospital | Coal boiler replacement | 6,000 | 2,400 | 40% | 23,850 | 109 | Project design |
| | Canterbury District Health Board | 1 | Hillmorton Hospital, Christchurch | Green Star sustainability rating | 2,800 | 2,800 | 100% | 0 | N/A | Project underway |
| | Canterbury District Health Board | 6 | Christchurch Women's Hospital | Lighting upgrade | 0,409 | 0,204 | 50% | 340 | 124 | Ministerial approval pending |
| | Capital and Coast District Health Board | 6 | Across CCDHB sites | Lighting upgrade | 2,739 | 1,096 | 40% | 1,900 | 307 | Ministerial approval pending |
| | Counties Manukau District Health Board | 3 | Middlemore Hospital, Auckland | Lighting replacement | 0,367 | 0,147 | 40% | 420 | -130 | Project design |
| | Hawke's Bay District Health Board | 4 | Fleet | Electric vehicle (1) & charging infrastructure | 0,062 | 0,029 | 47% | 36 | 390 | Project publicly announced |
| | Hawke's Bay District Health Board | 4 | Information Services server room at Hawke's Bay Hospital, Hastings | Replace process cooler unit | 0,125 | 0,050 | 40% | 45 | 1,429 | Project publicly announced |
| | Hawke's Bay District Health Board | 4 | Villa 6 Outpatients Facility at Hawke's Bay Hospital, Hastings | Replace and upgrade air conditioning units | 0,032 | 0,013 | 40% | 21 | 423 | Project publicly announced |
| | Lakes District Health Board | 2 | Taupo Hospital | Chiller replacement | 0,184 | 0,092 | 50% | 340 | 394 | One chiller replaced |

¹⁰ Projects in green (four projects in Tranche Six) are pending Ministerial approval¹¹ Rounded to nearest \$1000

| | | | | | | | | | | |
|---|-----------------------------------|----------|--|---|---------|---------|------|---------|-------|------------------------------|
| | MidCentral District Health Board | 2 | Palmerston North Hospital | Chiller replacement | 0.350 | 0.175 | 50% | 3,050 | 52 | Chiller replaced |
| | MidCentral District Health Board | 2 | Fleet | Electric vehicle & charging infrastructure | 0.073 | 0.041 | 56% | 15 | 1,785 | Vehicle in use |
| | Northland District Health Board | 5 | Fleet | Electric vehicles (150) & charging infrastructure | 8.613 | 4.306 | 50% | 3,840 | 620 | Project publicly announced |
| | Southern District Health Board | 3 | Kew Hospital, Invercargill | Chiller replacement | 0.800 | 0.320 | 40% | 1,500 | 388 | Awaiting consent |
| | Taranaki District Health Board | 3 | Renal Unit at Taranaki Base Hospital, New Plymouth | Energy efficiency improvement | 0.960 | 0.200 | 21% | 300 | 2,283 | Project design |
| | Taranaki District Health Board | 4 | Acute Services at Taranaki Base Hospital, New Plymouth | Natural gas boiler replacement | 2.700 | 1.080 | 40% | 10,040 | 138 | Project publicly announced |
| | Waikato District Health Board | 4 | Hague Road Carpark, Waikato Hospital, Hamilton | Lighting upgrade | 0.134 | 0.058 | 43% | 127 | 9 | Lighting installed |
| | Waikato District Health Board | 6 | Meade Clinical Centre, Waikato Hospital, Hamilton | Lighting upgrade | 0.300 | 0.120 | 40% | 330 | -102 | Ministerial approval pending |
| | Waitemata District Health Board | 6 | Fleet | Electric vehicles (10) & charging infrastructure | 0.316 | 0.158 | 50% | 120 | 793 | Ministerial approval pending |
| Primary/ Secondary Education | Ministry of Education | Multiple | Up to approximately 90 schools | Coal boiler replacements | 54.840 | 54.840 | 100% | 40,500 | 737 | Site visits underway |
| Tertiary Education | Auckland University of Technology | 2 | WB Building, Auckland | Natural gas boiler/chiller replacement | 2.812 | 1.125 | 40% | 4,010 | 378 | Project design |
| | Auckland University of Technology | 2 | WB Building, Auckland | Lighting upgrade | 0.259 | 0.105 | 40% | 440 | -347 | Project underway |
| | Auckland University of Technology | 2 | WB Building, Auckland | Natural gas boiler replacement | 0.150 | 0.060 | 40% | 330 | 241 | Project design |
| | Lincoln University | 3 | Lincoln | Coal boiler replacement | 11.440 | 4.576 | 40% | 45,500 | 109 | Project design |
| | Lincoln University | 6 | Lincoln | Lighting upgrade | 0.496 | 0.198 | 40% | 430 | 86 | Public announcement pending |
| | Massey University | 4 | Manawatū Campus Library, Palmerston North | Building improvements | 4.762 | 2.000 | 42% | 3,910 | 374 | Project design |
| | Southern Institute of Technology | 4 | Telford College, Balclutha | Coal boiler replacements | 0.552 | 0.276 | 50% | 3,819 | 65 | Equipment ordered |
| | University of Auckland | 3 | Building 201, Auckland | Natural gas boiler replacement | 0.625 | 0.250 | 40% | 530 | 644 | Project underway |
| | University of Canterbury | 2 | Ilam, Christchurch | Coal boiler replacement | 15.600 | 6.240 | 40% | 90,000 | 81 | Project design |
| | University of Canterbury | 6 | Ilam, Christchurch | Boiler replacement (expanding the scope of a Tranche Two project) | 5.400 | 2.160 | 40% | 20,000 | 134 | Public announcement pending |
| | University of Waikato | 6 | Field, court and campus, Hamilton | Lighting upgrade | 0.308 | 0.154 | 50% | 170 | 591 | Public announcement pending |
| | Victoria University of Wellington | 4 | Rankine Brown building, Wellington | Lighting upgrade | 0.436 | 0.175 | 40% | 746 | -351 | Lighting installed |
| Total /Average¹² | - | - | - | - | 156.909 | 100.540 | - | 315,603 | 212 | - |

¹² The weighted average estimated breakeven cost of abatement is provided

Table Two – Summary of recommended Tranche Seven Projects

| Sector | Organisation | Project Type | Total project cost (\$m) ¹³ | Recommended draw-down (\$m) | Ten-year carbon emissions reduction (tonnes) | Estimated project breakeven cost of abatement (\$/tCO ₂ -e) ¹⁴ |
|-----------------------------------|--|--------------------------|--|-----------------------------|--|--|
| Central Government | Department of Corrections | Coal boiler replacement | 4.042 | 2.829 (70%) | 8,742 | 241 |
| | Ministry of Primary Industries | Fleet electrification | 3.260 | 1.553 (48%) | 1,001 | 1,069 |
| Tertiary Education | University of Otago | Coal boiler replacement | \$0.561 | \$0.224 (40%) | 7,175 | 28 |
| | Waikato Institute of Technology (Wintec) | Lighting upgrade | \$0.346 | \$0.138 (40%) | 319 | 34 |
| | Western Institute of Technology | Fleet electrification | \$0.242 | \$0.105 (43%) | 101 | 687 |
| | University of Waikato | Chiller replacement | \$0.220 | \$0.110 (45%) | 170 | 239 |
| Health | Auckland DHB | Lighting upgrade | \$8.125 | \$2.031 (25%) | 4,813 | 496 |
| | Waitemata DHB | Fleet electrification | \$3.417 | \$1.708 (50%) | 1,131 | 965 |
| | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| | Counties Manukau DHB | Chiller replacement | \$0.915 | \$0.366 (40%) | 3,991 | 144 |
| | Nelson Marlborough DHB | Lighting upgrade | \$0.167 | \$0.067 (40%) | 254 | -296 |
| | Southern DHB | Diesel boiler conversion | \$0.075 | \$0.030 (40%) | 83 | 162 |
| Total/Average¹⁵ | - | - | ██████████ | ██████████ | ██████████ | ██████████ |

Information withheld under section 9(2)(f)(iv) of the Official Information Act

¹³ Rounded to nearest \$1000

¹⁴ There is large variation in estimated project breakeven costs of abatement. This is particularly the case for lighting upgrades. The estimated project breakeven costs of abatement for these projects are highly sensitive to the relationship between capital costs – which vary significantly with the type of lighting equipment involved – and the value of electricity savings – which vary significantly across operating environments, for example timing and period of lighting use across the year.

¹⁵ The weighted average estimated breakeven cost is provided. In this case the weighted average estimated breakeven cost is heavily influenced by the Southern DHB coal boiler replacement project. For this project, we have used the data provided by the applicant in its SSD application to estimate the breakeven cost of abatement, however, when more detailed data is used (including significant savings in non-fuel operating costs), the breakeven cost changes to \$-0.58/tCO₂-e.

Item Three: State Sector Decarbonisation - Tranche Eight



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

TE TARI TIAKI PŪNGAO
ENERGY EFFICIENCY & CONSERVATION AUTHORITY



| | | | |
|-----------------------------------|--|------------------------------|------------------|
| Title of briefing | Hon Grant Robertson MINISTER OF FINANCE Hon Dr Megan Woods ASSOCIATE MINISTER OF FINANCE Hon James Shaw MINISTER OF CLIMATE CHANGE | | |
| Title | State Sector Decarbonisation – drawdown of funding from tagged capital contingency (Tranche Eight projects) | | |
| Date | 3/12/2021 | | |
| EECA/MBIE reference number | EECA 2021 BRF 021 MBIE: 2122-2104 | Response required by: | 10 December 2021 |
| EECA priority | Routine | | |
| Consultation | The Treasury, the Ministry of Health, the Ministry for the Environment, MBIE (New Zealand Government Procurement and Property) | | |

Information withheld under section 9(2) (a) of the Official Information Act

Contacts

| Position | Name | Mobile Number | Work Number | 1 st Contact |
|--|------------------|---------------|-------------|-------------------------|
| Chief Executive | Andrew Caseley | [REDACTED] | 04 470 2201 | ✓ |
| Acting Manager, Energy Markets Policy (MBIE) | Osmond Borthwick | | 021 824 152 | |
| Principal author (MBIE) | Laurie Boyce | | 021 864 928 | |
| Principal author (EECA) | Nesta Jones | | 04 470 2226 | |

Purpose

1. To seek your approval to draw down funding from the State Sector Decarbonisation tagged capital contingency to support Tranche Eight projects.
2. These drawdowns also require the approval of the Ministers responsible for the relevant appropriations, so your approval is sought to refer this briefing to them.

Key messages

- We recommend that you draw down \$5.092 million from the State Sector Decarbonisation tagged capital contingency for Tranche Eight projects.
- We estimate these projects will reduce the State sector’s carbon emissions by around 8,693 tonnes over ten years (around 869.3 tonnes per annum on average). See Table Two on page 17-18 for a summary of recommended Tranche Eight projects. The estimated project breakeven cost of abatement for these projects ranges from \$121 to \$1,749 per tonne of carbon dioxide equivalent (tCO₂-e).
- The total capital funding drawn down to date, including this and the previous seven tranches, will be [redacted] million ([redacted] million including the \$0.580 million drawn down for CNGP establishment costs), with [redacted] million remaining in the tagged capital contingency. We estimate the combined emissions reduction impact of the funding allocated to date will be around [redacted] tonnes over ten years (around [redacted] tonnes per annum on average).
- Funding will be drawn down into the relevant appropriations that are the responsibility of portfolio Ministers, so their approval is also sought.
- EECA will begin working with funding recipients to implement projects as soon as you have approved the drawdown. Should you wish to announce these projects, EECA and MBIE will work with your offices to arrange this.
- We expect to provide advice on Tranche Nine in early 2022. We will keep you informed about progress through our monthly New Zealand Upgrade Programme report and dashboard.
- We will also provide advice (in early 2022) on converting tagged capital contingency funding to EECA Crown loan funding to meet expected demand for lighting projects.

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[redacted]

Out of scope

Recommended actions

- a. **Note** that \$219.537 million of capital expenditure has been allocated to reduce State sector greenhouse gas emissions through the Cabinet agreed Capital Investment Package CAB-19-MIN-0572 and Budget 2021 ('top up' of \$19.537 million).
- b. **Note** that the balance of the tagged capital contingency (which expires in June 2025) in Vote Business, Science and Innovation is as follows:

| | \$m | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| State Sector Decarbonisation –Tagged Capital Contingency | ■ CIA - S9(2)(f)(iv) | ■ CIA - S9(2)(f)(iv) | ■ CIA - S9(2)(f)(iv) | ■ CIA - S9(2)(f)(iv) | - |

Information withheld under section 9(2)(f)(iv) of the Official Information Act

- c. **Agree** to consider the advice in recommendation d below and discuss any issues before referring this advice to the Minister of Finance (and the relevant appropriation Ministers).

Associate Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- d. **Note** that we recommend you approve drawdown of funding to the agencies listed below, for the following projects, as part of Tranche Eight:

Vote Police

- i) \$1.700 million for New Zealand Police to purchase electric vehicles and install charging infrastructure (45 vehicles);
- ii) \$0.380 million for New Zealand Police to replace a heating and cooling system;

Vote Corrections

- iii) \$0.676 million for the Department of Corrections to purchase electric vehicles and install charging infrastructure (24 vehicles);

Vote Social Development

- iv) \$0.046 million for the Ministry of Social Development to purchase electric vehicles (2 vehicles);

Vote Business Science and Innovation

- v) \$0.921 million for Kāinga Ora to purchase electric vehicles and install charging infrastructure (28 vehicles);
- vi) \$0.080 million for University of Waikato to replace two gas boilers;

vii) \$0.057 million for Lincoln University to purchase electric vehicles and install charging infrastructure (2 vehicles);

viii) \$0.023 million for Northland Polytechnic to install efficient lighting;

Vote Health

ix) \$0.631 million for Bay of Plenty DHB to purchase electric vehicles and install charging infrastructure (20 vehicles);

x) \$0.365 million for Capital & Coast DHB to install a heat recovery system;

xi) \$0.120 million for Southern DHB to convert a diesel boiler;

xii) \$0.048 million for MidCentral DHB to install efficient lighting;

xiii) \$0.045 million for Wairarapa DHB to purchase electric vehicles (two vehicles).

- e. **Refer** this briefing to the Minister of Finance and the relevant appropriation Ministers (Police, Corrections, Social Development, Energy and Resources and Health) to seek their approval for the following changes to appropriations for Tranche Eight projects.

Associate Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree

- f. **Approve** the following changes to appropriations and capital injections to provide for the decision in recommendation d above, with a corresponding impact on net core Crown debt:

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|---------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Vote Police | | | | | |
| Minister of Police | | | | | |
| Capital Injections: | | | | | |
| New Zealand Police – Capital Injection | 2.080 | - | - | - | - |
| Total Capital | 2.080 | - | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Police: Approved / Not approved

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|----------------|----------------|----------------|----------------|
| Vote Corrections Minister of Corrections | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Capital Injections: Department of Corrections - Capital Injection | 0.676 | - | - | - | - |
| Total Capital | 0.676 | - | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Corrections: Approved / Not approved

| | \$m – increase/(decrease) | | | | |
|---|---------------------------|----------------|----------------|----------------|----------------|
| Vote Social Development Minister for Social Development and Employment | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Capital Injections: Ministry of Social Development – Capital Injection | 0.046 | - | - | - | - |
| Total Capital | 0.046 | - | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister for Social Development and Employment: Approved / Not approved

| | \$m – increase/(decrease) | | | | |
|---|---------------------------|----------------|----------------|----------------|----------------|
| Vote Business, Science and Innovation Minister of Energy and Resources | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Non-Departmental Capital Expenditure: | | | | | |
| Energy and Resources: Crown Energy Efficiency – Capital Injection | 1.081 | - | - | - | - |
| Total Capital | 1.081 | - | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Energy and Resources: Approved / Not approved

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|----------------|----------------|----------------|----------------|
| Vote Health Minister of Health | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Non-Departmental Capital Expenditure: | | | | | |
| Health Capital Envelope 2020-2025 (MYA) | 1.209 | - | - | - | - |
| Total Capital | 1.209 | - | - | - | - |

Minister of Finance: Approved / Not approved

Minister of Climate Change: Approved / Not approved

Minister of Health: Approved / Not approved

- g. **Note** that the amount shown for the multi-year appropriation “Health Capital Envelope 2020-2025” is the change to the indicative expenditure profile;
- h. **Note** that EECA and MBIE will sign a joint Memorandum of Understanding (or other formal agreement) with each organisation receiving funding drawn down in recommendations f) detailing project implementation timeframes and providing for effective monitoring and evaluation of the programme.
- i. **Agree** that the capital expenditure and injections incurred under recommendation f) above be charged against the State Sector Decarbonisation – Tagged Capital Contingency.

- j. **Agree** that the proposed changes to appropriations and capital injections above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.
- k. **Note** that the remaining balance of the tagged capital contingency (which expires on 30 June 2025) will be as follows:

| | \$m | | | | |
|--|---------|---------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| State Sector Decarbonisation -Tagged Capital Contingency | ██████ | ██████ | ██████ | ██████ | - |

Information withheld under section 9(2)(f) (iv) of the Official Information Act

- l. **Note** officials will provide advice in early 2022 on converting tagged capital contingency funding to EECA Crown loan funding to meet expected demand for lighting projects.
- m. **Note** that EECA and MBIE expect to provide advice on Tranche Nine in early 2022.
- n. **Agree** to forward this briefing to the Minister for Economic and Regional Development for his information.

Minister of Finance: Agree / Disagree

Minister of Climate Change: Agree / Disagree



Andrew Caseley
CHIEF EXECUTIVE, EECA
 3 / 12 / 2021



Osmond Borthwick
**ACTING MANAGER, ENERGY MARKETS
 POLICY, MBIE**
 3 / 12 / 2021

 Hon James Shaw
MINISTER OF CLIMATE CHANGE
 __/__/__

 Hon Grant Robertson
MINISTER OF FINANCE
 __/__/__

Hon Dr Megan Woods
ASSOCIATE MINISTER OF FINANCE
-- / -- / --

Hon Dr Megan Woods
**MINISTER OF ENERGY AND
RESOURCES**
-- / -- / --

Hon Poto Williams
MINISTER OF POLICE
-- / -- / --

Hon Kelvin Davis
MINISTER OF CORRECTIONS
-- / -- / --

Hon Carmel Sepuloni
**MINISTER FOR SOCIAL
DEVELOPMENT AND EMPLOYMENT**
-- / -- / --

Hon Andrew Little
MINISTER OF HEALTH
-- / -- / --

Background

3. The Government established a State Sector Decarbonisation Fund as part of its Capital Investment Package announced in December 2019. The Minister of Finance and Minister of Climate Change were delegated joint authority to make further decisions on how to deploy this capital, in consultation with the Minister of Energy and Resources. The Minister of Finance has now set an expectation that the Associate Minister of Finance and the Minister of Climate Change will reach a consensus view on projects recommended for funding before he receives advice on them.
4. To date, \$219.537 million of capital expenditure has been allocated to this fund, and you have approved the drawdown of \$ [REDACTED] million under the above arrangement as follows:

| Drawdown | Funding (\$m) |
|---|---------------|
| Tranches One and Two | 22.733 |
| Tranche Three | 56.783 |
| Tranche Four | 6.251 |
| Tranche Five | 10.683 |
| Tranche Six | 4.092 |
| Tranche Seven | [REDACTED] |
| Operational costs for the establishment of the CNGP | 0.580 |
| Total | [REDACTED] |

Information withheld under section 9(2)(f) (iv) of the Official Information Act

5. **See Table One** on pages 15-17 for a summary of all previously approved projects under the seven tranches.

Recommended Tranche Eight projects

6. We recommend you approve drawdown of \$5.092 million for Tranche Eight projects. We recommend these projects based on their fit with the five investment principles you agreed

when establishing the tagged capital contingency in January 2020¹, and as revised (italicised) by agreement of the CNGP Ministerial Group²:

- i) Projects must be able to be fully implemented *by the end of 2025*³, and be broadly implementation ready and supported by business case and/or feasibility studies where appropriate;
 - ii) Projects should provide significant emissions reductions, including by catalysing additional emissions abatement beyond the State sector;
 - iii) Projects should aim to optimise Crown value for money;
 - iv) Projects should, where possible, demonstrate government leadership and reinforce signals from wider climate policy;
 - v) The number of decarbonisation projects should, where possible, be maximised by leveraging funding from State sector organisations.
7. Our recommended projects are as follows (see **Table Two** for a summary of all Tranche Eight projects):
- i) **\$1.700 million for New Zealand Police** to purchase 45 electric vehicles and install charging infrastructure. New Zealand Police will invest \$1.700 million from its own budget. We estimate that this will reduce carbon emissions by around 1,761 tonnes over ten years (around 176.1 tonnes per annum on average over ten years).
 - ii) **\$0.380 million for New Zealand Police** to replace a heating and cooling system at Papakura Police Station with a renewable low-carbon option. New Zealand Police will invest \$0.380 million from its own budget. We estimate that this will reduce carbon emissions by around 767 tonnes over ten years (around 76.7 tonnes per annum on average over ten years).
 - iii) **\$0.676 million for the Department of Corrections** to purchase 24 electric vehicles and install charging infrastructure. The Department of Corrections will invest \$0.748 million from its own budget. We estimate that this will reduce carbon emissions by around 362 tonnes over ten years (around 36.2 tonnes per annum on average over ten years).
 - iv) **\$0.046 million for the Ministry of Social Development** to purchase two electric vehicles. The Ministry of Social Development will invest \$0.046 million from its own budget. We estimate that this will reduce carbon emissions by around 56 tonnes over ten years (around 5.6 tonnes per annum on average over ten years).
 - v) **\$0.921 million for Kāinga Ora** to purchase 28 electric vehicles and install charging infrastructure. Kāinga Ora will invest \$1.073 million from its own budget. We estimate

¹ Treasury Report Number T2019/4160

² Following discussion at its 7 July 2021 meeting

³ From 2022/23

that this will reduce carbon emissions by around 416 tonnes over ten years (around 41.6 tonnes per annum on average over ten years).

- vi) **\$0.080 million for University of Waikato** to replace two gas boilers at Student Village in Hamilton. University of Waikato will invest \$0.096 million from its own budget. We estimate that this will reduce carbon emissions by around 86 tonnes over ten years (around 8.6 tonnes per annum on average over ten years).
- vii) **\$0.057 million for Lincoln University** to purchase two electric vehicles and install charging infrastructure. Lincoln University will invest \$0.057 million from its own budget. We estimate that this will reduce carbon emissions by around 59 tonnes over ten years (around 5.9 tonnes per annum on average over ten years).
- viii) **\$0.023 million for Northland Polytechnic** to install efficient lighting. EECA will provide Northland Polytechnic with \$0.068 million in Crown Loan funding to cover remaining project costs. We estimate that this will reduce carbon emissions by around 63 tonnes over ten years (around 6.3 tonnes per annum on average over ten years) and save approximately \$14,020 in energy costs per annum.
- ix) **\$0.631 million for Bay of Plenty DHB** to purchase 20 electric vehicles and install charging infrastructure. Bay of Plenty DHB will invest \$0.631 million from its own budget. We estimate that this will reduce carbon emissions by around 878 tonnes over ten years (around 87.8 tonnes per annum on average over ten years).
- x) **\$0.365 million for Capital & Coast DHB** to install a heat recovery system in the Main Hospital building at Wellington Hospital. Capital & Coast DHB will invest \$0.547 million from its own budget. We estimate that this will reduce carbon emissions by around 3,810 tonnes over ten years (around 381 tonnes per annum on average over ten years).
- xi) **\$0.120 million for Southern DHB** to convert a diesel boiler to a heat pump in the Mental Health Unit at Dunstan Hospital. Southern DHB will invest \$0.180 million from its own budget. We estimate that this will reduce carbon emissions by around 323 tonnes over ten years (around 32.3 tonnes per annum on average over ten years).
- xii) **\$0.048 million for MidCentral DHB** to install efficient lighting at Palmerston North Hospital. MidCentral DHB will invest \$0.143 million from its own budget. We estimate that this will reduce carbon emissions by around 65 tonnes over ten years (around 6.5 tonnes per annum on average over ten years).
- xiii) **\$0.045 million for Wairarapa DHB** to purchase two electric vehicles. Wairarapa DHB will invest \$0.045 million from its own budget. We estimate that this will reduce carbon emissions by around 47 tonnes over ten years (around 4.7 tonnes per annum on average over ten years).

8. In total, we estimate these projects will reduce the State sector's carbon emissions by around 8,693 tonnes over ten years⁴ (around 869.3 tonnes per annum on average).
9. The fleet electrification projects will increase the number of electric vehicles co-funded through the State Sector Decarbonisation Fund to date by 123 (to 706 vehicles).
10. Should you approve our recommended \$5.092 million for Tranche Eight projects, this will bring the total funding drawn down to ██████ (██████ million including the \$0.580 million drawn down for CNGP establishment costs), with ██████ million remaining in the tagged capital contingency. This will take the combined emissions reduced from the first eight tranches to an estimated ██████ tonnes over ten years (around ██████ tonnes per annum on average over ten years).⁵
11. Note these carbon reduction estimates are based on projected fossil fuel consumption and savings estimates reported by agencies. As we deliver projects, we will assess the actual abatement impact and report to Ministers on progress (as part of our monitoring and evaluation of projects).
12. The estimated project breakeven cost of abatement⁶ for Tranche Eight projects ranges from \$121 to \$1,749/tCO₂-e (see Table Two below).
13. EECA and MBIE (where relevant) will draft and sign a Memorandum of Understanding (or other formal agreement) with each organisation receiving funding. This Memorandum of Understanding will detail specific deliverables and implementation timeframes and provide for robust monitoring and evaluation of project outcomes.

Information withheld under section 9(2)(f) (iv) of the Official Information Act

Update on support for leasing of electric vehicles

14. Budget 2021 included \$41.792 million increase in operational funding over four years for EECA, mainly to support fleet optimisation and the leasing of electric vehicles but also to support delivery of the CNGP.
15. Since Tranche Seven, EECA has agreed to support three further leasing projects (leased vehicles and associated charging infrastructure):
 - i) **\$1.179 million for the Ministry of Education** to lease 46 electric vehicles and install charging infrastructure;

Note: Three of these electric vehicles were leased to the Ministry of Education's Whangārei branch

⁴ Ten years from the date of commissioning, which in some cases will not occur until future financial years

⁵ Note many coal or gas boilers remain in use for longer than ten years, meaning the actual emissions impact may be greater.

⁶ The estimated project breakeven cost of abatement refers to the CO₂ price at which net present value of the project is zero.

- ii) **\$0.308 million for Wairarapa DHB** to lease 18 electric vehicles and install charging infrastructure; and
 - iii) **\$0.164 million for Waikato Institute of Technology (Wintec)** to lease 8 electric vehicles and install charging infrastructure.
16. We will provide updates on further leasing projects in future drawdown briefings. To date, we have committed \$3.085 million of the \$41.792 million to five leasing projects, with further funding allocated to fleet optimisation.

CNGP Ministerial Group decisions

Funding approach for lighting projects

Out of scope

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]

Information withheld under section 9(2)(f)(iv) of the Official Information Act

[REDACTED]

SSD approval process

■ [Redacted]

Out of scope

■ [Redacted]

■ [Redacted]

Next steps

25. Should you wish to announce Tranche Eight publicly, EECA and MBIE will work with your offices on arrangements for an announcement.

26. We expect to provide advice on Tranche Nine projects in early 2022. We will keep you informed about progress through our monthly New Zealand Upgrade Programme report and dashboard.

27. [Redacted]

Information withheld under section 9(2)(f) (iv) of the Official Information Act

Table One – Summary of projects to which funding has been committed (Tranche One to Tranche Seven)

| Sector | Organisation | Tranche | Location | Project | Project cost (\$m) ⁸ | SSD Funding (\$m) | Co-funding | Ten-year emissions reduction (tonnes) | Estimated breakeven cost of abatement (\$/tCO ₂ -e) | Project status |
|--------------------|---|---------|--|--|---------------------------------|-------------------|------------|---------------------------------------|--|----------------------------|
| Central Government | Accident Compensation Corporation | 4 | Fleet | Electric vehicles (25) & charging infrastructure | 1.517 | 0.758 | 50% | 350 | 1,547 | Vehicles in use |
| | Department of Conservation | 4 | Fleet | Electric vehicles (30) & charging infrastructure | 2.079 | 1.039 | 50% | 1,369 | 299 | Vehicles in use |
| | Department of Conservation | 5 | Fleet | Electric vehicles (118) & charging infrastructure | 8.176 | 4.088 | 50% | 3,530 | 652 | Vehicles in delivery |
| | Department of Corrections | 7 | Invercargill Prison | Coal boiler replacement | 4.042 | 2.829 | 70% | 8,742 | 241 | Project publicly announced |
| | Inland Revenue Department | 2 | Fleet | Electric vehicles (33) & charging infrastructure | 2.000 | 1.015 | 51% | 570 | 1,181 | 28 vehicles in use |
| | Kāinga Ora | 5 | Fleet | Electric vehicles (40) & charging infrastructure | 2.260 | 1.126 | 50% | 860 | 790 | Equipment ordered |
| | Ministry of Education | 5 | Fleet | Electric vehicles (3) & charging infrastructure | 0.169 | 0.084 | 50% | 64 | 796 | Vehicles in use |
| | Ministry of Primary Industries | 7 | Fleet | Electric vehicles (52) and charging infrastructure | 3.260 | 1.553 | 48% | 1,001 | 1,069 | Project publicly announced |
| | New Zealand Defence Force | 2 | Burnham | Coal boiler replacement | 9.600 | 3.840 | 40% | 48,600 | 79 | Project design |
| | New Zealand Defence Force | 5 | Fleet | Electric vehicles (32) & charging infrastructure | 2.363 | 0.983 | 42% | 1,050 | 623 | Project publicly announced |
| | Parliamentary Services | 3 | Parliamentary Precinct | Lighting upgrade | 1.600 | 0.640 | 40% | 1,290 | 153 | Procurement complete |
| | Parliamentary Services | 3 | Parliamentary Precinct | Roof mounted solar PV | 0.650 | 0.650 | 100% | 400 | 762 | Procurement complete |
| | Scion | 5 | Fleet | Electric vehicles (3) & charging infrastructure | 0.200 | 0.096 | 48% | 65 | 990 | Vehicles in use |
| | Statistics New Zealand | 4 | Fleet | Electric vehicles (4) | 0.216 | 0.108 | 50% | 78 | 845 | Vehicles in use |
| Te Puni Kōkiri | 4 | Fleet | Electric vehicles (16) & charging infrastructure | 1.005 | 0.493 | 50% | 363 | 851 | Vehicles in use | |
| Health | Auckland District Health Board | 4 | Building 32, Auckland City Hospital | Lighting upgrade | 0.430 | 0.172 | 40% | 355 | 131 | Project nearing completion |
| | Auckland District Health Board | 7 | Building A32, Auckland City Hospital | Lighting upgrade | 8.125 | 2.031 | 25% | 4,813 | 496 | Project publicly announced |
| | Canterbury District Health Board | 1 | Ashburton Hospital | Coal boiler replacement | 6.000 | 2.400 | 40% | 23,850 | 109 | Project underway |
| | Canterbury District Health Board | 1 | Hillmorton Hospital, Christchurch | Green Star sustainability rating | 2.800 | 2.800 | 100% | 0 | N/A | Project underway |
| | Canterbury District Health Board | 6 | Christchurch Women's Hospital | Lighting upgrade | 0.409 | 0.204 | 50% | 340 | 124 | Project publicly announced |
| | Capital and Coast District Health Board | 6 | Across CCDHB sites | Lighting upgrade | 2.739 | 1.096 | 40% | 1,900 | 307 | Project publicly announced |
| | Counties Manukau District Health Board | 3 | Middlemore Hospital, Auckland | Lighting replacement | 0.367 | 0.147 | 40% | 420 | -130 | Project underway |
| | Counties Manukau District Health Board | 7 | Manukau Health Park | Chiller replacement | 0.915 | 0.366 | 40% | 3,991 | 144 | Project publicly announced |
| | Hawke's Bay District Health Board | 4 | Fleet | Electric vehicle (1) & charging infrastructure | 0.062 | 0.029 | 47% | 36 | 390 | Vehicle in use |
| | Hawke's Bay District Health Board | 4 | Information Services server room at Hawke's Bay Hospital, Hastings | Replace process cooler unit | 0.125 | 0.050 | 40% | 45 | 1,429 | Project publicly announced |

⁸ Rounded to nearest \$1000

| | | | | | | | | | | |
|-------------------------------------|-----------------------------------|----------|--|---|--------|--------|------|--------|-------|----------------------------|
| | Hawke's Bay District Health Board | 4 | Villa 6 Outpatients Facility at Hawke's Bay Hospital, Hastings | Replace and upgrade air conditioning units | 0.032 | 0.013 | 40% | 21 | 423 | Project publicly announced |
| | Lakes District Health Board | 2 | Taupo Hospital | Chiller replacement | 0.184 | 0.092 | 50% | 340 | 394 | One chiller replaced |
| | MidCentral District Health Board | 2 | Palmerston North Hospital | Chiller replacement | 0.350 | 0.175 | 50% | 3,050 | 52 | Chiller replaced |
| | MidCentral District Health Board | 2 | Fleet | Electric vehicle & charging infrastructure | 0.073 | 0.041 | 56% | 15 | 1,785 | Vehicle in use |
| | Nelson Marlborough DHB | 7 | Wairau Hospital, Blenheim | Lighting upgrade | 0.167 | 0.067 | 40% | 254 | -296 | Project publicly announced |
| | Northland District Health Board | 5 | Fleet | Electric vehicles (150) & charging infrastructure | 8.613 | 4.306 | 50% | 3,840 | 620 | Vehicles in delivery |
| | Southern District Health Board | 3 | Kew Hospital, Invercargill | Chiller replacement | 0.800 | 0.320 | 40% | 1,500 | 388 | Project underway |
| | | 1 | | | | | | | | |
| | Southern District Health Board | 7 | Tokanui Medical Centre | Diesel boiler replacement | 0.075 | 0.030 | 40% | 83 | 195 | Project publicly announced |
| | Taranaki District Health Board | 3 | Renal Unit at Taranaki Base Hospital, New Plymouth | Energy efficiency improvement | 0.960 | 0.200 | 21% | 300 | 2,283 | Project design |
| | Taranaki District Health Board | 4 | Acute Services at Taranaki Base Hospital, New Plymouth | Natural gas boiler replacement | 2.700 | 1.080 | 40% | 10,040 | 138 | Project publicly announced |
| | Waikato District Health Board | 4 | Hague Road Carpark, Waikato Hospital, Hamilton | Lighting upgrade | 0.134 | 0.058 | 43% | 127 | 9 | Lighting installed |
| | Waikato District Health Board | 6 | Meade Clinical Centre, Waikato Hospital, Hamilton | Lighting upgrade | 0.300 | 0.120 | 40% | 330 | -102 | Project publicly announced |
| | Waitemata District Health Board | 6 | Fleet | Electric vehicles (10) & charging infrastructure | 0.316 | 0.158 | 50% | 120 | 793 | Project publicly announced |
| | Waitemata District Health Board | 7 | Fleet electrification | Electric vehicles (62) & charging infrastructure | 3.417 | 1.708 | 50% | 1,131 | 965 | Project publicly announced |
| Primary/ Secondary Education | Ministry of Education | Multiple | Up to approximately 90 schools | Coal boiler replacements | 54.840 | 54.840 | 100% | 40,500 | 737 | Site visits underway |
| Tertiary Education | Auckland University of Technology | 2 | WB Building, Auckland | Natural gas boiler/chiller replacement | 2.812 | 1.125 | 40% | 4,010 | 378 | Project design |
| | Auckland University of Technology | 2 | WB Building, Auckland | Lighting upgrade | 0.259 | 0.105 | 40% | 440 | -347 | Project design |
| | Auckland University of Technology | 2 | WB Building, Auckland | Natural gas boiler replacement | 0.150 | 0.060 | 40% | 330 | 241 | Project design |
| | Lincoln University | 3 | Lincoln | Coal boiler replacement | 11.440 | 4.576 | 40% | 45,500 | 109 | Project underway |
| | Lincoln University | 6 | Lincoln | Lighting upgrade | 0.496 | 0.198 | 40% | 430 | 86 | Project publicly announced |
| | Massey University | 4 | Manawatū Campus Library, Palmerston North | Building improvements | 4.762 | 2.000 | 42% | 3,910 | 374 | Project design |
| | Southern Institute of Technology | 4 | Telford College, Balclutha | Coal boiler replacements | 0.552 | 0.276 | 50% | 3,819 | 65 | Project underway |
| | University of Auckland | 3 | Building 201, Auckland | Natural gas boiler replacement | 0.625 | 0.250 | 40% | 530 | 644 | Project underway |
| | University of Canterbury | 2 | Ilam, Christchurch | Coal boiler replacement | 15.600 | 6.240 | 40% | 90,000 | 81 | Project design |
| | University of Canterbury | 6 | Ilam, Christchurch | Boiler replacement (expanding the scope of a Tranche Two project) | 5.400 | 2.160 | 40% | 20,000 | 134 | Project publicly announced |
| | University of Otago | 7 | Arana College, Dunedin | Coal boiler replacement | 0.561 | 0.224 | 40% | 7,175 | 28 | Project publicly announced |

| | | | | | | | | | | |
|-----------------------------------|--|---|------------------------------------|---|-------|-------|-----|-----|------|----------------------------|
| | University of Waikato | 6 | Field, court and campus, Hamilton | Lighting upgrade | 0.308 | 0.154 | 50% | 170 | 591 | Project publicly announced |
| | University of Waikato | 7 | Hamilton | Chiller replacement | 0.220 | 0.100 | 45% | 170 | 239 | Project publicly announced |
| | Victoria University of Wellington | 4 | Rankine Brown building, Wellington | Lighting upgrade | 0.436 | 0.175 | 40% | 746 | -351 | Lighting installed |
| | Waikato Institute of Technology (Wintec) | 7 | Hamilton | Lighting upgrade | 0.346 | 0.138 | 40% | 319 | 34 | Equipment ordered |
| | Western Institute of Technology | 7 | Taranaki | Electric vehicles (3) & charging infrastructure | 0.242 | 0.105 | 43% | 101 | 687 | Project publicly announced |
| Total /Average⁹ | - | - | - | - | █ | █ | - | █ | █ | - |

Table Two – Summary of recommended Tranche Eight Projects

| Sector | Organisation | Project Type | Total project cost (\$m) ¹⁰ | Recommended draw-down (\$m) | Ten-year carbon emissions reduction (tonnes) | Estimated project breakeven cost of abatement (\$/tCO ₂ -e) |
|---------------------------|--------------------------------|--------------------------------|--|-----------------------------|--|--|
| Central Government | New Zealand Police | Fleet electrification | 3.400 | 1.700 (50%) | 1,761 | 481 |
| | | Boiler and chiller replacement | 0.761 | 0.380 (50%) | 767 | 540 |
| | Kāinga Ora | Fleet electrification | 1.993 | 0.921 (50%) | 416 | 1,749 |
| | Department of Corrections | Fleet electrification | 1.424 | 0.676 (47%) | 362 | 1,370 |
| | Ministry of Social Development | Fleet electrification | 0.093 | 0.046 (50%) | 56 | 358 |
| Tertiary Education | University of Waikato | Gas boiler replacement | 0.176 | 0.080 (46%) | 86 | 1,600 ¹¹ |
| | Northland Polytechnic | Lighting upgrade | 0.091 | 0.023 (25%) | 63 | 305 |
| | Lincoln University | Fleet electrification | 0.115 | 0.057 (50%) | 59 | 486 |
| Health | Bay of Plenty DHB | Fleet electrification | 1.261 | 0.631(50%) | 878 | 262 |
| | Capital & Coast DHB | Heat recovery project | 0.912 | 0.365 (50%) | 3,810 | 121 |
| | Southern DHB | Diesel boiler conversion | 0.300 | 0.120 (40%) | 323 | 176 |
| | MidCentral DHB | Lighting upgrade | 0.191 | 0.048 (25%) | 65 | 1,456 |

⁹ The weighted average estimated breakeven cost of abatement is provided

¹⁰ Rounded to nearest \$1000

¹¹ Project includes multiple types of technology – the estimated breakeven cost of abatement of the project as a whole is provided

| | | | | | | |
|-----------------------------|---------------|-----------------------|--------|-------------|-------|-----|
| | Wairarapa DHB | Fleet electrification | 0.089 | 0.045 (50%) | 47 | 469 |
| Total/Average ¹² | - | - | 10.806 | 5.092 (47%) | 8,693 | 409 |

¹² The weighted average estimated breakeven cost of abatement is provided

Ministerial Briefing

| | | | |
|-----------------------|---|-----------------------|------------------|
| To | Hon Dr Megan Woods MINISTER OF ENERGY AND RESOURCES | | |
| Title of briefing | Low Emission Transport Fund: Round One and Two projects | | |
| Date | 22/02/2022 | | |
| EECA reference number | EECA 2022 BRF 002 | Response required by: | 24 February 2022 |
| EECA priority | Routine | | |
| Consultation | N/A | | |
| Attachments | <ul style="list-style-type: none"> Appendix One: Conditionally approved projects Appendix Two: Conditionally approved project descriptions Appendix Three: Round One and 2 investment criteria Appendix Four: Location of public electric vehicle chargers co-funded in Round Two Appendix Five: Draft Ministerial press release | | |

EECA contacts

| Position | Name | Mobile Number | Work Number | 1 st Contact |
|---------------------|----------------|---------------|-------------|-------------------------|
| Chief Executive | Andrew Caseley | ██████████ | 04 470 2201 | ✓ |
| Responsible manager | Jesse Corlett | ██████████ | 04 470 2213 | |
| Principal author | Daniel Barber | | | |

Information withheld under section 9(2)(a) of the Official Information Act 1982

Purpose

- To brief you on projects for which government co-funding has been committed under Rounds One and Two of the Low Emission Transport Fund (the LETF). We propose that you announce successful projects at an event at Orion in Christchurch on 24 February 2022.

Key messages

- EECA has completed consideration of applications for the first two rounds of the Low Emission Transport Fund (LETF). Round One is focussed on Demonstration of vehicles and technology and Round Two is focussed on Adoption of public EV charging infrastructure.
- EECA has conditionally approved a combined total of \$6.45 million in government funding for 26 projects across the two rounds, matched by \$9.03 million in applicant funding. The combined investment across these projects is \$15.49 million, with EECA's funding covering 42 percent.
- Since the LETF and the previous Contestable Fund began, EECA has committed \$42.2 million in government funding to 228 projects, matched by \$86.83 million in applicant funding.
- Some particularly noteworthy projects being funded through these rounds include quite a large investment by Z Energy to install fast EV chargers on some of its forecourts, as well as several projects demonstrating battery swap technology with electric trucks (including by Fonterra and Mainfreight).
- EECA proposes you announce the Round One and Two projects via a ministerial media release and photo opportunity. The announcement is currently planned to take place at Orion in Christchurch on 24 February. A draft media release is attached in Appendix Five.

Recommended actions

- Note the recipients of government funding under Rounds One and Two of the Low Emission Transport Fund
- Approve the attached draft ministerial media statement for release on 24 February 2022
Approve / Do not approve
- Refer this briefing to the Minister of Transport for information

Agree / Disagree



Andrew Caseley
CHIEF EXECUTIVE
--/ --/ --

Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES
--/ --/ --

Background on the Low Emission Transport Fund

2. Through Budget 2021, the Government committed funding to expand the size and scope of EECA's Low Emission Vehicle Contestable Fund (LEVCF), with the fund becoming the Low Emission Transport Fund (LETF).
3. The LETF supports the demonstration of high potential and replicable solutions, and adoption of low emission transport technology, innovation, and infrastructure to help accelerate the decarbonisation of the New Zealand transport sector.
4. Whereas each funding round for the previous LEVCF was open to all potential funding areas, the LETF has separate funding rounds for different focus areas.
5. The first two rounds of the LETF opened for applications in October 2021, with applications due by 3 November. These two rounds were focussed on:
 - a. Round One – Demonstration of vehicles and technology
 - b. Round Two – Adoption of public EV charging infrastructure.

Summary of Rounds 1 and 2

6. As shown in Table 1 below, EECA has conditionally approved \$6.45 million of co-funding for 26 applications through Rounds One and Two of the LETF, to be matched by \$9.03 million of applicant co-funding. See Appendix One for a summary of conditionally approved projects and Appendix Two for project descriptions.

Table 1 – Summary of LETF Rounds 1 and 2

| | Round One Vehicles & Technology | Round Two Public Charging Infrastructure | Total |
|---------------------------------------|---------------------------------|--|----------|
| Number of eligible proposals received | 30 | 24 | 54 |
| Number of projects approved | 13 | 13 | 26 |
| EECA co-funding to be committed | \$3.45m | \$3.00m | \$6.45m |
| Applicant funding | \$5.39m | \$3.64m | \$9.03m |
| Total Project Costs | \$8.84m | \$6.64m | \$15.49m |

7. This will take the total number of projects funded to date under the LETF and the previous Contestable Fund to 228, worth a combined total of \$42.2 million in government funding, matched by \$86.83 million in applicant funding.
8. As under the LEVCF, EECA used panels for Rounds One and Two of the LETF to assess each project's merits according to its fit with the investment activity, fit with the investment principles for the funding round, ability to deliver, and value for government money.
9. Due to the level of funding requested for projects and EECA's financial delegations, all projects were able to be approved by EECA's Group Manager Investment and Engagement.

Round One – Demonstration of vehicles and technology

10. Round One of the LETF sought to demonstrate a range of low emission transport technologies, infrastructure, innovations and business models (e.g. Mobility-as-a-Service, or MaaS, transport technology and software projects) and low emission road and off-road vehicles. The full investment criteria for Round One are included in Appendix 3.
11. An initial funding envelope of \$3.4 million of new funds was notionally available for Round One, based on the funding available in the LETF for 2021/22.
12. EECA received 30 eligible applications. There was one ineligible application.
13. The amount of co-funding requested in the eligible applications totalled \$10.39 million. This represented total project costs of \$25.19 million.
14. Applications were assessed by a panel of EECA staff and an independent panel member.
15. Based on panel recommendations, EECA has conditionally approved 13 projects for co-funding that would allocate \$3,452,025 (39% of total project costs) from Round One.
16. Notable Round One projects include:
 - a. Several electric truck projects utilising battery swap technology, including:
 - i) Mainfreight Ltd will launch the first battery-swap truck for regular inter-city freight transport, to operate between Auckland and Hamilton.
 - ii) Fonterra Co-Operative Group Ltd will operate NZ's first electric 46T milk tanker with battery-swap technology at the Waitoa Depot, a rural location near Morrinsville in the Waikato.
 - iii) Firth Industries Ltd will deploy NZ's first electric battery-swap concrete mixer truck, to operate in Penrose.
 - iv) Phoenix Metal Recyclers NZ Ltd will deploy an electric 34-tonne battery-swap truck in Northland to transport recycled metal and demolition waste.
 - b. Electric vehicle charging technology demonstrations including:

- i) Zenobe Australia Pty Ltd will supplement DC charging capability in grid-constrained areas by installing second-life electric bus batteries.
 - ii) Eco Geek Ltd will extend their current dynamic electricity load management system to work with any DC or AC charger (currently only works on one brand of AC charger).
 - iii) IntDevice Ltd will work with Auckland Transport to deploy a wireless charging ground pad solution at the Ti Rakau Drive depot for an Auckland Transport bus.
- c. Kiwi H2 Ltd will convert two diesel trucks to run on 40 percent hydrogen, using a technology from the UK.

Round Two – Adoption of public EV charging infrastructure

17. Round Two of the LETF sought proposals for co-funding for public EV charging infrastructure, such as high-power chargers (e.g. above 120kW) and destination chargers, to support and accelerate wider deployment and market uptake of electric vehicles as a key part of New Zealand’s move to low emission transport. The full investment criteria for Round Two are included in Appendix 3.
18. An initial funding envelope of \$4.0 million of new funds was notionally available for Round Two, based on the funding available in the LETF for 2021/22.
19. EECA received 24 eligible applications. None were ineligible.
20. The amount of co-funding requested in the eligible applications totalled \$6.32 million. This represented total project costs of \$22.72 million.
21. Applications were assessed by a panel of EECA staff.
22. Based on panel recommendations, EECA has conditionally approved 13 projects for co-funding that would allocate \$3,001,400 (45% of total project costs) from Round Two. These projects will install 25 new chargers.
23. Including the chargers to be funded in Round Two, EECA will have committed funding to 731 public electric vehicle chargers through the LEVCF and LETF, of which over 560 are now installed.¹
24. For some of the projects, EECA has conditionally approved funding based on the applicant agreeing to additional contract conditions to maximise the benefits of the projects or improve value for money (including revised funding offers).
25. Notable Round Two projects include:

¹ Includes both fast and slow chargers

- a. Z Energy will install 12 chargers at seven locations, able to charge up to 26 vehicles concurrently. These chargers will mainly be high speed 184kW chargers, with one project utilising a dynamic electricity load management system.
 - b. ChargeNet will install eight ultra-fast 300kW chargers at four locations, able to charge 24 vehicles concurrently.
26. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Information withheld under section 9(2)(b)(ii) of the Official Information Act 1982

Risks

27. There is a possibility that one or more of the 26 projects will be cancelled after you have announced the recipients of conditional co-funding, reflecting the inherent risks of co-funding innovation projects. However, this risk has been in part mitigated through the assessment process by prioritising applications that have a strong ability to deliver. Any funding allocated to cancelled projects will be returned to the LETF to be reinvested.

Next steps

28. We will work with your office to organise the announcement of the results of Rounds One and Two of the LETF. This is currently planned to take place at the Orion (the central Canterbury electricity distribution business) office on 24 February 2022.
29. EECA and MBIE have been engaging with the Ministry for the Environment regarding potential announcements that can be made in the lead-up to the release of the Emission Reduction Plan, demonstrating partnership and co-investment opportunities between the government and private sector. It has been agreed that there is no need to delay the LETF announcement to align with ERP announcements, however we will continue to consider potential opportunities for LETF funding recipients to be included in ERP-related announcements.
30. We are working on identifying and developing the focus areas for future LETF rounds. As funding has been exhausted for this financial year, the next rounds will likely need to be in financial year 2022/23. We will update you on thinking for these focus areas shortly.

31. If the Budget bid on freight decarbonisation is successful in Budget 2022, we will also progress development of a freight decarbonisation round, in consultation with the sector, targeted for 2023/24.

Appendix 1 - Conditionally approved projects

*Note some projects have had an extra \$2,000 added for reporting

Round One - Demonstration of vehicles and technology

| Lead applicant | Project | Govt funding \$ | Govt Funding % | Estimated total project cost |
|---------------------------|---|-----------------|----------------|------------------------------|
| Technology and software | | | | |
| Zenobe Australia Pty Ltd* | Supplement DC charging capability in grid-constrained areas by installing second-life electric bus batteries (two 100kw/120kWh portable EV chargers). | \$295,674 | █ | █ |
| EROAD Ltd | Fleet decarbonisation tool using real-world telematics and driving behaviour. | \$302,400 | █ | █ |
| Eco Geek Co | Extension of the Thundergrid dynamic load management (DLM) system capability to any third party DC or AC chargers with a universal controller. | \$69,000 | █ | █ |
| Power Trip* | Software solution to increase EV utilisation within fleets, trip planner (EV live roadmap/booking system). | \$102,000 | █ | █ |
| Custom Fleet* | A car share solution with integrated charging management intelligence for pool fleets, to optimise charging at constrained times, minimise cost of charging and negate the need to invest in additional DC charging infrastructure. | \$227,000 | █ | █ |

| Lead applicant | Project | Govt funding \$ | Govt Funding % | Estimated total project cost |
|----------------------------------|--|-----------------|----------------|------------------------------|
| IntDevice Ltd | A wireless charging ground pad solution at the Ti Rakau Drive depot for an Auckland Transport bus. | \$350,000 | █ | █ |
| Kiwi H2* | ULEMCo Ltd will be introduced to NZ to convert diesel vehicles to run on 40% hydrogen, aiming to save 40% emissions. Project will deploy two Isuzu 4X2 trucks and two hydrogen conversion units. | \$227,000 | █ | █ |
| Vehicles | | | | |
| MyFleet Rural Ltd* | Four Pickman 4WD, fully electric offroad UTVs to be demonstrated throughout NZ at Field Days and A&P Shows, at after show demonstration events, and through industry channels. | \$141,810 | █ | █ |
| Mainfreight Ltd* | First battery-swap truck for regular inter-city freight transport, to operate between Auckland and Hamilton. | \$372,641 | █ | █ |
| Fonterra Co-operative Group Ltd* | NZ's first electric 46T milk tanker with battery-swap technology at the Waitoa Depot, a rural location near Tauranga. | \$427,000 | █ | █ |
| Firth Industries Ltd* | NZ's first electric battery-swap concrete mixer truck, to operate in Penrose. | \$361,000 | █ | █ |
| Bayes Coachlines Ltd* | A new build passenger bus with solar panels providing 5-10% of its own power and designed to have greater range | \$302,000 | █ | █ |

| Lead applicant | Project | Govt funding \$ | Govt Funding % | Estimated total project cost |
|---------------------------------|--|-----------------|----------------|------------------------------|
| | and less maintenance than other electric buses. The bus will weigh 25% less than comparable buses. | | | |
| Phoenix Metal Recyclers NZ Ltd* | An electric 34-tonne battery-swap truck in Northland to transport recycled metal and demolition waste. | \$274,500 | ■ | ■ |

Information withheld under section 9(2)(b)(ii) of the Official Information Act 1982

Round Two - Adoption of public EV charging infrastructure

| Lead applicant | Project | Govt funding \$ | Govt Funding % | Estimated total project cost |
|------------------|---|-----------------|----------------|------------------------------|
| ChargeNet NZ Ltd | Two 300kW hyperchargers for Napier, providing charging capacity for up to 6 vehicles simultaneously | \$278,460 | ■ | ■ |
| ChargeNet NZ Ltd | Two 300kW hyperchargers for Whangarei, providing charging capacity for up to 6 vehicles simultaneously | \$165,172 | ■ | ■ |
| ChargeNet NZ Ltd | Two 300kW hyperchargers for New Plymouth, providing charging capacity for up to 6 vehicles simultaneously | \$223,968 | ■ | ■ |
| ChargeNet NZ Ltd | Two 300kW hyperchargers for Auckland's CBD, providing charging capacity for up to 6 vehicles simultaneously | \$197,076 | ■ | ■ |

Information withheld under section 9(2)(b)(ii) of the Official Information Act 1982

| Lead applicant | Project | Govt funding \$ | Govt Funding % | Estimated total project cost |
|----------------------|--|-----------------|----------------|------------------------------|
| Eco Geek Co* | A 75kW dual-head charger at Moore Wilson's in Masterton, with dynamic load management for fast-charging. | \$36,450 | █ | █ |
| Meridian Energy Ltd* | Two 50kW chargers in Christchurch at Woodend and Oxford, close to main roads and amenities. Meridian will also install two 22kW AC chargers at their own cost. | \$77,311 | █ | █ |
| Z Energy Ltd* | Two ABB Terra 184kW rapid DC Chargers, able to charge up to four vehicles simultaneously at the Z service station in Warkworth. | \$253,000 | █ | █ |
| Z Energy Ltd* | Two ABB Terra 184kW rapid DC Chargers or one ABB 360 Super charger at a Z service station in Hautapu, Cambridge. | \$366,500 | █ | █ |
| Z Energy Ltd* | Two ABB Terra 184kW rapid DC Chargers, able to charge up to four vehicles simultaneously at the Z service station in Kumeu. | \$296,000 | █ | █ |
| Z Energy Ltd* | A 200kW+ charger at the Z service station in Bethlehem, Tauranga, with a dynamic load management system able to serve up to 4 vehicles simultaneously at up to 150kW each. | \$247,000 | █ | █ |
| Z Energy Ltd* | Two ABB Terra 184kW rapid DC Chargers at the Z service station at Wiri in Manukau, able to charge up to four vehicles simultaneously. | \$272,000 | █ | █ |

| Lead applicant | Project | Govt funding \$ | Govt Funding % | Estimated total project cost |
|--------------------|--|-----------------|----------------|------------------------------|
| Z Energy Ltd* | One dual-head 184kW DC chargers at the Z service station in Hamilton's K Drive and two at Z Pukete in Te Rapa. | \$413,500 | █ | █ |
| Jump Charging Ltd* | Two 150kW high-capacity dual DC chargers in the Agritech Business Park in Rakaia, with an additional thirty 22kW chargers, and six 75kW chargers at Jump Charging's own cost, as needed. | \$174,963 | █ | █ |

Information withheld under section 9(2)(b)(ii) of the Official Information Act 1982

Appendix 2 – Conditionally approved project descriptions²

Round One - Demonstration of vehicles and technology

Technology

1. Zenobe Australia Pty Ltd \$295,674
Portable EV charging using second-life batteries for grid constrained areas
 Zenobe will supplement power in grid-constrained areas by installing portable devices made of second-life electric vehicle batteries. The project will demonstrate use for second-life batteries and enable peak shaving and seasonal peaks to be managed without installing additional charging infrastructure or renting diesel generators, and to provide power in emergency situations.
2. Thundergrid \$69,000
Universal Load Guard
 Thundergrid's dynamic load management (DLM) system currently works on Etrac chargers for groups of AC chargers. This project is to extend the capability to any third-party DC or AC chargers with a universal controller. This will enable DLM at any site and type of charger, allowing clients to operate within their current power capability and avoid expensive transformer and power infrastructure upgrades to operate chargers.
3. Power Trip \$102,000
Telematics-based optimisation, engagement, and booking solution for EV fleets
 Power Trip in partnership with Direct Track will develop and market software to help fleets encourage EV uptake. This includes a collaborative pool booking solution that collects real time data from electric vehicles, provides EV trip planning, promotes the sharing of charging stations between businesses, and uses gamification and rewards to drive EV uptake among staff. The solution uses weather, map, charging station and vehicle data to predict energy consumption and optimise charging stops as well as live battery and diagnostic data from the vehicle. This will provide a more user friendly and informed experience for drivers and fleet managers.
4. IntDevice Ltd \$350,000
Wireless Electric Vehicle Charging
 IntDevice Ltd will implement its wireless charging solution for an Auckland Transport electric bus. The bus will charge by parking in an enabled park, avoiding the need to plug in. The bus will charge at the Ti Rakau Drive depot.
5. Kiwi H2 Ltd \$227,000
Decarbonising industrial vehicles in Aotearoa New Zealand today

² The wording of project descriptions is currently being finalised with the applicants. The final descriptions added to the EECA website may be slightly different to those included here.

Kiwi H2 Ltd has exclusively licensed a commercialised dual fuel product from the UK, which converts diesel vehicles to run on 40% hydrogen, aiming to save 40% emissions. This will help fleets decarbonise until commercially available and viable 100% zero emission options are available in NZ. They will convert 2 trucks to use this technology in this project.

Fleet management

6. EROAD Ltd \$302,400

Heavy Vehicle Decarbonization Assessment and Recommendation Project

EROAD Ltd will develop a heavy fleet decarbonisation recommendation tool by using machine learning to draw intelligence from its extensive real-world telematics and driving behaviour data. It will be offered to 3800+ EROAD customers free for the first year, to incentivise early adopters. A free light version allowing manual data input will also be developed, for the wider New Zealand heavy fleet.

7. Custom Fleet \$227,000

E Mobility & Intelligent Charging Demonstration

Custom Fleet Ltd will develop a car share solution with charging management intelligence to optimise charging where capacity is constrained with the aim of minimising cost of charging infrastructure. Outcomes will be reduced driver anxiety, increased vehicle utilisation, and reduced fleet manager workload through the automation of processes.

Off-road

8. MyFleet Rural Ltd \$141,810

Pickman 4 x 4 EV agricultural Off-road UTV launch in New Zealand

MyFleet Rural Ltd will launch four Pickman 4WD, fully electric off-road UTVs throughout NZ at Field Days and A&P Shows, and undertake after show demonstration events along with industry marketing to educate a variety of agricultural users in the benefits of changing to sustainable energy in farm transportation.

Trucks

9. Mainfreight Ltd \$372,641

Battery Swap Electric Intercity Heavy Freight

Mainfreight Ltd will launch the first battery-swap truck for regular inter-city freight transport project, to operate between Auckland and Hamilton. The battery swap gantry and charger will be installed in Hamilton with other infrastructure to be used in Auckland.

10. Fonterra Co-operative Group Ltd \$427,000

eTanker: Fonterra's First Electric Battery Milk Collection Tanker

Fonterra Co-Operative Group Ltd will build and operate NZ's first electric 46T milk tanker with battery-swap technology at the Waitoa Depot, a rural location near Hamilton. This will

demonstrate how an electric milk tanker could operate and provide many insights on decarbonisation of heavy transport in rural areas.

11. Firth Industries Ltd \$361,000

Electric Concrete Truck

Firth Industries Ltd will deploy NZ's first electric battery-swap concrete mixer truck, to operate in the Auckland region. This fits with their aim to reduce emissions by 30% by 2030.

12. Phoenix Metal Recyclers NZ Ltd \$274,500

Low emissions fleet for transport in Northland

Phoenix Metal Recyclers NZ Ltd will deploy an electric 34-tonne battery-swap truck (GCM of 49,000k) in Northland to transport recycled metal and demolition waste. The 180kW charger will be made available to other transport companies in the area and their heavy vehicle using customers visiting the site each week.

Buses

13. Bayes Coachlines Ltd \$302,000

Trial of new generation electric bus with lighter environmental footprint

Bayes Coachlines Ltd will build a passenger bus with onboard solar panels providing 5-10% of its power. This bus will weigh 25% less than existing designs, resulting in a greater range as well as lower maintenance costs. The applicant will trial the vehicle for 12 months on existing passenger routes to gain comparability data.

Round Two - Adoption of public EV charging infrastructure

Chargers – Journey

1. ChargeNet NZ Ltd – Napier \$278,460

Bringing public ultra-fast (300kW) EV charging to Napier

ChargeNet NZ Ltd will install four 300kW and two 62kW charging ports, offering four high performance charging ports and two fast charging ports in central Napier. The location will be able to charge six vehicles simultaneously, and enables the newest generation of EVs to add 400km of charge in only 20 minutes.

2. ChargeNet NZ Ltd – Whangarei \$165,172

Bringing public ultra-fast (300kW) EV charging to Whangārei

ChargeNet NZ Ltd will install four 300kW and two 62kW charging ports in central Whangārei. The location will be able to charge six vehicles simultaneously, and enables the newest generation of EVs to add 400km of charge in only 20 minutes.

3. ChargeNet NZ Ltd - New Plymouth \$223,968

Bringing public ultra-fast (300kW) EV charging to New Plymouth

ChargeNet NZ Ltd will install four 300kW and two 62kW charging ports in central New Plymouth. The location will offer four high performance charging ports and two fast charging ports, able to

charge six vehicles simultaneously, and enables the newest generation of EVs to add 400km of charge in only 20 minutes.

4. Z Energy Ltd – Warkworth \$253,000
Z Energy North Auckland High Speed Charging
 Z Energy (Z) Ltd will install two ABB Terra 184kW rapid DC Chargers able to charge up to four vehicles simultaneously at the Z service station in Warkworth. The Z site is conveniently located on a major travel corridor to the North of Auckland with easy access for EV owners and onsite amenities.
5. ChargeNet NZ Ltd – Auckland \$197,076
Bringing public ultra-fast (300kW) EV charging to Auckland CBD
 ChargeNet NZ Ltd will install four 300kW and two 62kW charging ports, offering four high performance charging ports and two fast charging ports in Auckland's CBD. The location will be able to charge six vehicles simultaneously, and enables the newest generation of EVs to add 400km of charge in only 20 minutes.
6. Z Energy Ltd – Hautapu \$366,500
Z Energy Waikato High Speed Charging
 Z Energy (Z) Ltd will install two ABB Terra 184kW rapid DC Chargers at Z Hautapu (Cambridge) for up to 4 vehicles to charge simultaneously. This site provides full onsite amenities with easy access off the new express way.
7. Z Energy Ltd – Kumeu \$296,000
Z Energy West Auckland High Speed Charging
 Z Energy (Z) Ltd will install two ABB Terra 184kW rapid DC Chargers able to charge up to four vehicles simultaneously at the Z service station in Kumeu. The Z site provides full amenities for EV owners and is located on a major travel corridor to the northwest of Auckland.
8. Z Energy Ltd - Auckland Commercial \$272,000
Z Energy Auckland Commercial High Speed Charging
 Z Energy (Z) Ltd will install two ABB Terra 184kW rapid DC Chargers at the Z service station at Wiri in Manukau. Up to four vehicles will be able to simultaneously charge, which will help to service the region's growing commercial EV fleet while providing on the go facilities in a to help keep drivers as productive as possible.
9. Z Energy Ltd – Bethlehem \$247,000
Z Energy Bay of Plenty High-Speed Charging
 Z Energy (Z) Ltd will install a minimum 200kW charger site at the Z service station in Bethlehem, Tauranga. The chargers will serve up to 4 vehicles simultaneously providing easy access for EV owners and onsite amenities.
10. Z Energy Ltd - K Drive Pukete \$413,500
Z Energy load managed high speed charging in Hamilton

Z Energy (Z) Ltd will install three dual-head 184kW DC chargers at the Z service stations in Hamilton's K Drive and Pukete in Te Rapa. Both sites are centrally located and will help to service the needs of EV fleets in the Waikato.

Chargers – Destination

11. Thundergrid \$36,450

75kW 2-car Public Charger with Dynamic Load Management Trial – Masterton

Thundergrid will install 75kW dual-head charger at Moore Wilson's in Masterton. The modular upgradeable charger will enable robust testing of dynamic load management for fast-charging developed by Thundergrid.

12. Meridian Energy Ltd \$77,311

Expansion of destination-based public DC charging infrastructure across Canterbury

Meridian Energy Ltd will install two 50kW chargers in Canterbury at Woodend and Oxford, close to main roads and amenities. Meridian will also install two 22kW AC chargers at their own cost. The project is part of Meridian's nationwide charging network - Zero.

13. Jump Charging Ltd \$174,963

AgriTech Business Park EV Fast Charging Hub

Jump Charging in conjunction with Agritech Group will install a charging hub in the Agritech Business Park in Rakaia (25-lot Business Park), with co-funding for two 150kW high-capacity DC fast charging units each capable of simultaneous vehicle charging from a 300kW pool of power, and at their own cost, an additional twenty-four 22kW chargers as well as six 75kW chargers in future as demand dictates. The site will service demand from Business Park tenants and the growing commercial EV uptake in the Rakaia and wider Canterbury region.

Appendix 3 – Investment criteria

Round One - Demonstration of vehicles and technology

Round One's investment focus looked for projects that will meet specific objectives around technology, vehicles, and software and support.

Technology

- Encourage innovation in approaches and technologies that can result in transport decarbonisation through for example smart charging and software to reduce or defer peak electricity demand, and optimisation of the use of low emission vehicles and other modes of transport, Mobility-as-a-Service applications.
- Provide charging infrastructure technology which demonstrates the ability of technology to address constrained infrastructure or power availability at charging locations of interest.

Vehicles

- Demonstrate low emission vehicles with a new business case, demonstration opportunity in a new sector or use case, or address significant barriers in an organisation or sector.
- Demonstrate opportunities to consolidate the existing fleet of vehicles and provide innovative ways to transport people and goods.

Software and support

- Provide software applications that will accelerate the transition of the fleet to zero emissions.
- Support the development of low emission transport maintenance, repair and other support services.
- Support the development of battery recycling and repurposing services.

Round Two - Adoption of public EV charging infrastructure

Round Two's focus was on two areas:

1. Public chargers in identified charging infrastructure gaps and locations, to future-proof for an expected increase in demand. To minimise queueing and stay ahead of EV uptake, multi-head chargers at higher speeds will be prioritised.
2. Public chargers of 25kW DC minimum for community or neighbourhood charging, both individual or a network where users will spend between 30 minutes and 2 hours.

These projects should:

- Support EV uptake and provide consumers with confidence in the availability of public electric vehicle charging infrastructure.
- Ensure charging infrastructure standards such as interoperability, connectivity and energy efficiency are adequately met.
- Provide the government and industry with information and guidance to better inform planning and optimal investment.
- Encourage new entrants and competition for provision of charging infrastructure and service providers.
- Enable innovation in new technology and business models.

Appendix 4 - Location of public electric vehicle chargers co-funded via Round Two

| Lead Applicant | Intended location | Intended number of chargers | Charger Type |
|------------------|---------------------|-----------------------------|---------------------------|
| North Island | | | |
| ChargeNet NZ Ltd | Napier | 2 | 300kW DC chargers |
| ChargeNet NZ Ltd | Whangarei | 2 | 300kW DC chargers |
| ChargeNet NZ Ltd | New Plymouth | 2 | 300kW DC chargers |
| ChargeNet NZ Ltd | Auckland CBD | 2 | 300kW DC chargers |
| Eco Geek Co | Masterton | 1 | 75kW DC chargers |
| Z Energy Limited | Warkworth | 2 | 184kW DC chargers |
| Z Energy Limited | Hautapu, Cambridge | 2 | 184kW DC chargers |
| Z Energy Limited | Kumeu | 2 | 184kW DC chargers |
| Z Energy Ltd | Wiri, Manukau | 2 | 184kW DC chargers |
| Z Energy Ltd | Hamilton | 3 | 184kW DC chargers |
| Z Energy Limited | Bethlehem, Tauranga | 1 | 200kW+ multi-head charger |

| South Island | | | |
|---------------------|--------------------|----|-------------------|
| Meridian Energy Ltd | Woodend and Oxford | 2 | 50kW DC chargers |
| Jump Charging Ltd | Rakaia | 2 | 175kW DC chargers |
| Total | | 25 | |

Appendix 5 – Draft Ministerial press release

New-look low-emissions transport fund delivers the goods

The country's first electric milk tank tanker, a solar-panelled bus, electric off-road farm vehicles and new high powered EV charging stations across the country are among projects to receive co-funding from the Government's new-look Low Emission Transport Fund (LETF), Energy and Resources Minister Dr Megan Woods has announced today.

Dr Woods said, "The Government expanded the scope of the LETF, which is administered by EECA, to increase its impact and encourage innovation in the transport sector.

"The projects included in this round show the potential for electric and low-emissions transport across sectors – from all-terrain farm vehicles to heavy freight. Some of these have been seen as hard to decarbonise in the past, so this is great progress towards reducing our transport emissions.

"In total, 13 vehicle and technology projects will receive \$3,452,025, and 13 EV charging projects will receive \$3,001,400 in co-funding.

Vehicle and technology projects include:

- Fonterra will operate NZ's first electric 46T milk tanker with battery-swap technology at the Waitoa Depot, near Tauranga.
- Bayes Coachlines will build a passenger bus with solar panels providing 5-10% of its own power and designed to have greater range and less maintenance than other electric buses.
- MyFleet Rural will launch four Pickman 4WD, fully electric off-road UTVs throughout NZ at Field Days and A&P Shows.
- Firth Industries will deploy NZ's first electric battery-swap concrete mixer truck, to operate in Penrose.
- IntDevice will work with Auckland Transport to deploy a wireless charging ground pad solution at the Ti Rakau Drive depot for an Auckland Transport bus.
- Kiwi H2 will convert two diesel vehicles to run on 40% hydrogen, aiming to save 40% emissions. This will help fleets decarbonise until commercially available and viable zero emissions options are available in NZ.
- Zenobe Australia will supplement DC charging capability in grid-constrained areas by installing second-life electric bus batteries.

Dr Woods said, "These projects show our transport sector embracing clean energy in some very sophisticated ways. And there is still so much potential."

As part of the LETF a significant boost to the nationwide electric vehicle charging network has also been confirmed.

Charging projects include:

- Chargenet will install eight ultrafast chargers in the Auckland CBD, Napier, Whangārei and New Plymouth

- ThunderGrid will install a fast charger in Masterton
- Meridian will install two fast chargers in Christchurch
- Jump Charging will install two ultrafast chargers in the Agritech Business Park in Rakaia.
- Z will install 12 ultrafast chargers at a number of locations in the upper North Island.

In total, the Government has co-funded more than 1,200 public and private EV chargers. The 25 public chargers in this round bring the number of public chargers co-funded to 731, 561 of which have been installed.

Dr Woods said, “The EV charging network is growing fast and should give drivers confidence an EV is a great choice, even on long-distance drives.”

“In the last couple of years, we’ve plugged gaps in places like Bombay, Kaiwaka and Tauranga.

“The focus of the LETF is now turning to ensuring any remaining gaps are filled, as we build out density in high-demand areas.”

Megan Woods noted that Z Energy would receive co-funding to build EV chargers at existing service stations, with amenities – like coffee – that drivers appreciate. “I’m pleased to see traditional fuel companies embrace electrification of the fleet, right on their forecourts.

Minister Woods announced the round co-funding recipients at Orion in Christchurch, who have partnered with EECA and others on a number of projects to expand the public EV charging network in Canterbury, including plugging network gaps between Christchurch and the West Coast.

The third and fourth rounds of the LETF will open mid-2022 – visit [Low Emission Transport Fund | EECA](#).

About the LETF

The Low Emission Transport Fund, administered by EECA, supports the demonstration and adoption of low emission transport technology, innovation and infrastructure to accelerate the decarbonisation of the New Zealand transport sector.

The fund will focus on activities in the transport sector that move people and/or goods on roads, off-road, and in the marine and aviation sectors to:

- Demonstrate innovative solutions that will enable future adoption and deployment
- Reduce energy related emissions in the transport sector
- Address market and organisational barriers through co-investment and diffusion of new knowledge and lessons, and
- Share knowledge and lessons to stimulate wider replication of successful projects and solutions in the transport sector.

Wider transport systems and activities (such as building roads, urban design, mode shift policy) are excluded.

Each round of the LETF, will provide co-funding to a particular area of interest (unlike the previous LEVCF, in which each round welcomed the full range of applications). An announcement will be made in advance of each funding round advising which areas of interest will be included.

Ministerial Briefing

| | | | |
|------------------------------|--|------------------------------|-----------------|
| To | Hon Dr Megan Woods MINISTER OF ENERGY AND RESOURCES | | |
| Title of briefing | Low Emission Vehicles Contestable Fund: round seven projects | | |
| Date | 19 December 2019 | | |
| EECA reference number | EECA 2019 BRF 036 | Response required by: | 17 January 2020 |
| EECA priority | Non-urgent | | |
| Consultation | NA | | |
| Attachments | <ul style="list-style-type: none"> • Appendix One: Conditionally approved projects from round seven • Appendix Two: Conditionally approved project descriptions for round seven • Appendix Three: Location of public EV chargers co-funded in round seven • Appendix Four: Draft media release | | |

EECA contacts

| Position | Name | Mobile Number | Work Number | 1 st Contact |
|---------------------|----------------|---------------|-------------|-------------------------|
| Chief Executive | Andrew Caseley | ██████████ | 04 470 2201 | ✓ |
| Responsible manager | Jesse Corlett | ██████████ | 04 470 2213 | |
| Principal author | Nesta Jones | | 04 470 2226 | |

Information withheld under section 9(2)(a) of the Official Information Act 1982

Purpose

To brief you on projects for which government co-funding has been committed under round seven of the Low Emission Vehicles Contestable Fund (the Contestable Fund), to be announced by media release no later than 24 January 2020.

Key messages

- EECA's Board has conditionally approved a combined total of \$3.8m in government funding for 22 projects, matched by \$8.3m in applicant funding. The combined investment across these projects is \$12.1m, with EECA's funding covering 32 percent.
- In total, EECA has now committed nearly \$24m in government funding to 140 projects, matched by \$50m in applicant funding (see Table 1).
- EECA proposes you issue a ministerial media release no later than 24 January 2020 announcing successful round seven projects. A draft media release is attached in Appendix Four.
- Round eight of the Contestable Fund will open on 19 February 2020 and close on 19 March 2020. Successful projects will be announced in July.

Recommended actions

- a) **Note** the recipients of government funding under round seven of the Low Emission Vehicles Contestable Fund;
- b) **Note** the attached draft ministerial media statement for release no later than 24 January 2020;
- c) **Refer** this briefing to Hon Julie-Ann Genter, Associate Minister of Transport.

Agree / Disagree



Andrew Caseley
CHIEF EXECUTIVE
-- / -- / --

Hon Dr Megan Woods
**MINISTER OF ENERGY AND
RESOURCES**
-- / -- / --

Background on the Low Emission Vehicles Contestable Fund (the Contestable Fund)

1. The purpose of the Contestable Fund is to encourage innovation and investment that will accelerate the uptake of low emission vehicles in New Zealand.
2. In 2019/20, up to \$7 million in grant funding is available.
3. EECA's Board is responsible for approving funding proposals, which are evaluated and recommended by an independent assessment panel.

Round seven summary

4. In round seven, EECA received 71 eligible applications for \$13m in government funding. The combined value of all project applications was \$33.4m.
5. On the recommendation of the independent assessment panel, EECA's Board has conditionally approved \$3.8m in government funding for 22 projects, with applicants committing an additional \$8.3m in funding. The combined investment is \$12.1m with EECA's funding covering 32 percent. See Appendix One for a summary of conditionally approved projects and Appendix Two for project descriptions.
6. This takes the total number of projects funded to date to 140, worth a combined total of \$23.8m in government funding, matched by \$50m in applicant funding. This means that funding recipients have contributed 68 percent of total project costs to date (see Table One on page 5).
7. The investment focus for round seven changed from round six. The new focus areas are italicised. The investment focus is to:
 - a. support the development of the public charging network by identifying and filling key gaps in the network, and by supporting EV charging stations in priority locations where further facilities are needed
 - b. facilitate the scale up of LEV technology, especially in shared fleets and public transport
 - c. enable the demonstration and uptake of light and heavy LEVs and associated technologies through high visibility projects in sectors of the economy where LEVs remain relatively unproven
 - d. encourage low emission vehicle technology innovation, particularly Vehicle-to-X/bi-directional and smart charging technologies potentially resulting in reductions to peak electricity demand
 - e. *support the development of LEV maintenance, repair and other support services*
 - f. *support the development of battery refurbishment, recycling and repurposing services*

-
- g. support the demonstration of low-emissions vehicles in mobility-as-a-service, increasing public exposure to low-emissions vehicles through such services as electric taxis, electric rental cars, and electric car-share schemes (excluding plug-in hybrids EVs).*
8. As in previous rounds, the panel made its recommendations by assessing each project's merits according to its contribution to the objectives of the Contestable Fund, fit with investment focus, ability to deliver, and value for government money.
9. The recommended projects support a combination of technologies and applications that will continue to develop the market for low emissions vehicle technology:
- a. fourteen are for charging infrastructure,
 - b. four are for car share/car rentals,
 - c. two are for heavy electric vehicles,
 - d. one is for electric vans, and
 - e. one is for vehicle-to-grid technology.
10. Round seven includes funding for up to 101 public EV chargers. See Appendix Three for a list of all public chargers by location. In total, we have now committed funding for over 1,000 electric car chargers throughout New Zealand, of which over 600 are operational.¹
11. Notable round seven projects include:
- a. Foodstuffs will partner with ChargeNet to install public fast chargers at further urban and provincial supermarkets;
 - b. The Warehouse Group will install fast chargers at regional Warehouse stores for public use;
 - c. Cityhop will purchase 50 battery electric vehicles for nationwide car sharing;
 - d. Mahu City Express will add an electric coach to its luxury coach and shuttle service operating between the Mahurangi region and Auckland;
 - e. Eastland Port will purchase a 25 tonne electric truck for watering and dust suppression at Eastland Port, which will be the first electric water truck in NZ;
 - f. The Wellington City Council will install chargers at Waitohi, a major community hub being developed in Johnsonville; and
 - g. Northpower will run a trial of vehicle-to-grid technology at a residential address.

¹ Includes both fast and slow chargers – not all chargers will be publically available

Table One: Summary of Contestable Fund investments to date²

| | Rd 1 – 16/17 | Rd 2 – 17/18 | Rd 3 – 17/18 | Rd 4 – 18/19 | Rd 5 – 18/19 | Rd 6 – 19/20 | Rd 7 – 19/20 | Total after seven rounds |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------------------|
| Number of eligible proposals received | 85 | 46 | 55 | 74 | 77 | 75 | 71 | 483 |
| Number of projects³ | 14 | 14 | 17 | 14 | 31 | 28 | 22 | 140 |
| Funding committed⁴ | \$3.3m | \$2.8m | \$2.7m | \$2.5m | \$4.2m | \$4.5m | \$3.8m | \$23.8m |
| Applicant funding | \$4.0m | \$9.8m | \$3.4m | \$4.7m | \$7.9m | \$11.9m | \$8.3m | \$50m |
| Total Project Costs | \$7.3m | \$12.6m | \$6.1m | \$7.1m | \$12.1m | \$16.3m | \$12.1m | \$73.6m |

Risks

12. There is a possibility that one or more of the 22 projects will be cancelled after you have announced the recipients of conditional co-funding, reflecting the inherent risks of co-funding innovation projects. Any funding allocated to cancelled projects will be returned to the Contestable Fund to be reinvested via the next funding round.

Round eight

13. Round eight will open on 19 February and close on 19 March with successful projects to be announced in July.
14. A noteworthy addition to this round will be the inclusion of e-bike security infrastructure in the investment criteria.

² All figures rounded to nearest \$100,000

³ Excludes 12 projects that were conditionally approved but subsequently cancelled

⁴ EECA's current net commitment

Appendix One: Conditionally approved projects from round seven⁵

| Project Type | Lead applicant | Project Title | Govt funding \$ | Govt Funding % | Estimated total project cost |
|--------------------------------|--|--|-----------------|----------------|------------------------------|
| Charging infrastructure | ChargeSmart Ltd | An electric Pukeiti experience | \$18,000 | █ | █ |
| | ChargeSmart Ltd | 100% pure accommodation | \$175,000 | █ | █ |
| | Todd Property Ormiston Town Centre Limited | Ormiston Town Centre (“OTC”) | \$120,000 | █ | █ |
| | Ebbett Waikato Limited | 175kW DC ultra-fast public EV charger for Hamilton | \$148,602 | █ | █ |
| | Foodstuffs (NZ) Ltd | Charging Down South! | \$113,400 | █ | █ |
| | Foodstuffs (NZ) Ltd | Charging Up North! | \$487,000 | █ | █ |
| | ChargeNet NZ | Four 350kW Chargers for Taupo CBD | \$257,000 | █ | █ |
| | ChargeNet NZ | Plugging two key charging network gaps | \$77,000 | █ | █ |
| | Drive EV Ltd | Central Taupo EV charging station | \$37,000 | █ | █ |

⁵ Details of all projects remain provisional until contracts have been signed
 MINISTERIAL BRIEFING | 19 December 2019

| Project Type | Lead applicant | Project Title | Govt funding \$ | Govt Funding % | Estimated total project cost |
|-----------------------------|---------------------------------------|--|-----------------|----------------|------------------------------|
| | Wellington City Council | Fast chargers for Waitohi Community Hub | \$50,000 | █ | █ |
| | The Warehouse Group | Nationwide 50kW DC EV rapid charger network improvement | \$265,588 | █ | █ |
| | Mitchell Corp NZ Ltd | Book a charge | \$43,950 | █ | █ |
| | Ventus Energy (NZ) Ltd | Bay of Islands tourist charger | \$30,000 | █ | █ |
| | Refining NZ | EV charging infrastructure for electric vehicles | \$49,385 | █ | █ |
| Car rental/car share | Anglesea Car Rentals | Loop car share fleet transition to battery electric vehicles | \$351,564 | █ | █ |
| | Zilch (formerly known as Yoogo Share) | Pure Electric Vehicle car sharing service for Auckland | \$300,000 | █ | █ |
| | Cityhop | Cityhop takes electric car sharing nationwide | \$312,500 | █ | █ |
| | GO Rentals | GO Rentals EV trial project | \$180,000 | █ | █ |

| Project Type | Lead applicant | Project Title | Govt funding \$ | Govt Funding % | Estimated total project cost |
|--------------------------------|-----------------------|---|-----------------|----------------|------------------------------|
| Heavy electric vehicles | Eastland Port Limited | New Zealand's first all-electric water truck | \$298,500 | █ | █ |
| | Mahu City Express | Introduce an EV to the long-distance luxury coach sector | \$352,500 | █ | █ |
| Electric vans | St John | Electric Mobility Health Shuttles | \$127,179 | █ | █ |
| Technology | Northpower | Understanding how V2G technology can benefit networks and consumers | \$13,200 | █ | █ |

Information withheld under section 9(2)(b)(ii) of the Official Information Act 1982

Appendix Two: Conditionally approved project descriptions from round seven DRAFT

Note we are still finalising the project descriptions. We will provide your office with a copy of the final project descriptions prior to the announcement of successful projects.

Charging infrastructure

1. ChargeSmart Ltd **\$18,000**

An electric Pukeiti experience – a new EV charging model

ChargeSmart will partner with Taranaki Regional Council to install four public 22kW AC chargers with a contactless payment solution at Pukeiti Garden in Taranaki.

2. ChargeSmart Ltd **\$175,000**

100% pure accommodation

ChargeSmart Ltd will work with accommodation providers outside the main centres to provide overnight charging to travellers with 25 dual 22KW AC chargers at sixteen accommodation sites across NZ, located at Hanmer Springs, New Plymouth, Tauranga, Christchurch, Methven, Levin, Fiordland, Oamaru, Nelson, Invercargill, Timaru, Farewell Spit, and Havelock North. The project widens the options for EV owners and those people taking advantage of the special offers on electric vehicles made by car sharing and rental companies.

3. Todd Property Ormiston Town Centre Limited **\$120,000**

Ormiston Town Centre (“OTC”)

Todd Property Ormiston will install up to four public 50kW fast chargers and four 25kW public chargers and associated civil works in the new Ormiston Town Centre development, helping to expand coverage of the electric vehicle charging network within one of Auckland’s fastest growing suburbs.

4. Ebbett Waikato Limited **\$148,602**

175 kW DC ultra-fast public EV charger for Hamilton

Ebbett Waikato Ltd will install a public 175kW ultra-fast DC charger at their new Te Rapa Gateway, Hamilton VW dealership, to be available 24/7 and offering credit card payment, and will carry out civil and electrical works.

5. Foodstuffs (NZ) Ltd **\$113,400**

Charging Down South!

Foodstuffs (NZ) Ltd will partner with ChargeNet to install one South Island public 50kW fast charger at each of two supermarket locations in Christchurch (Durham Street and Wainoni). The Project will also relocate a 50kW charger to a Timaru supermarket location, with the Recipient project managing all the installations. An additional 25kW charger will be installed at the Timaru location if budget allows.

6. Foodstuffs (NZ) Ltd **\$487,000**

Charging Up North!

Foodstuffs (NZ) Ltd will partner with ChargeNet to install thirteen public 50kW fast chargers at urban (Birkenhead, New Lynn, Devonport, Massey, Silverdale, Porirua (relocation)) and provincial (Wellsford, Te Puke, New Plymouth (relocation), Taupo, Whanganui, Palmerston North, Carterton) supermarket locations in the North Island, with Foodstuffs project managing the installations.

7. ChargeNet NZ Limited **\$257,000**

Four 350kW chargers for Taupo CDB

ChargeNet NZ will install two dual port charging stations able to charge up to four electric vehicles simultaneously, and delivering up to 300kW per vehicle, and ancillary equipment in the Taupo central business district.

8. ChargeNet NZ Limited **\$77,000**

Plugging two keys charging network gaps

ChargeNet NZ will partner with Powernet Limited to install a public 50kW DC fast charger in each of Rerenga Street, Mokau in the North Island and in Palmerston in the South Island, filling two key gaps in the charging network.

9. Drive EV Ltd **\$37,000**

Central Taupo EV charging station

Drive EV will install one 50kW DC charger and one 22kW charger at their premises in Central Taupo. The chargers will be publicly available and offer 24/7 ChargeNet billing.

10. Wellington City Council **\$50,000**

Fast Chargers for Waitohi Community Hub

Wellington City Council will install four public 25kW DC medium speed electric vehicle chargers at Waitohi, a major community hub being developed in Johnsonville, Wellington, comprising a swimming pool, library, café, and community centre, increasing access to and visibility of chargers outside the city centre.

11. The Warehouse Group **\$265,588**

Nationwide 50 kW DC EV Rapid Charger Network Improvement

The Warehouse Group will install one 50kW DC charging stations in each of eight regional Warehouse stores for public use, located at Kaitaia, Kerikeri, Royal Oak, Gisborne, Petone, Greymouth, Rolleston and South Dunedin, increasing public access to fast charging in more areas.

12. Mitchell Corp NZ Ltd **\$43,950**

Book a charge

Mitchell Corp NZ Ltd will provide pre-bookable electric vehicle charging combined with accommodation for 15 providers through their Ezibed website for travellers around NZ. Travellers will have certainty in their travel, building confidence in the practicality of travelling with an electric vehicle.

13. Ventus Energy (NZ) Ltd **\$30,000**

Bay of Islands Tourist charger

Ventus Energy (NZ) Ltd will install one 50kW public fast charger in Paihia, Bay of Islands.

14. Refining NZ **\$49,385**

EV charging infrastructure for electric vehicles

Refining NZ will install one 50kW DC fast charger in the Visitor Centre carpark on the Twin Coast Discovery tourist route, and two 22kW slow chargers for visitor parking at Refining NZ's offices.

Car rental/car share

15. Anglesea Car Rentals **\$351,564**

Loop car share fleet transition to battery electric vehicles

Anglesea Car Rentals will transition their existing car share fleet of 20 combustion engine vehicles to battery electric vehicles (BEVs) and install 20 7.2kW chargers at each client's home space. This car share project will be the first such project in the Waikato to feature BEVs. It will allow users simple and low cost access to trial and use of publically available BEVs.

16. Zilch (formerly known as Yoogo Share) **\$300,000**

Pure electric vehicle car sharing service for Auckland

Zilch will implement a 100% Battery Electric Vehicle car sharing service with charging infrastructure in six key locations in Auckland (Downtown Car Park, Jellicoe Street, Generator, Newmarket, Commercial Bay, and Auckland Airport) for business and public use that includes after-hours monthly membership and one-way trips to and from Auckland Airport. Co-funding will be put towards the charging infrastructure while Zilch will fully fund 40 battery electric vehicles.

17. Cityhop **\$312,500**

Cityhop takes electric car sharing Nationwide

Cityhop will purchase fifty battery electric vehicles for electric car sharing nationwide, giving thousands of New Zealanders access to a low emission vehicle. Their service is part of the All of Government offering and has an established presence.

18. GO Rentals **\$180,000**

GO rentals EV trial project

GO Rentals will offer six rental battery electric vehicles at the same price as a combustion engine car, and offer the ability to book the vehicles and charge free. Two cars will be available at each of Dunedin and Queenstown, with a further vehicle at each of Auckland and Christchurch, and a public charger at Queenstown Airport.

Heavy electric vehicles

19. Eastland Port Limited **\$298,500**

New Zealand's first all-electric water truck

Eastland Port Ltd will purchase a 25 Tonne electric truck for watering and dust suppression at Eastland Port, and will install a 60kW charging station. This will be the first electric water truck in NZ.

20. Mahu City Express **\$352,500**

Introduce an EV to the long-distance luxury coach sector

Mahu City Express will add an electric coach to its luxury inter-urban commuter/day coach and shuttle service operating between the Mahurangi region and Auckland, demonstrating what's possible to both the public and associated industries. It will install two 30kW chargers to service the coach.

Electric vans

21. The Priory in New Zealand of the Most Venerable Order of the Hospital of St John of Jerusalem **\$127,179**

Electric Mobility Health Shuttles

St John will purchase two different makes of electric vans (one LDV and one Renault) to test as mobility vehicles for their Health Shuttle fleet in Winton, Invercargill, Bluff, and Otautau. St John will fit them out with wheelchair access, and will install four 22kW AC chargers to charge the vehicles.

Technology

22. Northpower **\$13,200**

Understanding how V2G technology can benefit networks and consumers

Northpower will purchase a Second Generation Nissan Leaf with bi-directional CHAdeMO port to run a trial of vehicle-to-grid technology at a residential address, working with Nichicon (who will provide the "EVPS" i.e. the Electric Vehicle Power Station) and the University of Canterbury to run the trial, including managing real-time data, and analysis of the results.

Appendix Three: Location of public EV chargers co-funded via round seven⁶

| Lead Applicant | Intended location | Intended number of Chargers | Charger Type |
|--|---|-----------------------------|--|
| North Island | | | |
| ChargeSmart Ltd | Pukeiti Garden (Taranaki) | 4 | 22kW AC |
| Todd Property Ormiston Town Centre Limited | Ormiston (Auckland) | 8 | Up to four 50kW and four 25kW |
| Ebbett Waikato Limited | Te Rapa Gateway (Hamilton) | 1 | Ultra-fast 175kW |
| Foodstuffs (NZ) Ltd | Birkenhead, New Lynn, Devonport, Massey, Silverdale, Porirua, Wellsford, Te Puke, New Plymouth (relocation), Taupo, Whanganui, Palmerston North and Carterton | 13 | 50kW DC |
| ChargeNet NZ Ltd | Taupo | 4 | 2 dual port chargers delivering 4X 300kW |
| ChargeNet NZ Ltd | Mokau | 1 | 50kW DC |
| Drive EV Ltd | Taupo | 2 | One 50kW DC and one 22kW AC |
| Wellington City Council | Johnsonville (Wellington) | 4 | 25kW DC |
| Ventus Energy (NZ) Ltd | Bay of Islands | 1 | 50kW DC |
| Refining NZ | Northland | 3 | One 50kW DC, two 22kW AC |
| Zilch | Auckland | 6 | AC |

⁶ This list excludes private or residential chargers

| South Island | | | |
|--|---|------------------|-------------------------------|
| Foodstuffs (NZ) Ltd | Christchurch (and Timaru budget allowing) | Up to 4 | 50kW DC |
| ChargeNet NZ Ltd | Palmerston | 1 | 50kW DC |
| GO Rentals | Queenstown | 1 | Public |
| Nationwide – locations throughout New Zealand | | | |
| ChargeSmart Ltd | Hanmer Springs, New Plymouth, Tauranga, Christchurch, Methven, Levin, Fiordland, Oamaru, Nelson, Invercargill, Timaru, Farewell Spit and Havelock North | 25 | Public, dual 22kW AC chargers |
| The Warehouse Group Ltd | Kaitaia, Kerikeri, Royal Oak, Gisborne, Petone, Greymouth, Rolleston and South Dunedin | 8 | 50kW DC |
| Mitchell Corp NZ Ltd | Nationwide | 15 | Slow overnight AC chargers |
| Total | | Up to 101 | |

Appendix Four: Media release DRAFT

SEE ATTACHED

Item 5 Appendix Four: Media Release Draft

DATE

Government co-investment drives momentum for low-emissions transport

HON DR MEGAN WOODS
Energy and Resources

Low emissions transport will receive another boost totalling almost \$12 million, Energy and Resources Minister Hon Dr Megan Woods announced today.

Minister Woods congratulated the 22 recipients of co-funding for projects approved under the latest round of the Government's Low Emission Vehicles Contestable Fund (the Fund). They will share \$3.8 million of government co-funding.

The successful applicants will contribute over \$8 million of their own money, bringing the combined investment to almost \$12 million. The 22 projects range from increasing the number and availability of public charging stations to trialling vehicle-to-grid battery technology.

The purpose of the Contestable Fund is to encourage innovation and investment that will accelerate the uptake of low emission vehicles in New Zealand. In total, the Fund has committed \$23.8 million in government funding to 140 projects. This has been matched by \$50 million in applicant funding.

Minister Woods noted the Fund's impact so far, particularly in improving infrastructure for EV drivers in New Zealand. In total, the Government has now committed co-funding for over 1,000 EV chargers nationwide, of which over 600 are operational.

Notable projects to receive co-funding from round seven include:

- Foodstuffs to partner with ChargeNet to install public fast chargers at urban and provincial supermarkets;
- The Warehouse Group to install fast chargers at regional Warehouse stores for public use;
- Cityhop to purchase 50 battery electric vehicles for nationwide car sharing;
- Mahu City Express to add an electric coach to its luxury coach and shuttle service operating between the Mahurangi region and Auckland;
- Eastland Port to purchase a 25-tonne electric truck for watering and dust suppression at Eastland Port, which will be the first electric water truck in NZ;
- The Wellington City Council to install chargers at Waitohi, a major community hub being developed in Johnsonville; and
- Northpower to trial of vehicle-to-grid technology at a residential address.

Minister Woods has also announced round eight of the Fund will open for applications on 19 February and close on 19 March. The investment focus will for the first time include support for publicly available secure e-bike storage facilities. More information on the new investment focus is available here: <https://www.eeca.govt.nz/funding-and-support/low-emission-vehicles-contestable-fund/apply-for-co-funding/>

The Fund is one of several initiatives in the Government's Electric Vehicles Programme. It is administered by the Energy Efficiency and Conservation Authority (EECA).

For more information about the Fund, visit www.eeca.govt.nz/funding-and-support/low-emission-vehicles-contestable-fund/ or email the EECA team on LEVFund@eeca.govt.nz.

For general information about EVs, see www.electricvehicles.govt.nz

About the Low Emission Vehicles Contestable Fund (the Fund)

1. The purpose of the Fund is to encourage innovation and investment that will accelerate the uptake of low emission vehicles in New Zealand that might not otherwise occur.
2. In 2019/20, up to \$7 million in grant funding is available.
3. EECA's Board is responsible for approving funding proposals, which are evaluated and recommended by an independent assessment panel.
4. The Fund is administered by the Energy Efficiency and Conservation Authority (EECA).
5. Round eight opens on 19 February 2020. Applicants have until 12pm Thursday 19 March 2020 to submit their proposals. Successful applicants will be announced in July.
6. For more information about the Fund, visit www.eeca.govt.nz/LEVCF.
7. For general information about electric vehicles, see www.electricvehicles.govt.nz.

Round seven summary

8. In round seven, EECA received 71 eligible applications for \$13 million in government funding. The combined value of all project applications was \$33.4 million.
9. On the recommendation of the independent assessment panel, EECA's Board has conditionally approved \$3.8 million in government funding for 22 projects, with applicants committing an additional \$8.3 million in funding.
10. This takes the total number of projects funded to date to 140, worth a combined total of \$23.8 million in government funding, matched by \$50 million in applicant funding. This means that funding recipients have contributed 68 percent of total project costs to date.
11. The recommended projects support a combination of technologies and applications that will continue to develop the market for low emissions vehicle technology:
 - a. 14 are for charging infrastructure (up to 101 public chargers),
 - b. four are for car share/car rentals,
 - c. two are for heavy electric vehicles,
 - d. one is for electric vans, and
 - e. one is for vehicle-to-grid technology.