

PGF PROPOSALS FOR REVIEW

Date:	16 October 2019	Priority:	Medium
Security classification:	In Confidence	Tracking number:	1120 19-20

Action sought		6/2/2
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations outlined in this briefing.	21 October 2019
Hon Phil Twyford Minister of Transport	A BUS	21 October 2019
Minister of Economic Development	NELL	
Hon David Parker Minister for Trade and Export Growth		21 October 2019
Hon Shane Jones Minister for Regional Economic Development		21 October 2019
Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing.	21 October 2019

Contact for telephone discussion (if required)							
Name	Position	Telephone	1st contact				
David van der Zouwe	Head of Investment Management	Privacy of Natural	✓				
Jessica Sandford	Policy Advisor	Privacy of					
Isabella Radovanovic	Business Advisor	Natural Privacy of Natural					

Ref	Project name	Project description & benefits	Comment	Total cost of project	Requested PGF Investment	PDU Recommendation	IAP Recommendation
9.	Unrelated to NZFFP			SED			
10.	N.Z Future Forest Products	Applicant: N.Z Future Forest Products Limited ('NZFFP') Region: Commercial (feasibility study to I f ti	Commercial Information	\$Commerci Stage 1 Feasibility Study: \$15 million	\$15 million loan	Decline	Approve, details provided in IAP advice letter.

Ref	Project name	Project description & benefits	Comment	Total cost of	Requested PGF	PDU Recommendation	IAP Recommendation
		determine)	• Free and Frank Opinions	project	Investment	Recommendation	Recommendation
		determine)	or roo and reality opinions	Stage 2 Com			
		NZFFP intends to establish New Zealand as the		merci			
		Comm for Commercial Informationthe Commercia		T			
		region, maximising the country's natural competitive					
		advantage in forestry and wood processing, and					
		repositioning it as a critical supplier within the low carbon economy of the future.					
		Name of the state					
		NZFFP has requested PGF funding towards a feasibility study that will be undertaken by Com					
		merc					
		ial Infor	Commercial Information				
		mati	Commercial information				
		on					
			\sim \sim \sim				
			Funding has been requested for Co % of the cost of the				
		Following the completion of the feasibility study as	feasibility study. NZFFP has requested a loan – the maximum proposed erm of which could potentially be up Co				
		Following the completion of the feasibility study as stage 1, the applicant will then invest \$Commercia	mm				
		into stage 2 i.e. Commercial and completion of the balance of the Commercial work.	the option for PGF funding of Commercial Information				
		I f ti					
			and the PDU does not support funding a share of the Commercial / other Commercial				
			costs. NZFFP is a newly incorptorated company; Free and				
			Frank Opinions				

N.Z Future Forest Products

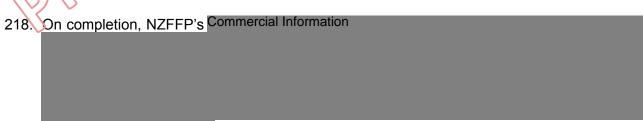
10.	Agree to decline N.Z Future loan from the Provincial Growt a. Free and Frank Opinions			for a \$15 million
				3
				Agree / Disagree
	~ \frac{1}{2}	EB		
He	avid van der Zouwe ead of Investment Management ovincial Development Unit		Minister	nt Robertson of Finance
	.1		/	<i>I</i>
Mi	on Shane Jones nister for Regional Economic	: Development		Twyford of Transport of Economic Developmen
	. / /		/	<i>I</i>
	on David Parker nister for Trade and Export G	rowth		
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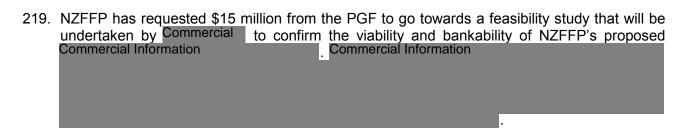
N.Z. FUTURE FOREST PRODUCTS

Projects overview

Name of the project	N.Z. Future Forest Products
Region	Commercial Information
Tier and type	Tier One: Regional
Applicant	N.Z. Future Forest Products Limited (NZFFP)
Estimated total project cost	Stage 1: Feasibility Study \$15 million Stage 2: Commercial Information
Amount of funding sought from the PGF	\$15 million
Financial instrument requested	Loan
PDU recommendation	Decline

				_				
217	NZFFP intends to es	stahlish New	Zealand as the		ial for C	ommercia	I Informa	ition
		solutions in	the Commercia	region,	maximisin	g the co	untry's	natura
	competitive advanta	ae in foresti	v and wood r	rocessina.	and repo	sitionina	it as a	critica
6	supplier within the lo	w carbon eco	onomy of the fu	ture.		J		





220. A number of technical decisions would still need to be made on the recommendation of the feasibility study. It is anticipated that the feasibility study will take Commercia to complete.

Following the						stud	dy as	stage	1,	the	appl	icant	will	the	n i	nvest
Commercial	into	stage	2 i	Con	nmercial		and	comple	etior	n of	the	balaı	nce	of	the	Co
V	vork.	•		Infa	-motion			•								mm
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PDU recommendation

- 222. The PDU recommends that you decline NZFFP's application for a \$15 million loan from the PGF.
- 223. The PDU does not support NZFFP's application for the following reasons:



Costs and funding

- 224. NZFFP is only recently incorporated and therefore they do not yet have annual accounts. The PDU has not been provided with financials or been advised of the level to which it will be capitalised. The applicant has advised that Free and Frank Opinions
- 225. The PGF funding has been requested in two tranches as \$Commercia (tranche one) and \$Co (tranche two) once the PDU has cited successful completion and delivery of pfe-feasibility reports. Commercial Information
- 226. Commercial Information
- 227. Free and Frank Opinions

Furthermore, further PGF funding required for work post the feasibility study would be beyond the lifetime of the PGF, and this would also apply to cost overruns with the project.

PDU assessment of the project

228. This section provides an overview of PDU's assessment against the PGF eligibility and assessment criteria.

Assessment against PGF criteria

Criteria	Rating (1√ to 5√)	Comment					
Link with fund and g	governme	nt outcomes					
Creates permanent jobs	✓	As indicated by the applicant, NZFFP's proposed Commercial business would have the potential to informating generate significant sustainable jobs throughout the supply chain, in general and for Māori. However, the feasibility study, to which this application relates, will not.					
Delivers benefit to the community	✓	Stage 2 has the potential to deliver benefits to the community. However, the feasibility study, to which this application relates, will not.					
Increased utilisation and returns of Māori asset base		Potentially, however, this will not be realised through the feasibility study, to which this application relates.					
Enhanced sustainability of natural assets		Potentially, however, this will not be realised through the feasibility study, to which this application relates.					
Mitigation of climate change		Potentially, however, this will not be realised through the feasibility study, to which this application relates.					
Additionality							
Adding value by building on what is already there	✓	NZFFP intends to establish New Zealand Commercial Information However, significant work and research is still to be undertaken – much by the feasibility study. Commercial Information					

Criteria	Rating (1√ to 5√)	Comment				
		Commercial Information However, this will not be realised through the feasibility study, to which this application relates.				
Acts as a catalyst for productivity potential in the region	√	This will not be realised through the feasibility study, to which this application relates. Furthermore, common has a shortage of wood which is well known. Government support for a major project that proceeded in the region could have negative impacts on existing operations, which may or may not be a good thing.				
Connected to region	nal stakeh	olders and frame work				
Alignment with regional priorities	***	If the feasibility study is positive in its conclusions, and NZFFP proposed Commercial Information business does altimately eventuate, it would be well-aligned.				
Support from local governance groups		Support for such a processing operation, with the benefits as suggested by the applicant, would indicate support could be forthcoming.				
Governance, risk m	anageme	nt and project execution				
Robust project management and governance systems	444	The overall project is still very much in its infancy, and in need of significant further research (the proposed feasibility study) to confirm its viability. Commercial appears capable, and the timeframe is not unreasonable, considering the issues to be addressed in the feasibility study. Commercial Information would also require substantial transport infrastructure investment to operate effectively. Therefore, significant risks remain, not so much in relation to the feasibility project itself, but in relation to the funding for the overall commercial on which commercial would rely. Commercial appear well qualified to undertake the feasibility study, and those behind NZFFP also appear capable.				
Risk management approach	111	Appears appropriate. The applicant has indicated that the Board of NZFFP will oversee a 'phased approach' to project management, implemented by the experienced New Zealand				

Criteria	Rating (1√ to 5√)	Comment
		engineering firm, Commercial This will include breaking down the project into distinct, sequential steps.
Future ownership / operational management	11	Details to be confirmed.

Agency comments

Ministry of Foreign Affairs and Trade

229. Free and Frank Opinions

Ministry for Primary Industries

230. Free and Frank Opinions

Risk assessment

- 231. Due diligence has not been undertaken as the application has been recommended for decline.
- 232. The PDU has identified the following key risks and mitigations:

Type of risk	Risk description	Mitigations	Risk Rating
			L/M/H
Outcome of the feasibility study	Commercial Information	Commercial Information .	Comm
Procurement of Consulting Company	Commercial Information	Commercial Information	Co mm

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
	Commercial Information	Commercial Information	

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