

PGF PROPOSALS FOR REVIEW

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

Action sought		
	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 Minister of Economic Development		21 October 2019
Hon David Parker Minister for Trade and Export Growth		21 October 2019
Hon Shane Jones Minister for Regional Economic Development		21 October 2019
Fletcher Tabuteau 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 Natural	
Isabella Radovanovic	Business Advisor	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	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
10.	N.Z Future Forest Products	<p>Applicant: N.Z Future Forest Products Limited ('NZFFP')</p> <p>Region: Commercial (feasibility study to</p>	<p>The PDU recommends that you decline NZFFP's application for a \$15 million loan from the PGF on the basis that:</p> <ul style="list-style-type: none"> Commercial Information 	<p>Commercial Stage 1 Feasibility Study: \$15 million</p>	\$15 million loan	Decline	Approve, details provided in IAP advice letter.

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Ref	Project name	Project description & benefits	Comment	Total cost of project	Requested PGF Investment	PDU Recommendation	IAP Recommendation
		<p>determine)</p> <p>NZFFP intends to establish New Zealand as the Comm for Commercial Information in the Commercial 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.</p> <p>NZFFP has requested PGF funding towards a feasibility study that will be undertaken by Commercial Information</p> <p>Following the completion of the feasibility study as stage 1, the applicant will then invest \$Commercial into stage 2 i.e. Commercial and completion of the balance of the Commercial work.</p>	<ul style="list-style-type: none"> Free and Frank Opinions <p>Commercial Information</p> <p>Funding has been requested for Co % of the cost of the feasibility study. NZFFP has requested a loan – the maximum proposed term of which could potentially be up to Co mm</p> <p>Further discussions with the applicant has put forward the option for PGF funding of Commercial Information</p> <p>and the PDU does not support funding a share of the Commercial / other Commercial costs. NZFFP is a newly incorporated company; Free and Frank Opinions</p>	<p>Stage 2 Com merci</p>			

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N.Z Future Forest Products

10. **Agree** to decline N.Z Future Forest Products Limited's application for a \$15 million loan from the Provincial Growth Fund on the basis that:

a. Free and Frank Opinions

[Redacted content]

Agree / Disagree

David van der Zouwe
Head of Investment Management
Provincial Development Unit

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Shane Jones
Minister for Regional Economic Development

..... / /

Hon Phil Twyford
Minister of Transport
Minister of Economic Development

..... / /

Hon David Parker
Minister for Trade and Export Growth

..... / /

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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	\$Commercial Information 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 establish New Zealand as the Commercial for Commercial Information solutions in the Commercial 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.

218. On completion, NZFFP's Commercial Information



219. NZFFP has requested \$15 million from the PGF to go towards a feasibility study that will be undertaken by Commercial to confirm the viability and bankability of NZFFP's proposed Commercial Information Commercial Information



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 Commercial to complete.

221. Following the completion of the feasibility study as stage 1, the applicant will then invest Commercial [redacted] into stage 2 i Commercial [redacted] and completion of the balance of the Co [redacted] m m [redacted] erci [redacted] work.

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:

a. Free and Frank Opinions [redacted]

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 [redacted]

225. The PGF funding has been requested in two tranches as \$ Commercial [redacted] (tranche one) and \$ Co [redacted] (tranche two) once the PDU has cited successful completion and delivery of pre-feasibility reports. Commercial Information [redacted]

226. Commercial Information [redacted]

227. Free and Frank Opinions [redacted]

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
<i>Link with fund and government outcomes</i>		
Creates permanent jobs	✓	As indicated by the applicant, NZFFP’s proposed Commercial Information business would have the potential to 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.
<i>Additionality</i>		
Adding value by building on what is already there	✓	NZFFP intends to establish New Zealand Commercial Information <div style="background-color: #cccccc; height: 40px; width: 100%;"></div> However, significant work and research is still to be undertaken – much by the feasibility study. Commercial Information <div style="background-color: #cccccc; height: 100px; width: 100%;"></div>

Criteria	Rating (1✓ to 5✓)	Comment
		<p>Commercial Information [REDACTED]</p> <p>However, this will not be realised through the feasibility study, to which this application relates.</p>
Acts as a catalyst for productivity potential in the region	✓	<p>This will not be realised through the feasibility study, to which this application relates. Furthermore, Commercial [REDACTED] 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.</p>
<i>Connected to regional stakeholders and framework</i>		
Alignment with regional priorities	✓✓✓	<p>If the feasibility study is positive in its conclusions, and NZFFP's proposed Commercial Information [REDACTED] business does ultimately eventuate, it would be well-aligned.</p>
Support from local governance groups	✓✓✓	<p>Support for such a processing operation, with the benefits as suggested by the applicant, would indicate support could be forthcoming.</p>
<i>Governance, risk management and project execution</i>		
Robust project management and governance systems	✓✓✓	<p>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 [REDACTED] appears capable, and the C [REDACTED] timeframe is not unreasonable, considering the issues to be addressed in the feasibility study. Commercial Information [REDACTED] 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 [REDACTED] on which Commercial Information [REDACTED] would rely. Commercial Information [REDACTED] appear well qualified to undertake the feasibility study, and those behind NZFFP also appear capable.</p>
Risk management approach	✓✓✓	<p>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</p>

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

Agency comments

Ministry of Foreign Affairs and Trade

229. Free and Frank Opinions

[REDACTED]

Ministry for Primary Industries

230. Free and Frank Opinions

[REDACTED]

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 [REDACTED]	<ul style="list-style-type: none"> Commercial Information [REDACTED] 	Co mm
Procurement of Consulting Company	Commercial Information [REDACTED]	<ul style="list-style-type: none"> Commercial Information [REDACTED] 	Co mm

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

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