

CENTRAL PLAINS WATER TRUST

Chairman's Report for Year Ended 30 June 2013

Consenting Issues

The CPW consent appeal withdrawal documents were lodged 4 July 2012, and the consents were formally finalised and issued soon thereafter by the Environment Court.

During the year following, CPWT obtained the agreement of the settlor Councils for amendment of the Trust Deed to provide for amendments sought by Ngai Tahu as part of the settlement agreement for the scheme's consents, and to allow approval of charitable status under the Charitable Trusts Act. A new deed of trust was accordingly prepared and was duly executed by the trustees and by the Selwyn District Council as one of the settlor councils, in October 2012. The other settlor council is the Christchurch City Council, to which the deed was sent for execution on 17 October 2012. Unfortunately the CCC has not yet executed and returned the deed, thus delaying the finalisation of this matter.

Scheme Progress

CPWL finalised its plans for the first stage of scheme design for implementation, and presented this to CPWT early in 2013. The trustees then resolved to confirm their approval. The first stage will cover an initial 20,000 ha, together with a smaller scheme for Sheffield using Waimakariri water.

Construction had been planned to commence by the end of 2013, but the requirement for a synthetic canal liner now required for part of the head-race, and other factors, have now meant that construction will not now start until early 2014. The final headrace design will however be complete by March 2014 and the Headrace Dam consent issued soon after.

CPWL has negotiated with Trustpower for up to 50 Million m³ of Lake Coleridge stored water. The run of river scheme consented is inadequate at times of low flow for the desired level of reliability, and additional storage is essential. Trustpower water will help to get the scheme going sooner and greatly improve its reliability.

Selwyn District Council funding of an additional \$5 million for scheme final design was agreed and provided, and the government Ministry of Primary Industry allocated a further \$5.7 million grant from the Irrigation Acceleration Fund.

A Legal opinion by the Trust's lawyers, was needed and obtained to confirm that the trustees had the powers required for the security required by Selwyn District Council for its loan. This makes it clear that the trust deed does allow the trustees to grant security over the resource consents as well as over the head licence, provided the trustees are satisfied that by doing so they would be acting in the best interests of the charitable objects of the trust. Given that the funding was needed for the final design and other work to get the scheme to the stage where its construction can be tendered and contracted, the trustees resolved to agree to the limited recourse

security as proposed. But the trustees consider the loan to be a special case and will strongly resist giving a security over the resource consents again in the future if it can possibly be avoided.

During the early part of the financial year CPWL formed an alliancing agreement with Solid Energy Limited, which is working with CPWL as project manager for the first stage of the scheme's development. This ensures that the necessary skills and resources are available to CPWL to manage the design and secure the land and Shareholder agreements needed to begin construction. The Trustees noted that this alliancing agreement, does not affect CPWL's obligations as scheme operator under the Memo of Understanding between CPWT and CPWL.

The next steps for the trustees include the establishment of the committees and panels required by the resource consents. CPWL is recommending appointees to the technical panels for the trustees' ratification.

The Trust itself will establish the following two committees:

Environmental Management Fund Committee:

This will probably not be required until February 2014 and will not be managed by the Trust itself but by an independent committee (EMFC). It will have a minimum of 6 members appointed by the Trust:

- (1) One representative of CPWT.
- (2) Two reps proposed by Ngai Tahu.
- (3) One person to represent environmental and recreational interests.
- (4) One person to represent community interests.
- (5) One representative of the councils (SDC, CCC, and CRC) and/or a rep of the CWMS Selwyn-Waihora zone committee.

Community Liaison Group:

The Trust will conduct public advertising for positions on the CLG early in the second half of 2013. A maximum of 6 members will be appointed by the Trust with the skills or knowledge in at least one of:

- (a) Ngai Tahu culture
- (b) Indigenous biodiversity
- (c) Recreation on the Waimakariri and Rakaia rivers
- (d) Sustainable irrigated agriculture
- (e) Water quality
- (f) Community / business
- (g) Lowland drainage.

In the meantime and in preparation for construction, negotiations have taken place for the purchase of land for the Stage 1 headrace, which will reach about 20 kilometres from the Rakaia River and almost to the Hororata River. Ten to twelve properties are involved.

The monitoring work required as a condition to the resource consents began in December 2012. The initial information is needed to provide a base-line for future monitoring work after the scheme is brought into operation. The study has been carried out by Aqualinc of existing water quality and water level conditions. This will

inform the Ground and Surface Water Expert Review Panel (GSWERP) of the current groundwater and Te Waihora nutrient conditions, so that there will be a clear reference point against which future conditions can be measured as well as the impact of an additional 20,000ha of new irrigation. This baseline will need to be signed off by GSWERP before any CPW irrigation commences.

GSWERP appointments have now been ratified by CPWT and comprise:

Susan Goodfellow (CPWL technical representative)

John Suncle (lower plains drainage technical representative)

John Bright (Aqualink drainage engineer)

Ned Norton (ex-NIWA groundwater scientist)

Matthew Smith (Ecan Principal Consents Planner and hydrologist).

Lisa Smith (nominated by Te Runanga o Ngai Tahu).

Peter Calendar (hydrologist nominated by Christchurch City Council), and

Joanne Golder and Murray England (nominated by Selwyn District Council).

Other work which has been carried out in preparation for the commencement of the Scheme includes:

- (a) An Archaeological and Heritage Survey: An initial site survey has been completed and two possible sites identified (Old Homestead at the Abbot property, and Maori ovens on Upper Terrace at Grasslands).
- (b) A Terrestrial Ecological Survey.

CPWL has now completed a draft of the Water user Agreements to be signed by it and the users. CPWT will meet later in 2013 to review and discuss these as required by the MOU between CPWT and CPWL.

Scheme Funding

Funding to construct Stage 1 will come partly from shareholders. It has been established that the capital charge per hectare will be approximately \$1600, and that the annual charge will be approximately \$650 per hectare. This confirms that the scheme is economic for investors. CPWL has held four well attended shareholder meetings with attendance totalling over 450 people. This will prepare investors for the prospectus to be issued in September 2013, which is expected to raise over \$30 million.

CPWL also intends to apply for \$10 million from the government's Crown Irrigation Equity Ltd fund.

The government has established Crown Irrigation Equity Fund Limited to administer the Fund and to allocate funds from it. These funds will be applied as equity rather than as a loan. The equity will eventually be repaid.

The remaining funding requirement will come from banks at an expected debt ratio of 72.5%.