

SUMMARY OF RESOURCE CONSENTS AND NITROGEN ALLOCATION STRATEGY

The resource consents

(The complete terms of the consents referred to can be found on the Canterbury Regional Council's website (<http://ecan.govt.nz/services/online-services/pages/consent-search.aspx>).

The Water Trust holds resource consents issued by the Canterbury Regional Council. The principal consents are:

- CRC160803 to take up to 40 cumecs of water from the Rakaia River;
- CRC062685 to take up to 6 cumecs of water from the Rakaia River (in subservience to specified existing water take consents);
- CRC151200 to take and use water from the Rakaia River at a maximum rate of 450 litres per second, with a maximum volume not exceeding 41,500 cubic metres in any 30 consecutive day period;
- CRC161091 to take and use water from the Rakaia River at a rate not exceeding 560 litres per second;
- CRC61972 to take up to 24 cumecs of "B" permit water from the Waimakariri River;
- CRC136234 to take up to 1 cumecs of "A" water from the Waimakariri River; and
- CRC165680 to use up to 65 cumecs of water taken from the Rakaia and Waimakariri Rivers for the irrigation of up to approximately 60,000 hectares of land.

There are also various associated consents to:

- take, dam and divert surface water for the purposes of construction and operation of the Scheme;
- discharge water to land or to water; and
- disturb or excavate beds of rivers and plants or habitats to construct the Scheme.

The Water Trust also holds land use consents issued by the Selwyn District Council for the construction and operation of a piped or open canal distribution network within the Scheme command area, including a global land use consent relating to the distribution network:-

- RC155373 Global land use consent for the entire Scheme Area (excluding sensitive sites) for the installation, use and maintenance of an underground pipeline distribution network and ancillary above ground infrastructure for the purposes of distributing water within the Scheme Area.

The Company also licences the following resource consents from Band 4 Water Limited (a company owned in equal proportions by the Company and Canterbury Grasslands Limited):

- CRC150940 to take and use water from the Rakaia River at a rate not exceeding 200 litres per second, with a volume not exceeding 2,250,000 cubic metres between 1st July and following 30th June;

- CRC150942 to take and use water from the Rakaia River at a rate that not exceeding 140 litres per second, with a volume not exceeding 12,096 cubic metres per day; and
- CRC150944 to take and use water from the Rakaia River at a rate not exceeding 1,400 litres per second.

Most of the Water Trust consents, including the main water take and use consents, are subject to a suite of conditions which, in summary, require:

- (a) a maximum water application rate of 5.18mm per day subject to the following further restrictions:
 - (i) if the field capacity (defined as the level of moisture content in soil at which the addition of further water would result in saturation and/or drainage of water from the soil) is exceeded by this application rate on a particular property, the maximum application rate for that property is to be reduced to a level where the field capacity is not exceeded; and
 - (ii) Scheme users who also apply water pursuant to existing groundwater consents are subject to a further requirement not to apply more than 6,250m³ per hectare between 1 July and 30 June, unless the groundwater consent authorises a larger volume than this, in which case then that larger volume restriction applies;
- (b) the Scheme's distribution network to achieve no more than a 20% loss of water on average over a year;
- (c) preparation, implementation and auditing of comprehensive Farm Management Plans by each water user supplied by the Scheme, including rigorous nutrient budgeting obligations;
- (d) cessation of water supply where a user has not complied with the requirements of the relevant Farm Management Plan;
- (e) the cessation of water supply to a farm or farms where significant localised adverse effects on water quality or land drainage are being caused by those farms;
- (f) a specified contribution of up to 12.5% to the annual costs of opening of Te Waihora/Lake Ellesmere;
- (g) establishment of an Environmental Management Fund and a Te Waihora Environmental Management Fund, contributed to by Scheme water users and administered by an independent committee and Ngai Tahu respectively, with the funds to be used for environmental enhancement projects in the area affected by the Scheme;

- (h) establishment of a community liaison group to provide input and feedback into all aspects of the management of the Scheme; and
- (i) establishment of a ground and surface water expert review panel to:
 - (i) develop a ground and surface water plan;
 - (ii) monitor potential adverse effects on groundwater and surface water bodies;
 - (iii) review the ground and surface water plan to address any issues arising;
 - (iv) recommend mitigation measures including amendment of Farm Management Plans;
 - (v) potentially, review consent conditions (the panel can also consider complaints regarding adverse environmental effects caused by the Scheme and recommend mitigation or remedies).

The Selwyn District Council resource consents and the majority of the Canterbury Regional Council resource consents also include conditions requiring the Company to hold public liability insurance and to provide a bond to ensure that the Scheme works are constructed and operated in accordance with the consent conditions and that the land is appropriately rehabilitated if the Scheme ceases operation.

Designation

The Company is a requiring authority pursuant to section 168 of the Resource Management Act and is responsible for a designation in the Selwyn District Plan for the purpose of operating the headrace canal for the Scheme and the associated intake and distribution structures. As a consequence, no other land use consents are required from the Selwyn District Council for those works. The designation is also subject to conditions which are similar to those imposed upon land use consents, including preparing and adhering to a number of specified management plans, holding public liability insurance and entering into bonding arrangements with the Selwyn District Council to ensure performance of the conditions of the designation.

The Company can also be obliged to purchase land subject to a designation in the circumstances specified in section 185 of the Resource Management Act. This financial obligation can arise at any time and before the Company has concrete plans to construct the headrace canal over that land.

Discharge Permit

The LWRP requires all nitrogen discharges by farming properties in the Selwyn/Te Waihora Zone to be accountable for their discharges by:

- implementing good management practices;
- preparing farm environment plans in accordance with Schedule 7 of the LWRP where their nitrogen discharge is more than 15 kg/ha/year; and

- where nitrogen discharge is greater than 15 kg/ha/year, committing to percentage reductions for their nitrogen discharges.

The Water Trust has been granted a discharge permit (CRC165686) for nitrogen discharges to enable farming by shareholders whether they are existing irrigators operating within their 2009-2013 nitrogen baseline or new irrigators operating within their 2009-2013 nitrogen baseline plus any additional nitrogen licensed by CPWL.

The discharge permit is for the period to 25 July 2047 (to align with the term of the water use consent (CRC165680)) and permits an annual discharge of up to:

- 979 tonnes of nitrogen per year (calculated using version 6.1.3 of OVERSEER®) by new irrigators from any land irrigated with Scheme water from 1 January 2015;
- the 2009-2013 nitrogen baseline for properties irrigated prior to 1 January 2015; and
- the 2009-2013 nitrogen baseline for properties which are included in the same Farm Environment Plans as properties supplied water by the Scheme but that are supplied water from an alternative source or are dryland.

An updating mechanism has been incorporated into the discharge permit to enable the Water Trust to adapt to any changes as later versions of OVERSEER® are released (i.e. the Nitrogen Allocation will also move with changes to the OVERSEER® model). The discharge permit will be exclusively licensed to the Company in the same manner as the other consents under the Memorandum of Agreement.

In order for a Shareholder to be covered by the discharge permit that Shareholder must comply with the Consent Conditions including, without limitation, the requirement to prepare and implement an approved Farm Environment Plan. If not, they will amongst other things (including the cessation of water supply) not be covered by the Scheme's discharge arrangements and will need to comply on an individual basis in the same manner as any other farming activity in the Selwyn – Te Waihora Zone. In addition, Shareholders who are part of a farm enterprise group (other than through the Scheme) are not covered by the Scheme's discharge arrangements as they will be operating as part of the farm enterprise group (although they will still need to comply with the Consent Conditions).

Nitrogen allocation for new irrigation

The Water Trust has been provided a fixed allocation of 979 tonnes of nitrogen losses per annum (calculated using version 6.1.3 of OVERSEER®) (the *Nitrogen Allocation*) for new irrigation associated with the Scheme under section 11 of the Land and Water Plan.

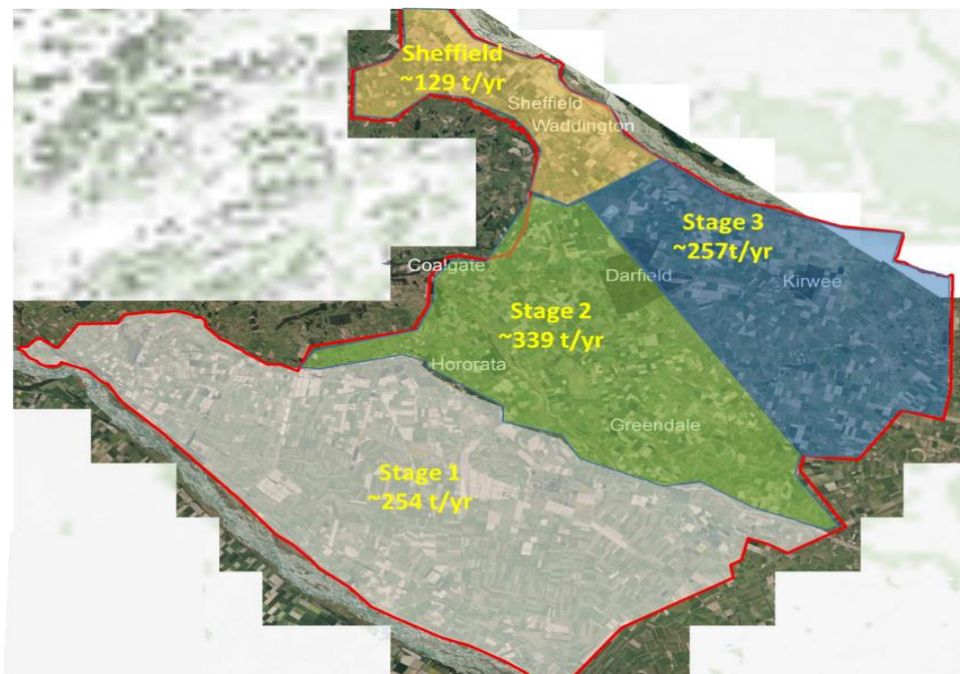
The Water Trust has granted the Company an exclusive licence to use the Nitrogen Allocation under the Memorandum of Agreement. The Company will then sublicense nitrogen to new irrigators in the Scheme in accordance with its Nitrogen Allocation Strategy. Shareholders intending to irrigate their dryland property need to apply to the Company for a sub licence for the additional nitrogen no later than 6 months after becoming a Construction Shareholder in accordance with CPWL's application process as set out in the Nitrogen Allocation Strategy.

A sub-licence is only available to Shareholders with newly irrigated land, i.e. land that was not irrigated (other than by effluent) prior to 1 January 2015. This includes the unirrigated areas of partially irrigated properties. The amount of nitrogen sublicensed by the Company will generally be based on an assessment of the difference between a Shareholder's existing 2009-2013 dryland nitrogen baseline and the proposed nitrogen loss demand for their proposed operations provided that is within the limits of industry approved good management practice (as defined in the discharge permit). A Shareholder will then have 5 years from when Scheme Water is available to their property to implement their proposed farming system. If the property has not been intensified to the extent planned within that timeframe the balance of the nitrogen sublicensed will no longer be available. The sub-licence will only be available for so long as the relevant Shareholder remains in the Scheme.

If a new irrigator is part of a farm enterprise group (other than through the Scheme) they will manage the distribution of nitrogen across the property within that farm enterprise group. Any sub-licence to a member of a farm enterprise group will only apply to the relevant property and will not be able to be redistributed across the other property within the farm enterprise group.

Properties that were already fully irrigated by either groundwater or surface water prior to 1 January 2015 will not be eligible for a sub-licence from CPWL and will need to farm within their 2009-2013 nitrogen baseline or up to 15 kg N/ha/year (whichever is the greater).

The Company has indicatively apportioned the Nitrogen Allocation to the various stages of the Scheme as set out below.



The apportionment was based on available information presented as part of the Variation 1 hearing process in 2014 and takes into consideration the total dryland hectares (including partially irrigated land as modelled from an assessment of existing operative consents). An

average nitrogen allocation of 36.2 kg N/ha/yr (Overseer® 6.1.3) has been allowed across modelled dryland for each stage. The delineation of Stage 2 and 3 and Sheffield will change over time as design is further developed and shareholder uptake is confirmed but the average apportionment of nitrogen per dryland hectare will remain consistent across the Scheme after taking into account soil type and climate. If the nitrogen apportionment for any development stage is exceeded the Company may reduce the sub-licences provided to Shareholders within that stage on a pro rata basis.

The Nitrogen Allocation (and the sub-licences) will reduce over time in accordance with the percentage reductions and timeframes outlined in the Water Trust's discharge permit and/or environmental management strategy. The percentage reductions align with the current planning requirements. These targets have been set with regard to continuing to ensure the full development of the Scheme but will, amongst other things, reflect the requirements for all farming properties in the Selwyn – Te Waihora Zone such as good management practices to be implemented on all properties supplied with water from 1 January 2017 and percentage reductions by 1 January 2022.