



Will be considered for release with redactions

**MINISTERIAL BRIEFING NOTE**

<b>Subject</b>	CERF Bus Decarbonisation contestable fund
<b>Date</b>	3 October 2023
<b>Briefing number</b>	BRI-2879

Contact(s) for telephone discussion (if required)				
Name	Position	Direct line	Cell phone	1 <sup>st</sup> contact
Brett Gliddon	Group General Manager – Transport Services	s 9(2)(a)	s 9(2)(a)	✓

**Action taken by Office of the Minister**

- ☐ Noted
- ☐ Seen by Minister
- ☐ Agreed
- ☐ Feedback provided
- ☐ Forwarded to
- ☐ Needs change [please specify]
- ☐ Withdrawn
- ☐ Overtaken by events

3 October 2023

**Hon David Parker – Minister of Transport****CERF BUS DECARBONISATION CONTESTABLE FUND****Purpose**

1. This briefing provides you with an update on the outcomes of the first round of the contestable fund through which Waka Kotahi NZ Transport Agency will allocate funding to Public Transport Authorities (PTAs) for the purpose of accelerating the decarbonisation of the public transport bus fleet.

**Overview**

2. Through Budget 2022 the Government agreed to provide \$136.95 million over 12 years to support decarbonisation of the public transport bus fleet. The first four years are being funded from the Climate Emergency Response Fund (CERF), with the balance to be funded from general Crown revenue. The first five years' funding of \$54.34 million has been allocated as a multi-year appropriation.
3. The objective of this initiative is to achieve reduced greenhouse gas and harmful emissions from New Zealand's public transport (PT) bus fleet by providing funding to support PTAs to invest in bus decarbonisation initiatives, such as deploying zero-emission buses and associated infrastructure. This will support achievement of the Government's 2025 zero-emission bus mandate and target of decarbonising the PT bus fleet by 2035.
4. Waka Kotahi has been tasked with distribution of the funding for bus decarbonisation and has established a contestable fund for this purpose, with the first funding round launched in April 2023. PTAs were invited to submit applications for initiatives that support the acceleration of the decarbonisation of their bus fleets.
5. A panel of experts assessed applications in line with criteria that considered fit with the scope and objectives of the fund, ability of the PTA to deliver, risks and value for money, including quantity of emissions avoided per CERF dollar invested.

**Applications received**

6. Seven applications were received from five PTAs as follows:

Applicant	Project Description
s 9(2)(f)(iv)	
Environment Canterbury (Bid 1)	Two electric buses to be owned and operated by operator Ritchies.

Applicant	Project Description
Environment Canterbury (Bid 2)	Ten electric buses to be owned and operated by operator Go Bus plus additional chargers to enable existing electric buses to travel further.
Greater Wellington Regional Council (GWRC)	Initial electrification of Greater Wellington Regional Council's southern depot to enable earlier introduction of approximately 60 buses.
Taranaki Regional Council	One electric bus to be owned and operated by operator Tranzit plus associated depot electrification investment.
Otago Regional Council (ORC)	14 electric buses to be owned and operated by Go Bus.

### Contestable fund outcome

7. The outcomes of the initial assessment process recommended:
  - a. declining the application from Otago Regional Council (ORC) due to it being under-formed and inviting ORC to resubmit their application when round two of the contestable fund is released in 2024, and
  - b. taking forward all other applications for further discussion with the respective PTAs to negotiate revisions to scope, in order to achieve better value for money outcomes and apply conditions of funding to address risk.
8. The principal risk to be addressed with the applications is the potential commercial advantage that funding may confer on the operators of the target electric vehicles at the time of future tenders, as the operators will own the vehicles that are being funded. The following conditions have been placed on the applications for the funding of electric buses:
  - a. Environment Canterbury (ECan) – requirement for a transferring asset clause that will require the two operators to transfer the electric buses to an incoming operator at a pre-agreed value should either be unsuccessful at retaining their contracts following the next tender round in Canterbury.
  - b. Taranaki Regional Council – requirement for Tranzit to pay 50 percent (being the CERF funding share) of the depreciated market value of the electric bus to the regional council should Tranzit be unsuccessful at retaining its contract following the next tender round in Taranaki.
9. Following discussions and refinement of the applications, the following applications have been confirmed for funding:

Applicant	Short description	Funding recommendation
GWRC	GWRC depot electrification	\$10,838,000 capital grant
Taranaki Regional Council	One electric bus and charger	\$307,535 capital grant

Applicant	Short description	Funding recommendation
ECan (Bid 1 & Bid 2)	Ten electric buses (Go Bus) and two electric Buses (Ritchies)	\$6,081,354 capital grant, with a tail of operating expenditure covering the potential reinstatement of road user charges (RUC) on electric buses.

10. s 9(2)(f)(iv)

#### Drawdown on fund

11. With \$136.95 million confirmed over 12 years and \$54.34 million allocated as a multi-year appropriation over the first five years of the fund for bus decarbonisation, consideration was given to the timing of drawdown for each application and the cumulative effect that such drawdown would have on the availability of funding for future rounds.
12. s 9(2)(f)(iv), which will draw on \$21.2 million of the initial multi-year appropriation of \$53.34 million. This level of drawdown will retain \$32.2 million of the initial multi-year appropriation and \$112.8 million of the overall available fund for future funding rounds.
13. It is anticipated that an invitation for the second round of funding will be released to PTAs in the first half of 2024.

#### Communications

14. The initial proposal for a Ministerial media stand-up event for early September 2023 was cancelled due to the uncertainty in which the preferred applicants would be able to satisfy the conditions of funding.
15. Waka Kotahi has instead issued a media statement to announce the initiatives that will be funded. The media statement was issued on 29 September 2023.

#### Next steps

16. Next steps for Waka Kotahi will include:
  - a. entering into Funding Agreements with GWRC, ECan and Taranaki Regional Council
  - b. s 9(2)(f)(iv)
  - c. undertaking a lessons learned review of the first round of the contestable fund.

**It is recommended that you:**

1. **Note** the contents of this briefing.



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**Brett Gliddon**

Group General Manager – Transport Services

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**Hon David Parker, Minister of Transport**

Date: 2023

Proactively Released