

Proactive Release

16/11/2022

The following Cabinet papers and related Cabinet minutes have been proactively released by the Minister of Foreign Affairs

Title	Reference
<i>Cabinet Minute of Decision – Report of the Cabinet External Relations and Security Committee: Period Ended 23 September 2022</i>	CAB-22-MIN-0401
<i>Cabinet External Relations and Security Committee – Minute of Decision – Antarctica: Scott Base Redevelopment Project: Biennial Report</i>	ERS-22-MIN-0046
<i>Antarctica: Scott Base Redevelopment Project: Biennial Report</i>	

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the OIA). Where this is the case, the relevant sections of the OIA that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to OIA redaction codes:

- 6(a): to avoid prejudicing the security or defence of New Zealand or the international relations of the New Zealand Government;
- 9(2)(g)(i): to protect the free and frank expression of opinions by departments;
- 9(2)(f)(iv): to protect the confidentiality of advice tendered by Ministers of the Crown and officials;
- 9(2)(j): to avoid prejudice to negotiations.
- 9(2)(i): to enable a Minister of the Crown or any public service agency or organisation to carry on, without prejudice or disadvantage, negotiations.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet External Relations and Security Committee: Period Ended 23 September 2022

On 27 September 2022, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 23 September 2022:

ERS-22-MIN-0046 **Antarctica: Scott Base Redevelopment Project:** **CONFIRMED**
 Biennial Report
 Portfolio: Foreign Affairs

Rachel Hayward
Acting Secretary of the Cabinet



Cabinet External Relations and Security Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Antarctica: Scott Base Redevelopment Project: Biennial Report

Portfolio Foreign Affairs

On 20 September 2022, the Cabinet External Relations and Security Committee (ERS):

- 1 **noted** that on 29 June 2021, ERS approved the implementation of the Scott Base redevelopment project in accordance with the Implementation Business Case [ERS-21-MIN-0024];
- 2 **noted** the continued strategic importance of the Scott Base redevelopment project;
- 3 **noted** that the implementation of the redevelopment project has commenced, including recruitment of key personnel, completion of the detailed design to 75 percent, preparatory works in Antarctica, the choice of PrimePort Timaru as the base construction venue, and the securing of the vessel to ship the base buildings to Antarctica in 2026;
- 4 s9(2)(i)
- 5 **noted** that:
 - 5.1 the detailed design is scheduled to be issued for tender in December 2022;
 - 5.2 the main construction contract is targeted to be signed in May 2023;
 - 5.3 s9(2)(i), s9(2)(f)(iv)
- 6 **noted** that:
 - 6.1 s9(2)(j), s9(2)(f)(iv)
 - 6.2
- 7 s9(2)(i)

- 8 **noted** that, in accordance with the Comprehensive Environmental Evaluation, environmental impacts of the project so far have been minor and transitory.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson
Hon Kelvin Davis
Hon Chris Hipkins
Hon Andrew Little
Hon David Parker
Hon Nanaia Mahuta (Chair)
Hon Peeni Henare
Hon Michael Wood
Hon Kiri Allan

Officials present from:

Office of the Prime Minister
Officials Committee for ERS

Proactively Released
by the Minister of Foreign Affairs

Office of the Minister of Foreign Affairs

Cabinet External Relations and Security Committee

Antarctica: Scott Base Redevelopment Project: Biennial Report

Proposal

- 1 This paper asks Cabinet to note the progress so far on the implementation of the Scott Base Redevelopment project and s9(2)(j), s9(2)(f)(iv)

Relation to government priorities

- 2 New Zealand has key strategic interests in Antarctica and the Southern Ocean, including ensuring peace, security and effective governance, sustaining our territorial claim and protecting our environmental, scientific, conservation, reputational and economic interests. These are underpinned by our presence there through Scott Base. The base is nearing the end of its functional life, increasing health and safety risks and diminishing the ability to support current and future scientific endeavours.
- 3 As Antarctic science is important to further our understanding of the nature and impacts of climate change, this also supports the Government's priority for a transition to a clean, green and carbon neutral New Zealand.

Executive Summary

- 4 This paper provides an update on the project to redevelop Scott Base, including:
 - 4.1 the project's strategic importance and benefits;
 - 4.2 s9(2)(j), s9(2)(i), s9(2)(f)(iv)
 - 4.3 the project's impact on other New Zealand activities in Antarctica and on the environment, as well as how these are measured and reported.
- 5 New Zealand's presence in Antarctica is founded in overarching strategic interests, confirmed by Cabinet in 2017 and reaffirmed in 2019. Scott Base is integral to these interests. The Government agreed to fully fund the redevelopment of Scott Base in Budget 2021 given the risk its deterioration posed to health, safety, the environment, and to New Zealand's continued effective presence in Antarctica, as well as the infeasibility of upgrading the

existing base. The project is making progress towards key deliverables and is on track for completion by 2028. ^{s9(2)(i), s9(2)(j)}

6 s9(2)(j), s9(2)(i)

7 s9(2)(i), s9(2)(j)

I will report back to Cabinet on the progress of the project in 2024.

Background

- 8 New Zealand's significant and enduring interests in Antarctica and the Southern Ocean (outlined in paragraph 2) were agreed by Cabinet in August 2017 (CAB-17-Min-0437) and reaffirmed in 2019. Scott Base is essential to these interests.
- 9 In Budget 2021, Cabinet agreed to fund the redevelopment of Scott Base¹, based on an Initial Implementation Business Case² and a December 2018 Detailed Business Case from Antarctica New Zealand.³ The funded costs of redevelopment included capital investment of \$306 million, including the replacement of the Ross Island Wind Energy System, and project operating costs of \$38 million.
- 10 Cabinet agreed to a complete rebuild option to ensure a 50-year life of the base that would also enhance science facilities. Doing nothing would eventually lead to a closure of the base, ^{s6(a)} and a partial rebuild would provide only limited improvements and offer no significant cost savings over the complete rebuild. The costs of undertaking a large construction project in Antarctica are significantly higher than for a similar project in New Zealand. It was also considered important to continue science activities while the redevelopment took place.
- 11 In September 2021, I approved the Comprehensive Environmental Evaluation (CEE) required under the Antarctica (Environmental Protection) Act 1994 for work to start.

¹ CAB-21-MIN-0116.13.

² ERS-21-SUB-0024

³ In ERS-19-SUB-0011.

Progress so far

- 12 The implementation of the project is well underway. Planned work for the 2021-2022 summer season, largely the first elements of enabling and pre-construction work, has been successfully completed. This included the installation of a new long-term science building at Scott Base and two geomagnetic huts at Arrival Heights as part of the long-term science relocation work-plan. Several site investigation activities were conducted, including pile-testing, geotechnical and shoreline surveys. An environmental monitoring check also took place. The first tranche of construction plant procurement was completed with an excavator, roller, wheel-loader and milling machine delivered and winterised on site. Completion of the base is scheduled for 2028,
- 13 Design of the base is well advanced. The Detailed Design phase for the main base is scheduled to be completed on 21 November 2022. This phase was 75% complete at the end of June. s9(2)(i), s9(2)(j)
s9(2)(i), s9(2)(j)
- 14 The Project Director commenced work in January 2022 and the project team has secured a Commercial Manager, a Technical Director. A Project Manager and Project Engineer for the Ross Island Wind Energy System have also been appointed.

s9(2)(j)

This is a build with significant complexity as the new Scott Base needs to provide a safe haven in one of the world's windiest, coldest, driest locations.

s9(2)(j), s9(2)(i)

s9(2)(j), s9(2)(i) many of the costs lie in the complex logistics involved in a construction project in Antarctica, such as shipping, design, environmental challenges and the short summer season.

21 s9(2)(j), s9(2)(i)

s9(2)(j), s9(2)(i) The Island Wind Energy System Replacement ("Wind Farm") was specifically included in the Budget 21 decision and in the Implementation Business Case endorsed by Cabinet in 2021⁴ as it is a key strategic asset for New Zealand providing the following benefits:

- 21.1 it demonstrates New Zealand's commitment to responsible stewardship of Antarctica;
- 21.2 it reduces the fossil fuel consumption and carbon emissions of both Scott Base and the US's McMurdo Station;

⁴ ERS-21-MIN-0024.

21.3 it is a key contribution to the US/NZ Joint Logistics Pool ^{s6(a)}

21.4 it supports the efficient operation of Scott Base and ^{s6(a)}

- 22 The existing wind turbines will come to an end of their operational and design life in 2030 and will need to be replaced or decommissioned. Other component parts of the wind farm, that is, the supporting components and auxiliary systems needed to deliver energy, need to be replaced as soon as possible. Aligning the replacement of the whole system with the Scott Base Redevelopment provides opportunities to leverage logistics, plant, and labour to achieve efficiencies. The aim is to operate the new base predominantly on renewable energy from the time of commissioning.
- 23 Procurement of parts for the energy distribution infrastructure for the wind turbines is under way, for commissioning in Antarctica in the 2023/24 summer season. ^{s6(a)}

Risks

- 24 The Implementation Business Case included a contingency amount calculated using quantitative risk analysis to a confidence level of P85⁵. This reflects the complex logistics in a project of this scale in Antarctica. A review of the quantitative risk analysis will be completed by the end of 2022.
- 25 Project contingency includes risks to completing the groundworks on time, damages to materials during transportation, delays due to commissioning issues, plant and container shipping delays, and systemic risks. The risks are allocated to the party best positioned to control them. Project wide review of all risks and controls is undertaken monthly, with critical risks, emerging risks and controls reviewed at the Project Steering Group level.
- 26 The project includes extreme uncontrollable risks related to logistics (very low likelihood but high impact risks) that are unique to the Antarctic environment, such as an iceberg blocking the entrance to Pram Point, sudden unavailability of an ice breaker or Scott Base building components being damaged or lost from the heavy lift ship. Should an uncontrollable risk occur and depending on the situation in which it eventuates, further Ministerial direction would be sought given the cost implications.

27 ^{s9(2)(j)}

⁵ P85 refers to the confidence level regarding the probability of the cost not being exceeded 85% of the time.

s9(2)(f)(iv)

s9(2)(j), s9(2)(i)

s6(a)

s9(2)(i), s9(2)(j), s9(2)(f)(ii)

Commitments so far

- 28 As at 30 June 2022, Antarctica New Zealand has spent \$21,700,437 on the project and committed \$30,714,436.
- 29 Antarctica New Zealand has awarded a contract to BigLift Shipping for the MC-Class Vessel that will deliver the new base in the 2026/27 season. This is a significant commitment but securing such a specialised vessel is necessary to ensure the project can be completed on time. The payment is within the appropriation for the project and the Treasury was informed of the decision.
- 30 Other upcoming significant financial commitments include the conclusion of the contract between Antarctica New Zealand and the main contractor, Leighs Construction. Leighs will price the detailed design issued for tender in early 2023. Final negotiations will likely take two to three months following their response and will need to be concluded by July 2023 to meet the current schedule.

s9(2)(j), s9(2)(f)(iv)

s9(2)(f)(iv)

s9(2)(i)

- 34 The project team, including the construction partner, continue to meet monthly to review and update the project risk register and confirm risk actions. This will include an updated quantitative risk analysis, which will confirm the appropriateness of the current risk contingency. Results of this will be available in October 2022.

Next steps

s9(2)(j), s9(2)(f)(iv), s9(2)(g)(i)

Strategic importance and benefits of project

- 36 The specific benefits were outlined in the Implementation Business Case as follows:

s6(a)

36.2 Provides autonomy to conduct excellent science that will directly benefit New Zealand; and

s6(a)

- 37 It is too early in the project to measure how well these benefits have been realised, but they are material to future decisions on funding and prioritisation.
- 38 Full redevelopment of Scott Base remains essential to New Zealand's significant and enduring interests in Antarctica and the Southern Ocean. New Zealand values a safe and secure Antarctica and wants to protect the region as a natural reserve, devoted to peace and science. Scott Base

s6(a)

where we have maintained an active permanent presence since 1956,^{s6(a)}

It also enables the delivery of a credible high quality science programme with strong environmental credentials, which increases^{s6(a)} credibility.

- 39 New Zealand benefits from close relationships with key Ross Sea partners including the US, Italy, Germany, Republic of Korea, and China. This cooperation includes significant logistics sharing with the US in particular. There is also direct and indirect economic benefit from the use of Christchurch as a gateway city by these Ross Sea partners.
- 40 A full redevelopment of Scott Base will also directly contribute economic benefits and up to 700 jobs to the Timaru region over 4-5 years. Scott Base will be constructed at PrimePort Timaru before being shipped to Antarctica. Timaru District Council will invest \$1.5m in upgrading essential port infrastructure, which will have ongoing benefits to the community.

Governance and Monitoring

- 41 The Antarctica New Zealand Board is accountable to me for the success of the project. A Board subcommittee has been formed to provide oversight of the project. A Project Steering Group provides overall direction, guidance and support to the project, and monitors the project to ensure the successful delivery of expected outputs and outcomes within scope and budget. The Project Steering Group is chaired by an independent adviser and includes additional independent advisers.
- 42 The Ministry of Foreign Affairs and Trade, with the support of Treasury, works closely with Antarctica New Zealand in its role as monitoring agency. This Monitoring Group meets with Antarctica New Zealand generally every two months,^{s9(2)(j)}

Environmental impact

- 43 The Minister of Foreign Affairs approved the Comprehensive Environmental Evaluation (CEE) for the Scott Base Redevelopment in September 2021 and notified Antarctica New Zealand that the activities in Antarctica could be carried out on the basis of the CEE.
- 44 Officials have established a sub-group of the Ministry of Foreign Affairs and Trade's monitoring group to provide advice on Antarctica New Zealand's implementation of its conditions related to the CEE. The Ministry is working with officials from the Environmental Protection Authority, Department of Conservation and the Ministry of Primary Industries as part of the CEE Monitoring Sub-Group to provide expert advice on the ongoing environmental impacts of the project and on compliance with the CEE.
- 45 Antarctica New Zealand provides interim Environmental Performance Reports on the project's environmental impact every six months. Environmental

impacts so far have been minor and transitory and in line with the Comprehensive Environmental Evaluation.

Impact on other activities

- 46 Impacts from the project on New Zealand's science and heritage conservation activities in Antarctica are inevitable, but are being minimised as much as possible. Efforts are being made to ensure that redevelopment logistics sit alongside continued support for a high quality science programme.

Financial Implications

- 47 There are no financial implications attached to this paper.^{s9(2)(j)}

Legislative Implications

- 48 There are no legislative implications.

Impact Analysis

Regulatory Impact Statement

- 49 This paper does not require a Regulatory Impact Statement.

Climate Implications of Policy Assessment

- 50 This paper does not require a Climate Implications of Policy Assessment.

Population Implications

- 51 This paper will not impact particular population groups. Scott Base and its associated infrastructure does not comply fully with disability-related legislation due to the health and safety risks related to travel to/from and living and working in the hostile environment of Antarctica.

Human Rights

- 52 This paper presents no inconsistencies with the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990.

Consultation

- 53 The following Departments and Agencies were consulted in preparing this paper and concur with its contents: Antarctica New Zealand; Ministry of Business, Innovation and Employment; Ministry of Defence; New Zealand Defence Force; Treasury; Ministry for Primary Industries; Department of Conservation; Department of Prime Minister and Cabinet.

Communications

- 54 It is not intended that this paper generate any proactive media comment.
- 55 I intend to release this Cabinet paper, with appropriate redactions, within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister of Foreign Affairs recommends that the Committee:

- 1 Note the continued strategic importance of the Scott Base Redevelopment Project;
- 2 Note that implementation of the Project has commenced, including recruitment of key personnel, completion of the detailed design to 75%, preparatory works in Antarctica, the choice of PrimePort Timaru as the base construction venue and the securing of the vessel to ship the base buildings to Antarctica in 2026;

3 s9(2)(i), s9(2)(j)

s9(2)(i), s9(2)(f)(iv), s9(2)(j)

4 s9(2)(j), s9(2)(f)(iv)

5 s9(2)(i)

- 6 Note that, in accordance with the Comprehensive Environmental Evaluation, environmental impacts of the project so far have been minor and transitory.

Authorised for lodgement

Hon Nanaia Mahuta

Minister of Foreign Affairs / Minita Take Aorere

Proactively Released
by the Minister of Foreign Affairs