BUSINESS CASE
SUMMARY

Northern Water

Government of South Australia | InfrastructureSA

A NEW AND SUSTAINABLE WATER SUPPLY

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1 Nature of the Proposal

South Australia's north has a proud industrial history and is home to world-class renewable energy resources, key defence assets and some of the world's largest multi-metal deposits.

As the world looks to decarbonise, the area is also likely to experience significant near-term industrial growth through the development of a hydrogen hub, expansion of the Whyalla steelworks, implementation of the South Australian government's Hydrogen Jobs Plan, and other green industrial opportunities.

However, these ambitions are currently limited by a lack of sustainable water supply in two parts:

- a reliance on the use of non-renewable and climate change sensitive water sources which cause environmental degradation in the Great Artesian Basin, River Murray and local groundwater bores
- a lack of overall water supply for industry and communities in the region to invest in future economic ambitions.

The preferred solution, as identified in the Options Analysis, involves the construction of a desalination plant in the Spencer Gulf with a pipeline to the north of the State; referred to as the Northern Water project (the Project; NW). A schematic of the Project is shown in Figure 1.1.

This proposal is ultimately based on providing a sustainable water source to the Eastern Eyre Peninsula, Upper Spencer Gulf and northern South Australia. This will both open up the opportunities in the region and reduce reliance on non-renewable water sources.

Figure 1.1 – Project Configuration

Demand Scenarios

- Likely demand
- Possible demand

- Pipeline Route
- SA Water Major Pipelines
- River Murray

Spatial Reference
GDA 1994 MGA Zone 53
Data Sources: DataSA 2021, DEW 2021
1:2,274,965

0 40 80 km

N

InfrastructureSA GSA GEO SOLUTIONS AUSTRALIA

2 Strategic Position

The following sections outline the key strategic rationale for the development of the Project. The NW is a visionary project which is both:

A **nationally significant** project:

- increasing the Nation's capacity to produce green hydrogen in its transition to a sustainable energy future
- reducing use of non-renewable water sources
- diversifying and expanding sources of mineral extraction across the Commonwealth.

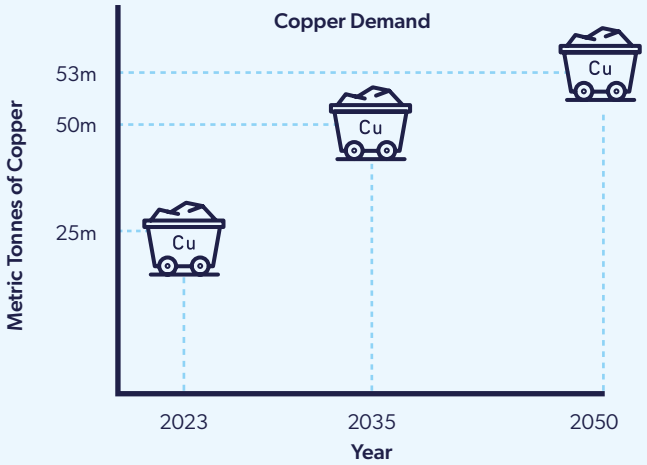
A driver of significant **enhancement of the State's economic capacity** and the desirability of South Australia's regions as great places to live and work.

Economic modelling undertaken by Deloitte Access Economics forecasts that the Project will contribute an additional average $5.2 billion to Gross State Product (GSP) each year and an additional average employment of over 4,200 full-time-equivalents (FTE) each year, out to the end of the assessment period. [1]

1 Based on preliminary capital costs and other key parameters as at 9 March 2023

2.1 COPPER – THE MINERAL FOR DECARBONISATION

S&P Global noted in its July 2022 "The Future of Copper" report, forecasts on-coming copper demand, as shown in the figure below, and summarises the need in the accompanying text.



'Unless massive new supply comes online in a timely way, the goal of Net-Zero Emissions by 2050 will be short-circuited and remain out of reach. In the 21st century, copper scarcity may emerge as a key destabilizing threat to international security. Projected annual shortfalls will place unprecedented strain on supply chains. The challenges this poses are reminiscent of the 20th-century scramble for oil but may be accentuated by an even higher geographic concentration for copper resources and the downstream industry to refine it into products.'

Figure 2.1: Copper - the mineral for decarbonisation

The Government of South Australia's Department for Energy and Mining (DEM) have projected $9 billion in additional royalty revenue in nominal terms from forecast projects as a direct result of the water supplied by the NW to 2050.

Without a new supply of water to the region, this activity will not translate into new developments, meaning that South Australia's Copper Strategy, that aims to triple output from 2018-level, could not occur.

2.2 FUTURE GROWTH AND GREEN INDUSTRIALISATION

The proposed development of green hydrogen on the Eyre Peninsula and Upper Spencer Gulf has the potential to transform the region and stimulate the development of more sustainable industrial development; including green steel.

Globally, clean hydrogen is currently enjoying unprecedented momentum, with the number of policies and projects around the world expanding rapidly. Consequently, demand is forecast to grow by 660 million metric tons, annually by 2050 [2].

A new sustainable water source could:

- unlock a hydrogen industry that could decarbonise a range of sectors where it is proving difficult to meaningfully reduce emissions (including long-haul transport, chemicals, iron and steel)

- foster new and expanded industries such as green iron and steel, and further value add processing in green metals, creating skilled jobs for the future.

Without a sustainable water supply, the development of a hydrogen industry and any related green industrialisation in South Australia will not happen. Northern Water provides this opportunity, with current indications of water demand for hydrogen of more than 200 ML per day compared with the proposed capacity of NW being 260 ML per day.

2 https://www.mckinsey.com/capabilities/sustainability/our-insights/five-charts-on-hydrogens-role-in-a-net-zero-future

2.2.1 ENVIRONMENTAL

Currently, mining and other industry in the region are reliant upon extracting water from the River Murray, Great Artesian Basin and other deep saline groundwater resources. SA Water supplies to the region are also heavily reliant on the River Murray.

Reliance on these unsustainable water sources will result in ongoing environmental degradation. In addition, the impact of climate change is forecast to reduce annual rainfall by 10 to 20% in South Australia's far-north by 2090 under a medium emission scenario [3]. This increases the likelihood of severe droughts in parts of the Country and State which will further impact the environment and reliability of these water sources into the future.

In 2023 the Chief Executive of the Conservation Council SA commented on NW in an ABC article stating:

> "This project is a generational improvement in water infrastructure in South Australia and there is enormous potential to make a **very positive impact to its environment** as long as the site is right."

The NW will provide a sustainable source of water and reduce the need for supplies to be taken from either the Great Artesian Basin or the River Murray. The Project will provide an option to future-proof our State with additional climate-resilient water supplies during periods of drought.

2.2.2 CULTURAL

The 2021 Juukan Gorge Inquiry made the following observations:

> "These springs (Mound Springs) are of great significance to the Arabana people and they are an important part of their cultural heritage. There are fears that continued extraction from the Great Artesian Basin will result in a significant reduction to the 'vitality and the ecological viability of the springs', and that there is a high likelihood that more springs will go extinct."

The NW will play a significant role in reducing reliance on the use of water supplies that hold significant cultural importance to Traditional Owners. Providing the opportunity for reduced water withdrawals from the Great Artesian Basin may play a role in preserving mound springs. As virtual oases in the desert, the springs were, and still are, of vital importance to Indigenous people.

2.2.3 COMMERCIAL OPPORTUNITY

The nature of the industrial demand for water enables a commercial model to be developed to support financing of the project and minimise the financial impact to the State. Aggregating demand from multiple users will ensure a more capital and environmentally efficient solution, resulting in lower water prices, that can make the broader environmental, social and economic objectives feasible.

3 https://data.environment.sa.gov.au/Content/Publications/New%20climate%20change%20projections%20for%20SA%20maps%20and%20findings%202022.pdf

3

Government Involvement

Government stewardship of a project of this scale and opportunity sends a strong signal to new and existing industry, business and investors that the South Australian government is committed to supporting the thriving future for the region that is enabled by a new sustainable water supply.

Economic market failures present clear grounds for government involvement in the Northern Water project. Northern Water Supply Business Case has identified where market failures could occur without support and stewardship from government below.

Table 3.1: Government involvement

Market Failure [4]	Definition and Applicability	Impact of market failure
Negative externality	**Definition** Caused by an action, or market transaction, that affects a third party in a negative way. These are generally over-provided, relative to what an efficient market would provide, as the producer (and consumer) of the goods or service seldom fully take into consideration the externality that they cause. **Applicability** Without a new water source existing users will continue to use and deplete the Great Artesian Basin, local groundwater bores and the River Murray. This leads to two forms of negative externality — that is negative impacts on both the environment and Traditional Owners.	Prevent new water source from being provided and/or in a timely manner
Information deficiencies	**Definition** Parties to a transaction lack information on key aspects and are forced to use proxy information as a substitute. This leads to an inefficient allocation of resources. **Applicability** The provision of a more sustainable water source in South Australia by a private entity, occurring alone, has not yet occurred; partially due to factors such as: • Uncertainties relating to whether regulatory environmental approvals will be successful • Uncertainties regarding commercial viability of hydrogen without a sustainable water source • Whether impacts on local communities, including Traditional Owners, could delay or prevent projects from occurring.	

4 All market failures as defined in 'NSW Government's Department of Industry: Market failure guide. A guide to categorising market failures for government policy development and evaluation. December 2017'

Market Failure [4]	Definition and Applicability	Impact of market failure
Monopoly	**Definition** A participant has a dominant market share which the firm may use to distort the market in terms of price, quantity, quality, key information, or establishing barriers to entry; in order to increase their profits. This distortion reduces overall efficiency. **Applicability** If a single user were to provide a desalination plant, their solution would likely lead to monopoly power, whereby their dominance could exclude other companies from utilising the asset.	If private company builds their own water source
Coordination failure	**Definition** Parties in a market do not achieve efficient outcomes because they do not coordinate their decision making. This can lead to situations where neither party acts, based on a mutual belief that the other won't act, creating a self-fulfilling cycle. **Applicability** Similarly to monopoly power; the mining companies, Department of Defence and hydrogen companies are not incentivised to work together to achieve mutually beneficial outcomes.	

The Government is uniquely placed to facilitate a transparent market environment for parties and to ensure market risks are well understood and managed by all.

4

Stakeholder Engagement

Significant community engagement has been undertaken. The underlying commitment to stakeholders throughout has been to prioritise early, transparent and accountable engagement. This approach has included the following:

Reviewing **specific concerns** raised by the community around the previous desalination plant proposals in the region

→

Working **closely with councils and Regional Development Authorities**;

- to gain a deeper appreciation of key regional issues and concerns
- ensure information provided is targeted.

→

Meeting with a **range of stakeholders**, to provide information about the project, listen to concerns and opportunities relating to the project and feed back how their feedback has shaped the project

→

Making all key reports related to environmental impacts **publicly available** on the Project website

What we heard from Stakeholders and the Community was:

A very high level of support regarding the need for a new water supply and the benefits or opportunities it could bring in particular:

- reducing or replacing climate vulnerable or non-renewable water sources water sources such as the Great Artesian Basin, and River Murray, and helps preserve the culturally significant mound springs
- providing a reliable, sustainable water source
- providing water and opportunities for regional and remote communities to be greener and more liveable.

Most participants were certain that any new water supply should not be at the expense of the health of the marine environment of the Spencer Gulf.

Specific positive feedback was received regarding the Cape Hardy site's connection to deeper water, proximity to the open ocean, community expectations for development at Cape Hardy, and the reduced environmental impact.

Most stakeholders and the community consider the two northern-most sites of Crag Point and Point Lowly to be unacceptable for further investigation. Mullaquana was considered potentially suitable and Cape Hardy was preferred.

Concerns around marine impacts include those relating to mixing and flushing of high salinity outfall water, impact on cuttlefish and other marine species, water quality impacts, cumulative impacts of multiple projects being undertaken in and around the gulf and the unique oceanographic characteristics of the Gulf.

A few people are concerned that the risks to the marine environment from a desalination plant could not be appropriately managed in the Gulf at all. Most people consider that the risk to the marine environment could potentially be acceptably managed at Cape Hardy.

Interest in the potential for the Northern Water project to be extended to meet the water supply needs and improve water security for the Lower Eyre Peninsula region.

Community involvement in the project, landholder engagement and development of cultural heritage and Native Title agreements with Traditional Owners are key components of project activities that are proposed to inform the FID.

Concerns raised by stakeholders will be investigated through a range of detailed environmental studies which will be captured and published as part of the Environmental Impact Statement.

5

Land Access & Native Title

The critical importance of timely land access for the project, both to enable early works and for ultimate construction and operation, must be a key element in pre-FID activities.

Critical aspects of land access that must be addressed include:

1. **Native Title Agreements and Cultural Heritage:** Northern Water will need to enter into appropriate agreements with relevant Native Title parties and undertake Aboriginal cultural heritage clearances. These agreements should encompass lasting benefits such as compensation for land impact, job opportunities, and economic development. Barngarla and Kokatha hold formal Native Title rights, and those plus other Aboriginal groups have cultural connections to the project lands. Northern Water is committed to providing meaningful and lasting opportunities for Aboriginal involvement in the Project.
2. **Landholders:** Securing agreements with landholders for access to land to enable early works, construction, ongoing operations, and maintenance of the project is essential. These agreements will involve fair, market-based compensation for access and impacts on the land. Northern Water will work closely with landholders to understand their needs, ensure impacts are minimised and to identify potential opportunities for landholders to benefit from the project.

Northern Water is committed to collaborating with landholders, Native Title holders, and other stakeholders with interests in the project to ensure its success.

6

Environment & Approvals

Northern Water is committed to implementing rigorous environmental management and approvals processes to ensure responsible and sustainable development. Key components of this approach include:

1. The project will undergo thorough investigation of its potential environmental and social impacts via a formal Environmental Impact Assessment (EIA). The EIA provides a comprehensive assessment of the expected effects of the project on the receiving environment and within the broader context of the project's environmental, economic and social setting, the outcomes of which are presented in an Environmental Impact Statement (EIS). The EIS will provide the State Planning Commission (SPC) with sufficient and appropriate information regarding the potential impacts and benefits to allow a decision to be made by the Minister for Planning regarding whether to approve the project.
2. A thorough assessment of potential impacts on protected matters of national environmental significance will be undertaken under the Commonwealth Environment Protection and Biodiversity Conservation Act (EPBC Act). In support of these investigations, a referral to the Commonwealth regarding the project has been submitted.
3. Rigorous scientific studies, including marine monitoring and hydrodynamic modelling, will inform the EIS. These studies will be made publicly available and undergo independent peer review to ensure credibility as a component of the EIS process.
4. Northern Water is committed to upholding Environmental, Social, and Governance (ESG) principles. It is exploring the possibility of obtaining third-party accreditation from reputable schemes such as the Infrastructure Sustainability Council Rating, European Green Bond Rating, or Climate Active Carbon Neutral Certification Scheme to underwrite its commitment to sustainability. Additionally, Northern Water is actively seeking opportunities for environmental and carbon offsetting where impacts cannot be sufficiently avoided or minimised.

Northern Water's dedication to robust environmental management and approvals processes underscores its commitment to responsible development and the protection of the natural environment.

7

Previous Options Assessment

During the previous stages of the Project a long list of 68 infrastructure and site configurations were considered as part of an extensive options analysis process.

A four-stage process was used to arrive at the preferred technical solution, with the process outlined in Figure 7.1.

Stage	Long list development	Initial screening	Strategic merit testing	Multi-criteria assessment
Purpose	To develop a comprehensive and complete list of options for assessment.	To reduce the long list to a medium list by screening out any options with unacceptable risk.	To reduce the medium list to a short list by identifying options that meet high-level project objectives.	To rank the short list and identify options to be carried forward to the business case.
Approach	Desktop review of previous studies. Additional options identified through a high-level technical scan.	Binary assessment against minimum thresholds to identify any options with fatal flaws.	Qualitative assessment against high-level criteria aligned with key project objectives e.g. level of technical risk.	Detailed assessment against multiple criteria aligned with project objectives. Includes quantitative data to inform ratings e.g. whole of life cost.

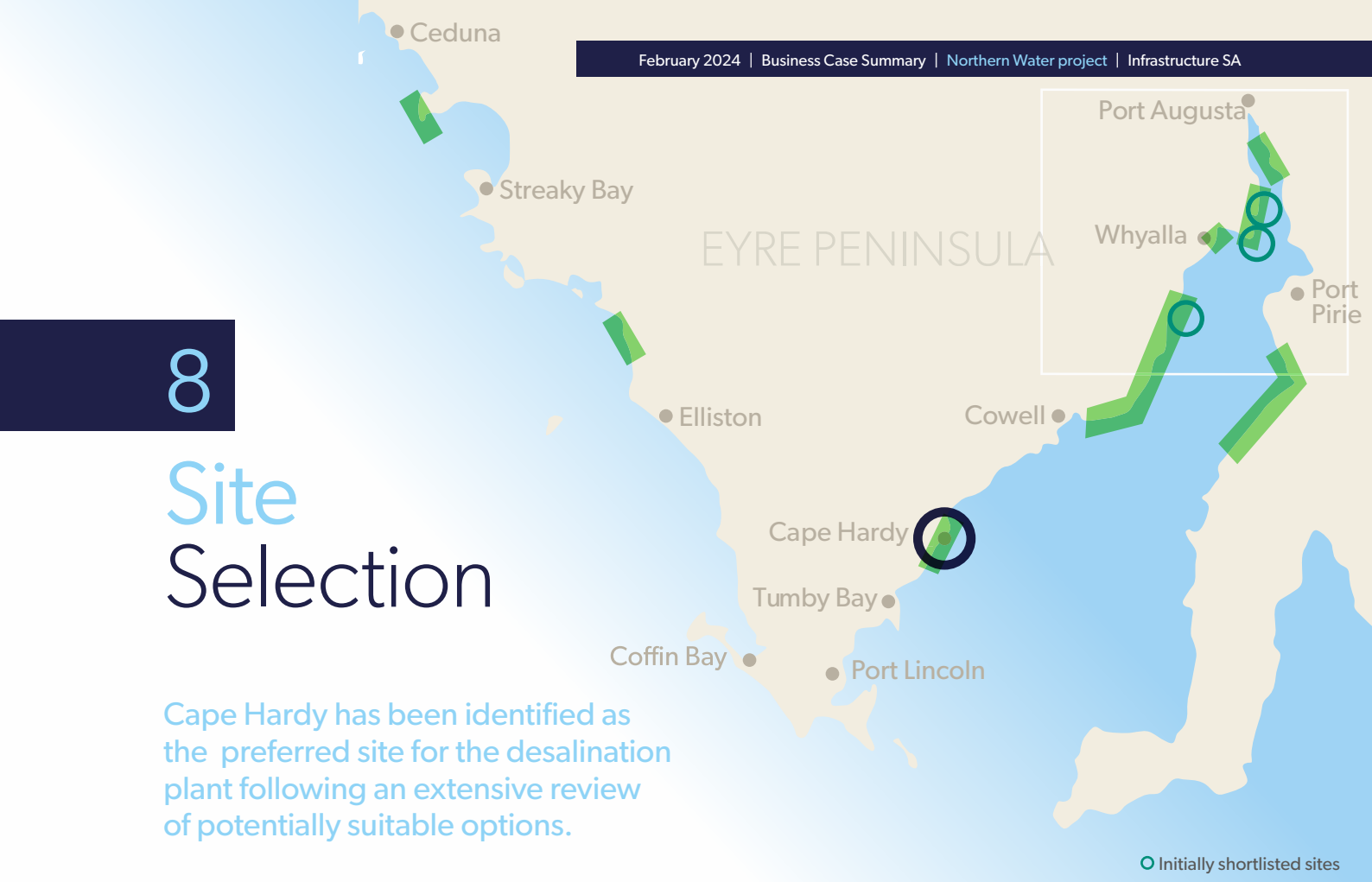
Figure 7.1: Options Analysis Process

The 68 options considered project configurations that included further use of the River Murray, treated wastewater, incorporation of the Adelaide Desalination Plant and a range of other options. Ultimately, the preferred project strategic response that was identified included a coastal desalination plant located in the Spencer Gulf with a pipeline to the north.

The Options Analysis independent review of the Project noted that:

> The project has diligently explored a wide range of options for the provision of new water for the northern area of the state and the Upper Spencer Gulf region and at the time of the review had developed a short list of viable desalination plant sites and associated pipeline routes. It is also clear that the planning for the development of a detailed business case is well progressed.

8 Site Selection



*Information and data on this figure is an artist impression and is not to be used as a detailed design.

Cape Hardy has been identified as the preferred site for the desalination plant following an extensive review of potentially suitable options.

Ten locations were identified as potential options, shortlisting to three initially for further evaluation. Site options were eliminated based on multiple considerations including excessive incremental costs or unmanageable environmental impacts.

Further comprehensive stakeholder consultation occurred for the three initially shortlisted sites: Crag Point, Point Lowly, and Mullaquana (shown in Figure 8.1) and a formal Multi Criteria Analysis (MCA) workshop was held as part of the site selection process involving various government departments, environmental groups, community representatives, and stakeholders.

During this process, new demand for water supply was identified at Cape Hardy, located 150 km south of the potential site at Mullaquana. Cape Hardy became appropriate with the emergence of significant water demand at the site, requiring a pipeline to connect Cape Hardy to the broader NW scheme.

Early investigations revealed environmental and technical advantages, strategic benefits and potential efficiencies through co-location with other prospective development at this site. A supplementary MCA undertaken for Cape Hardy confirmed that Cape Hardy was better performing than Mullaquana, Point Lowly or Crag Point when assessed against the same range of criteria.

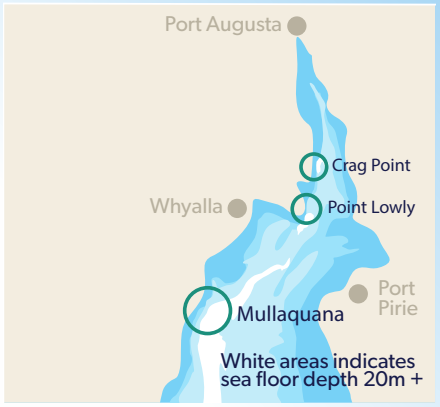


Figure 8.1: Shortlisted Site Locations

Preliminary environmental studies and stakeholder engagement show Cape Hardy offers superior benefits to those seen at the other three proposed sites. This option is supported by research and analysis undertaken by SARDI.

Baseline environmental data from the Iron Road approval process enhances understanding of Cape Hardy's environment. Additionally, Cape Hardy offers advantages by lowering construction risks related to marine intake and outfall pipes. Economic analysis assumes a slightly higher cost for building the desalination plant at Cape Hardy. The current analysis shows a positive Benefit Cost ratio for the location.

Cape Hardy presents a unique opportunity to manage water security for the Eyre Peninsula and is considered the preferred site for progressing planning and further environmental studies for the desalination plant.

9

Preferred Option

The Project has been designed in two 130 ML per day stages to enable flexibility for the Project to be scaled commensurate with demand.

The completion of Stage 1 is targeted for 2028, while Stage 2 is proposed to be constructed dependent on future demand, expected to be five to ten years later.

Key elements of the Project are sized for the ultimate demand of the Project, in particular the subsurface marine tunnels that provide raw water to the desalination plant, and discharge concentrated seawater to the ocean. These elements of the Project are difficult, and inefficient to expand at a later date. The Project has also been designed to meet the specific requirements across a broad range of water users including hydrogen, mining, pastoralist, Department of Defence and SA Water.

Preliminary capital costs are likely to be in excess of $5 billion.

10 Economic Assessment

Two forms of economic appraisal have been undertaken by Deloitte as part of the NW Business Case; being the cost benefit analysis (CBA) and computable general equilibrium (CGE) modelling. These have the following two distinct purposes:

1. A CBA is used to systematically analyse the estimated economic, social and environmental costs and benefits of a project. The CBA seeks to provide a quantitative evaluation in monetary terms, wherever practicable, of the outcomes of the Project options, thus informing identification of the preferred option selected in the business case.
2. The CGE modelling provides Government with an understanding of the economy-wide impacts of the Project. This includes the potential spill-over impacts on sectors which benefit from the Project, and those which might be crowded out by the additional activity.

The preliminary CBA results indicate the preferred option returns value for money based on currently known water demand parameters. This is driven by substantial mining revenue uplift to the State and SA owners of mining companies, as well as improved drought resilience and returns of water to the environment.

Table 10.1: Reference Modelling Results

Economic parameter	South Australian Reference Group	Australian Reference Group
Net Present Value (NPV)	$584m	$2,294m
Benefit Cost Ratio (BCR)	1.10	1.39

The results of the preliminary CGE modelling indicate that the additional investment and activity associated with the NW could have a significant positive impact on the economies of northern South Australia and Australia, increasing GSP and employment (in FTE terms) substantially over the period between 2024 and 2053. The results of the analysis are summarised in Table 10.1.

Table 10.1: CGE Modelling Results Summary (Annual average, FY2024-2053)

Result	Northern SA	SA
Average Gross Product	$4.7 billion	$5.2 billion
Average Gross Product Change	23.0%	2.1%
Average Employment Change (FTEs)	3,569	4,200
Employment Change at 2050 (FTEs)	6,760	7,011

By way of comparison the much larger North East Link Program project in Victoria was projected to support an average of 3,800 net additional jobs with a capital cost of $15.8 billion[5]. This means that NW will have a significant positive impact to the economic performance of South Australia, lasting well beyond the initial investment in the Project. The additional opportunities created by the NW will play a significant role in helping to attract people to South Australia, and in particular the regions.

5 NEL-Business-Case-Chapters-6-10.pdf (bigbuild.vic.gov.au)

11

Commercial Model

11.1 KEY PRINCIPLES

The nature of the NW is that it is enabling infrastructure that can unlock significant and broad economic growth.

Rigour and discipline have been applied to the capital efficiency to put downward pressure on water prices and maximise the economic development opportunities that the NW could provide.

The nature of the majority of the water demand is that it is from long-term predictable and credit-worthy counterparts. This has informed an approach to the commercial model that is to be consistent with the National Water Initiative pricing principles.

This approach is based on using a 'building block model' to transparently and fairly allocate efficient costs to water users for the purposes of pricing calculations. This will involve the establishment of a water price, consisting of two parts:

Fixed annual capacity payment

- to pay for the **upfront capital investment** and other fixed costs in the Project and to provide for a return on this investment
- payment is irrespective of the amount of water consumed.

Variable charge

- to pay for variable costs and **will be charged on a volumetric basis**
- the payment will scale with the amount of water consumed.

11.2 PRICE CALCULATION

The pricing methodology is based on the National Water Initiative Pricing Principles which adopts a building block approach such that reduced financial risk resides with the government, other than to demonstrate efficient allocation of capital and delivery of the service.

The pricing model is designed so that the Government recuperates its investment in the project, employing a building block approach that aligns with the National Water Initiative Pricing Principles. This approach allocates costs to customers based on the services and capacity provided to them, emphasising the efficient allocation of capital and service delivery while mitigating financial risk for the Government.

While water users may face exposure to capital expenditure risk, their Financial Investment Decision (FID) will be influenced by pricing based on tender prices received from potential constructors, providing a higher level of price certainty. This strategy reduces both risk and financing costs, ultimately leading to a lower water prices and decreased risk for the government. Furthermore, prices may undergo adjustments based on commercial negotiations and final construction cost.

In instances where future growth capacity cannot be directly attributed to a specific user, the government may assume a role in underwriting such capacity. This involvement supports overall project expansion, ensuring water availability for new customers in the future and maximising growth opportunities within the State.

11.3 SURPLUS CAPACITY

An important element to consider in the application of the building block pricing model to the NW is that portions of the Project will be deliberately oversized based on current market demand to cater for projected demand growth, particularly in the intake and outfall structures which are difficult (if not impossible) to expand post-construction. Therefore, there will be initial capacity for which there are no customers.

The project will continue to explore a range of funding options around the excess capacity that provide flexibility for new customers to come online, not lock government in to long term cost while providing certainty around meeting the financial obligations of the project.

This approach provides two primary benefits:

1. Allows capacity payments to be reduced when a new customer signs up to a water supply agreement. This will therefore result in a lower financial commitment by Government than under a traditional granting approach.
2. Cash commitments will be staged over time, minimising the impact on the budget.

11.4 DEMAND RISK

To minimise demand risk exposure to the State, the water use agreements have been structured with a fixed fee component as outlined previously.

Minimum payments are fixed to cover the demand that is signed up and will be adjusted to cover additional growth. The Project will not progress into construction until sufficient contracts have been entered into to fund development of the Project. Current anticipated contract levels are outlined in Figure 9.4, which will be incorporated into binding offtake agreements prior to the Project reaching an FID.

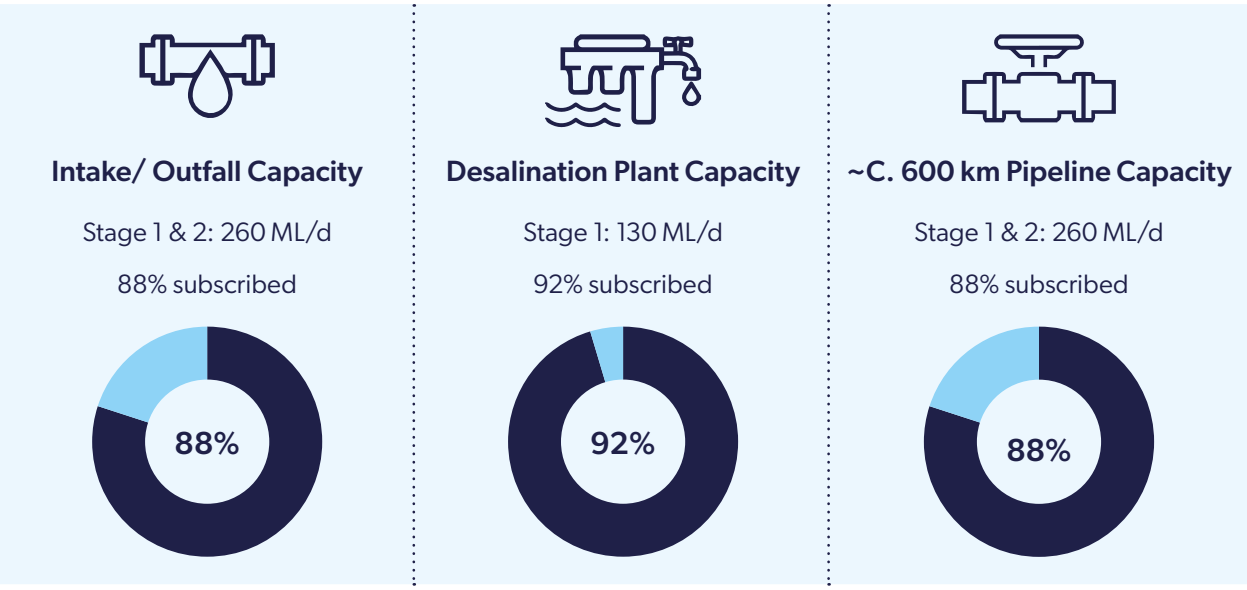


Figure 11.4: Anticipated Contract Levels

12

Delivery Strategy

12.1 MARKET SOUNDING FINDINGS

Development of the preferred procurement approach included extensive market sounding with approximately 30 construction, operations, engineering and financing organisations.

This information was used to inform understanding of market capacity, appetite for various delivery structures and risk allocation.

Consistent feedback from the market sounding process included the following themes which had a significant influence in shaping the approach to procurement:

- contractors are **unlikely to accept the risk** associated with entirely fixed price contracts
- hence, some **flexibility** will be required.

A preference for procurement models which **combine construction with long-term operations and maintenance arrangements.**
These models can:

- encourage long-term view of the Project by having operators provide due diligence over construction activities, improving the **quality of design and construction.**

12.2 PREFERRED DELIVERY APPROACH

An MCA approach was adopted to inform the selection of the preferred delivery approach.

Weighted evaluation criteria were based on engagement with water users and key government agencies with an interest in the Project; and procurement models were scored by a range of industry experts, SA Government agencies and water users.

A design, build, operate and maintain (DBOM) approach was identified as the preferred delivery approach due to:

The **speed, flexibility and a higher degree of cost certainty**.

Flexibility for ongoing operations management and future governance and ownership options.

13

Funding Requirements

13.1 FUNDING TO A FINAL INVESTMENT DECISION

The total costs required to fund the Project between Business Case submission through to an FID, are estimated to be in the order of $230 million with a mix of public and customer funding proposed.

This structure has been proposed to gain a high degree of commitment from all parties involved in the Project and minimise financial exposure to the State.

Business Case assumes that the State will fund approximately one third of the cost of the activities required before FID, with the balance to be sought from potential water customers and the Commonwealth Government.

Commonwealth funding of up to one third of the pre-FID is therefore required. An application for this co-funding from the Commonwealth National Water Grid Authority has been made and is currently being considered.

13.2 FUNDING THROUGH CONSTRUCTION

Assuming the Project is progressed beyond FID, it is intended that these water users will then enter into long-term payment structures to underpin the Project. Revenue generated will enable the Project to be financed at low risk.

14 Ask of Government

Northern Water has successfully demonstrated a significant long term benefit to the state and met the typical requirements for large-scale government infrastructure projects. The commercial nature and scale of this Project warrants the inclusion of an additional approval step prior to construction commencement (a Final Investment Decision (FID) approvals gate).

It is requested that Government approves progression of the Project through to this FID stage, at which time further approval to undertake construction activities may be sought.

These activities will ensure the project is commercially, environmentally and technically de-risked and investments decisions can be made with a higher level of confidence. At completion of the above step, the Project will be significantly de-risked and will include all land access agreements in place, environmental regulatory approvals obtained, commercial terms with water users agreed and construction tender process completed such that costs and construction risk are well understood.

This approach will enable significant reduction in risk to Government prior to construction commencing.

"THE EXECUTION OF THE NORTHERN WATER PROJECT IS CRUCIAL TO SUPPORT INDUSTRIAL, COMMERCIAL AND URBAN DEVELOPMENT IN AN ECOLOGICALLY SUSTAINABLE MANNER."

Whyalla City Council Submission – CEO Justin Commons

A NEW AND SUSTAINABLE WATER SUPPLY

Acknowledgement of Country

Infrastructure SA acknowledges and respects Aboriginal people as the State's first people and nations, and recognises Aboriginal people as traditional owners and occupants of South Australian land and waters. Infrastructure SA acknowledges that the spiritual, social, cultural and economic practices of Aboriginal people come from their traditional lands and waters, and that Aboriginal people maintain cultural and heritage beliefs, languages and laws which are of ongoing importance today.

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