Zero Waste Study Tour

LONDON 31 AUGUST 2018

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PARTNER, ASHURST LLP

Contents

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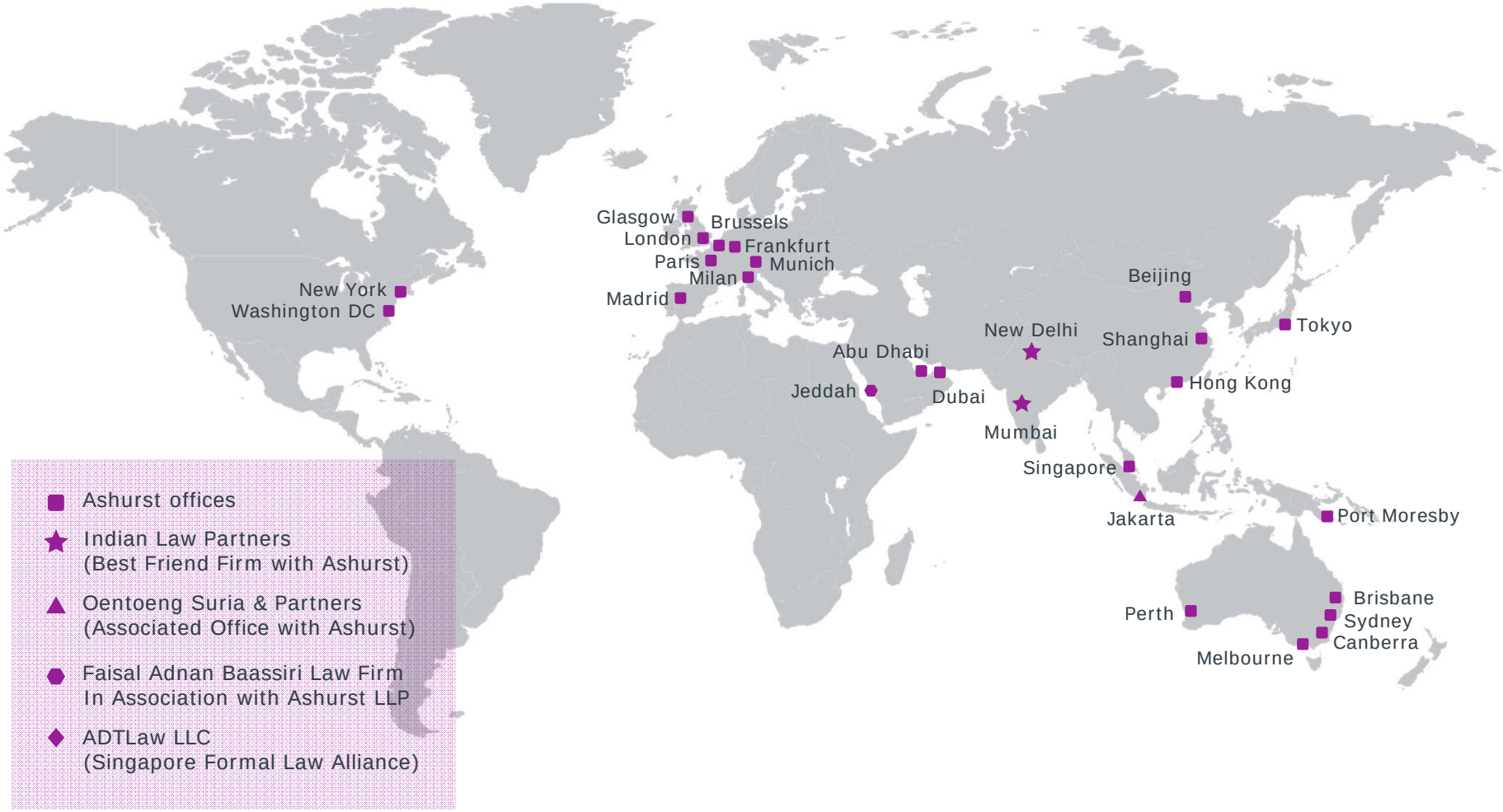
1. Introduction to Ashurst

GLOBAL REACH



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ASHURST'S PPP AND WASTE EXPERIENCE - AWARDS

Best Energy from Waste Initiative (Barnsley, Doncaster and Rotherham PFI)
NATIONAL RECYCLING AWARDS 2016

Best Renewables Law Firm of the Year
TOPLEGAL AWARDS 2016

Projects, Energy and Natural Resources: Firm of the Year
LEGAL 500 AWARDS 2015

Legal Adviser of the Year, Gold Award
PARTNERSHIPS AWARDS 2015

Europe Biomass Deal of the Year (Cramlington)
IJ AWARDS 2015

Best Waste/Energy/Water Project (Dublin Waste-to-Energy PPP, Ireland)
PARTNERSHIP AWARDS 2015

Legal Adviser of the Year - Renewables
IJ AWARDS 2014

Europe and Africa Law Firm of the Year
IJ GLOBAL AWARDS 2014

Europe Refinancing Deal of the Year (Castor)
PROJECT FINANCE MAGAZINE DEAL OF THE YEAR AWARDS 2013

Europe Onshore Wind Deal of the Year (Infinis)
PROJECT FINANCE MAGAZINE DEAL OF THE YEAR AWARDS 2013

European Power Deal of the Year (Carrington CCGT)
PFI AWARDS 2012

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INTERNATIONAL EFW EXPERIENCE

Our extensive waste management and power experience enables us to provide a unique depth of specialist knowledge on EfW projects around the world.

WHEELABRATOR

in respect of its bid for the Cayman Islands EfW PPP project

CAYMAN ISLANDS

FCC

in relation to its ongoing bid for the Belgrade Waste PPP project

SERBIA

KUWAITI GOVERNMENT

in relation to its landmark Kabd Waste to Energy PPP project

KUWAIT

BANK GROUP

on the financing of the Dublin Waste to Energy PPP project

IRELAND

SATAREM S.A.

in relation to the contract for the collection of all waste in Conakry

GUINEA

USITALL AB

in relation to the development of three energy from waste facilities in Galati, Ploesti and Bucharest

ROMANIA

GLOBAL RENEWABLE EASTERN CREEK PTY LTD

on the development of a RDF Circuit at the Eastern Creek Waste Facility

AUSTRALIA

RE.GROUP PTY LTD

on the prospective divestment by the Southern Metropolitan Regional Council of waste processing assets

AUSTRALIA

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KEY PROJECTS - SNAPSHOT

PPP / municipal projects		Hybrid EfW projects	Merchant EfW projects	
Viridor/Laing/Ineos consortium **on the Greater Manchester Waste EfW PFI**	Worcestershire County Council (as lender) **on the Herefordshire & Worcestershire Waste EfW PFI**	Cory Environmental **on the Riverside Waste EFW PPP / semi-merchant**	Funders **on the Allington Waste EfW**	Wheelabrator **on the Kemsley Waste CHP**
Shanks/Interserve **on the Derbyshire and Derby City Waste Gasification PPP**	Funders **on the Edinburgh & Midlothian Waste EfW PPP**	Club of six funders **on the Dublin Waste EfW PPP project**	Covanta Energy / Biffa **on the Newhurst & Protos EfW projects (on-going)**	Covanta Energy/ Veolia **on the Rookery EfW project (on-going)**
Funders **on the Cornwall Waste EfW PPP**	RBS (as lead arranger) **on the Northumberland Waste EfW PPP**		Brockwell Energy and Green Investment Group **on the Earls Gate (Grangemouth) EfW CHP project (on-going)**	

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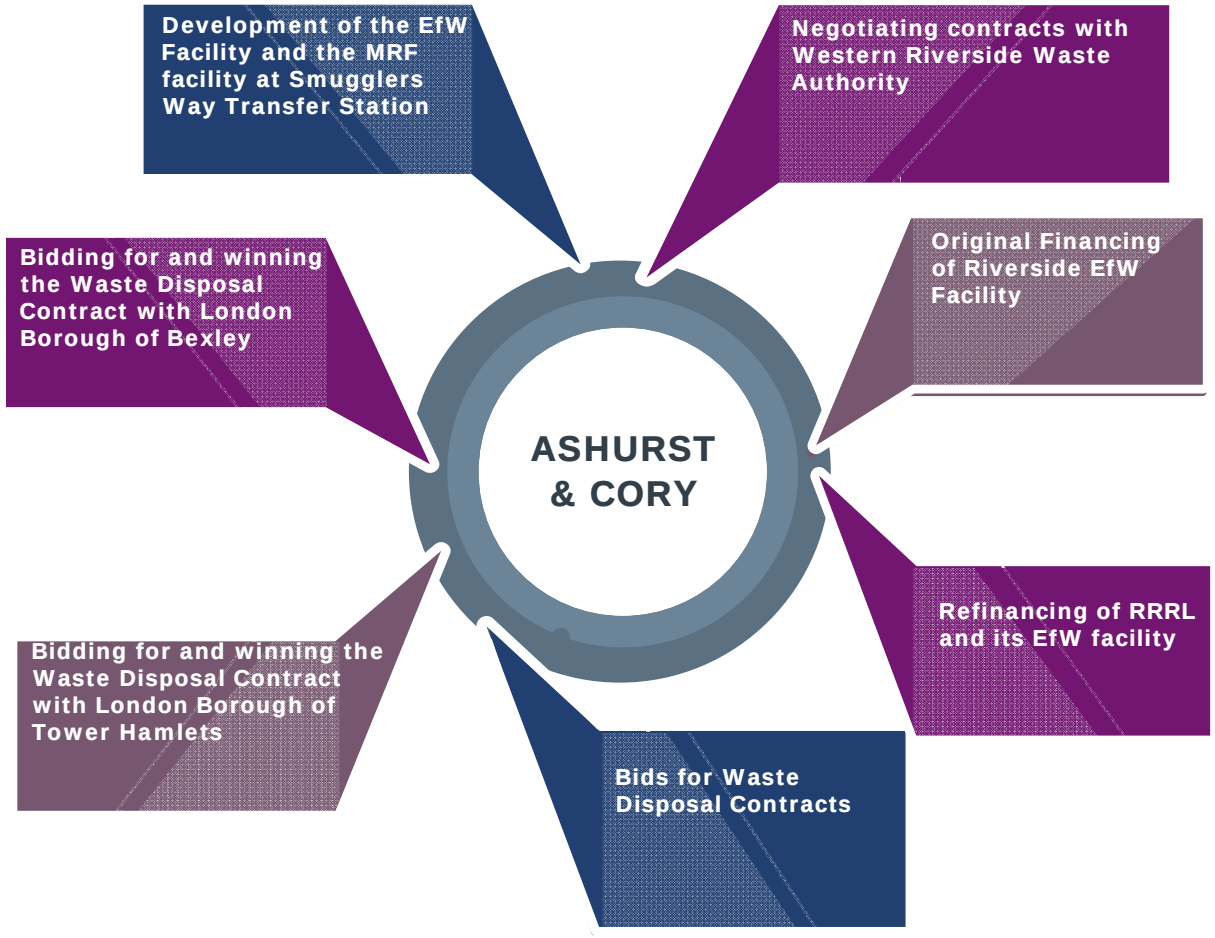
2. Working with Cory Environmental

10+ YEAR RELATIONSHIP



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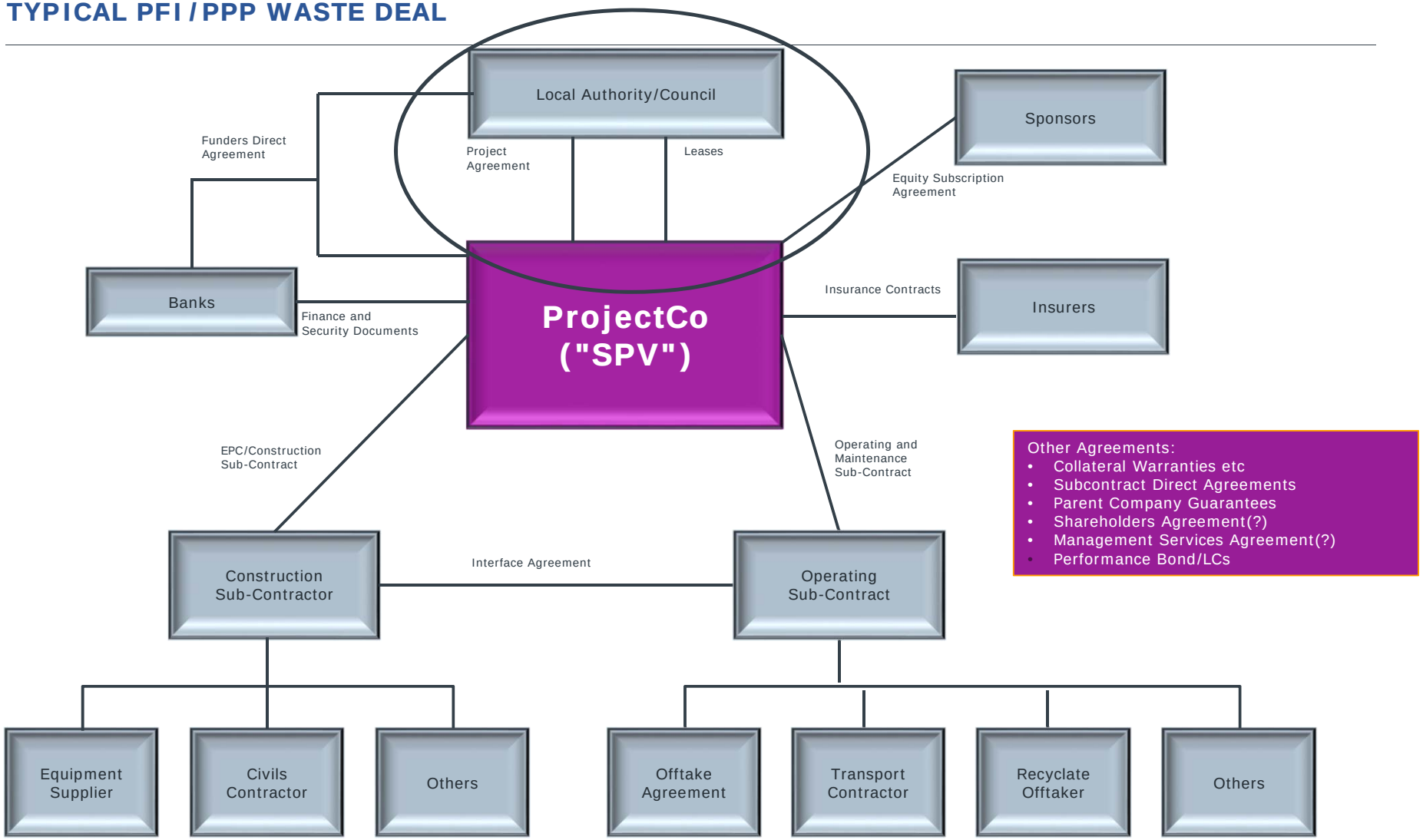
3. Typical PPP and merchant EfW project structures

TYPICAL PFI / PPP WASTE DEAL



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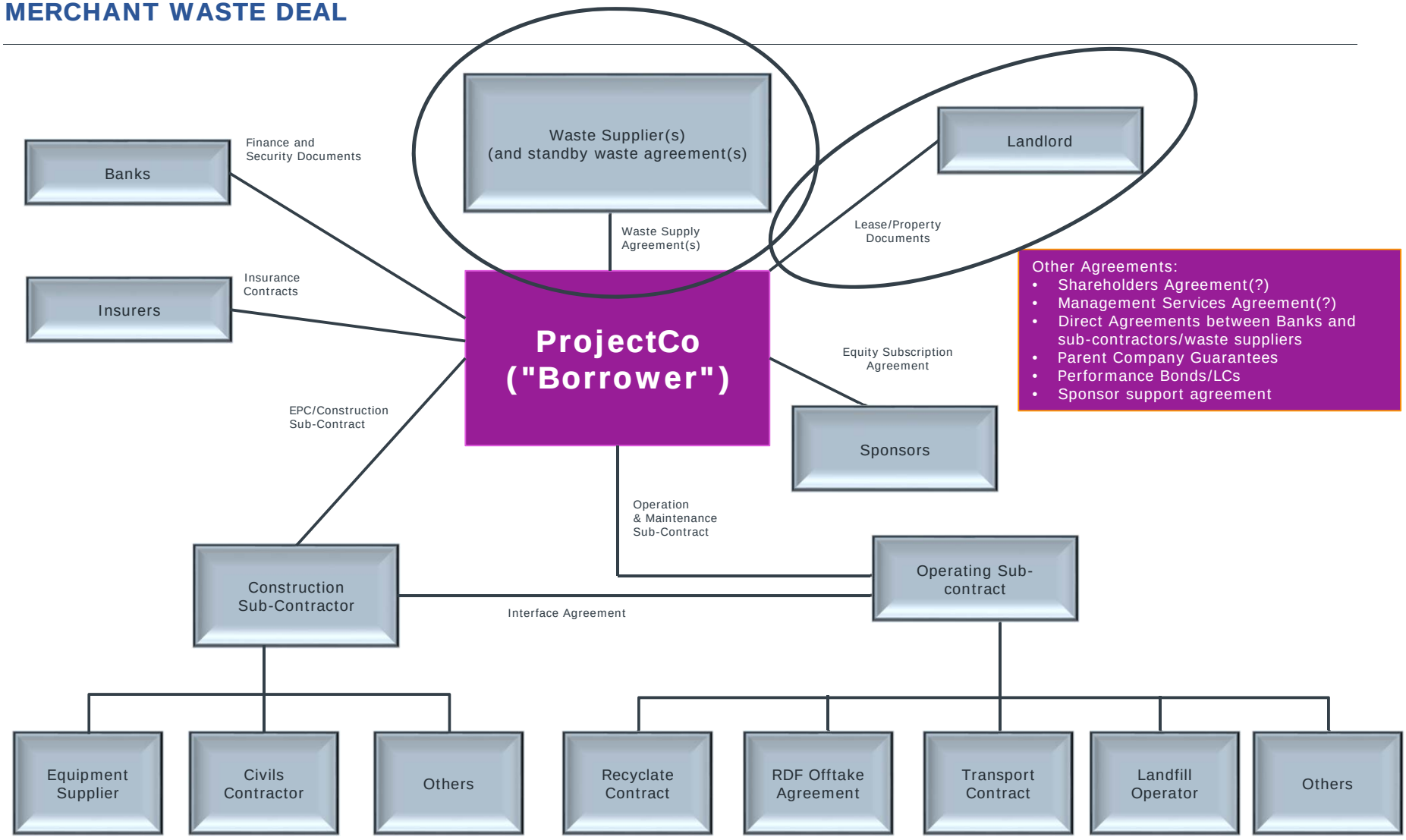
MERCHANT WASTE DEAL



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4. Differences between PPP and "merchant" EfW deals

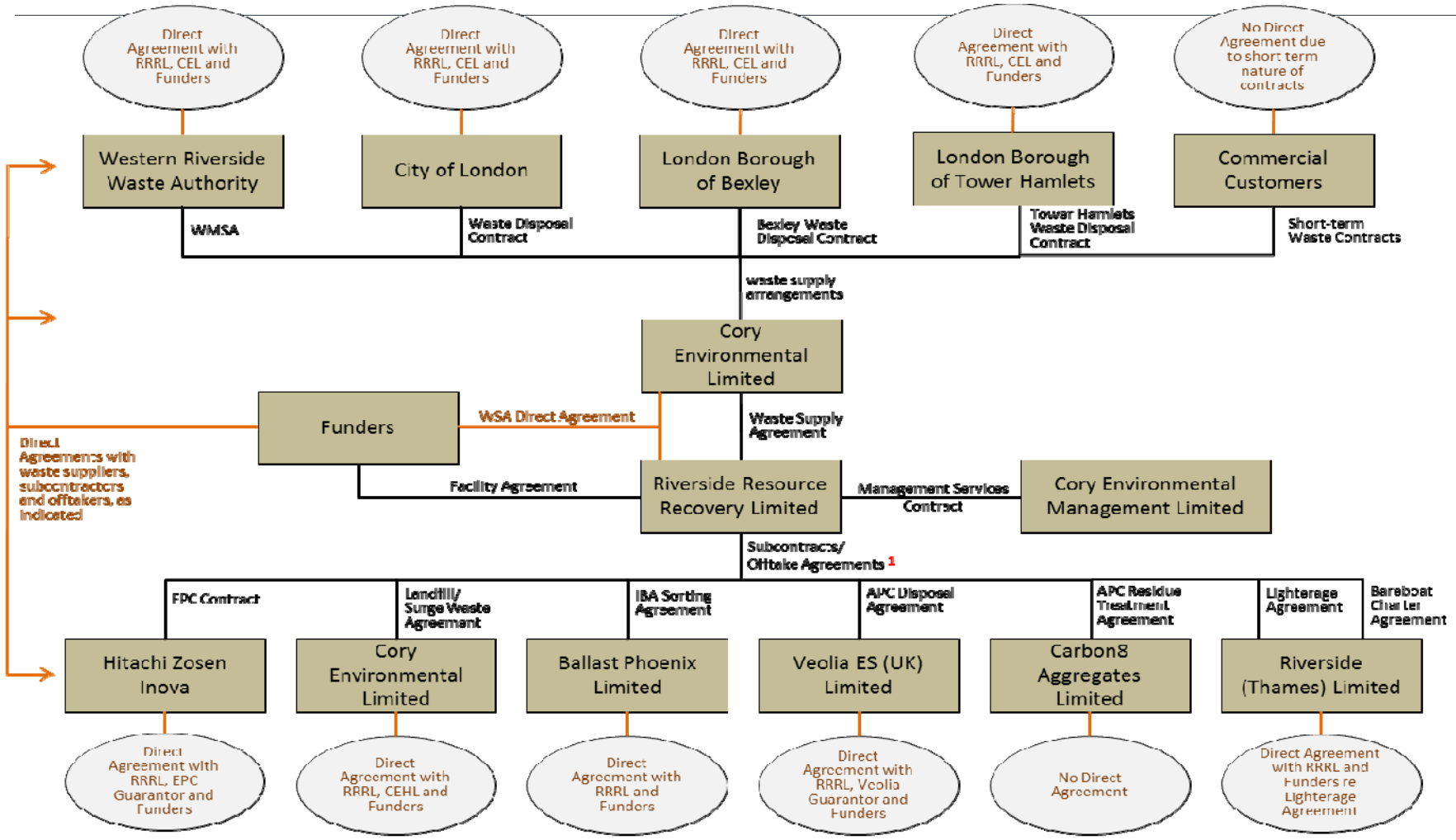
KEY DIFFERENCES

Subject	PPP / PFI projects	Merchant projects
Tender	• Long and expensive tender process	• No tender phase involving a municipal body
Documentation:	• Use of rigid standardised project documents • Subcontracts reflect pass-down of all project risks	• Greater flexibility with respect to documentation and risk allocation • Greater scope for negotiation • Strategic approach needs to be adopted
Project duration:	• Generally maximum of 25-30 years • Plant is then handed over to the Authority with associated handback requirements	• 35+ years • No handback to municipal body • Dependent on commercial life of asset and site access rights
Design / specification flexibility:	• Authority will generally provide a detailed output specification with which the facility must comply • Limited flexibility once designed	• Owners have greater flexibility with designing facility as it sees fit • Scope for expansion, repowering and modification
Site deliverability:	• Site owned my municipal body with access rights provided to project company • Site risks borne by Authority to some extent	• Sponsors will either own the site or be responsible for procuring a long-term lease • Site & title issues are far more critical • Royalties often payable to landlord
Planning:	• All key planning and permitting risk allocated prior to Financial Close but permits etc. may be obtained after contract award	• Planning and permitting risk will be dealt with prior to Financial Close

KEY DIFFERENCES (CONT.)

Subject	PPP/PFI projects	Merchant projects
Source of fuel:	• Majority of waste received from Authority • Authority has priority over all capacity at the facility • Guaranteed minimum tonnages and exclusivity over waste arisings	• Municipal or C&I waste may be contracted • Single fuel supplier or several key fuel suppliers • Credit strength of suppliers determines bankability of project • Put-or-pay arrangements
Insurance:	• Protection for uninsurability – municipal body may elect to self-insure	• No protection for uninsurability
Termination compensation:	• Payment of termination compensation in all scenarios (including project company default)	• No termination compensation payable by any Authority or third party if project defaults • ProjectCo/Funders bear subcontract termination and replacement risk
Change in law / regulatory changes:	• Authority will bear risk associated with Qualifying Changes in Law and certain regulatory changes	• ProjectCo/Funders will bear the principal risks associated with changes in law/regulations • Change of law risk difficult to allocate to counterparties (e.g. Operator or Fuel Supplier) during operation

5. Riverside EfW contractual and commercial structure



Footnote 1: This diagram only includes reference to the material subcontracts and offtake agreements still in place.

6. Making EfW projects “bankable”

	Subject	Requirement
1.	**Counterparties:**	• Experienced; substantial balance sheet; prepared to bear adequate levels of project risk • Recent trends show that banks like to see O&M Contractors with other roles on projects (e.g. dual EPC/O&M roles or equity stakes)
2.	**EfW technology:**	• Used in multiple UK/European/Asian reference plants; used to process feedstock of similar composition
3.	**Security:**	• Parent company guarantees • Performance bonding, warranty bonding and/or letters of credit, as required • Net asset value or credit ratings tests to be satisfied, as required • Key sub-contractor step-in arrangements
4.	**Feedstock:**	• Long term guaranteed waste stream is key • Sufficient fuel must be available from tier 1 or 2 waste management companies or a public sector body • Must be available under long term fuel supply agreement(s) (i.e. exceeding tenor of debt by 2-3 years minimum) at a sufficient gate fee on a “put-or-pay” basis to meet debt base case assumptions and debt sizing model assumptions • Alternative fuel supply arrangements might range from a single tier 1 or 2 waste supplier to several tier 1/2/3 suppliers for part of the facility's capacity • Waste consultants will need to confirm adequate waste arising in the catchment area • Waste will be subject to composition parameters with rights to refuse where composition parameters are not met. Gate fee adjustment mechanisms to address CV variance
5.	**Site:**	• Freehold or leasehold rights required (30+ years) or an agreement for lease capable of being exercised prior to take-over. No unusual site or contamination risks to rest with ProjectCo. No incompatible third party rights or interests affecting the site.

	Subject	Requirement
6.	**Power and other revenues:**	• Either: o "Route-to-market" PPA or private wire arrangement required with suitably prudent tariff assumptions reflected in the financial model or o Long term PPA to be in place with an off-taker with a suitable credit rating or strong balance sheet providing a fixed or floor price for the power/heat • Optimal solution is for the facility to have a long term industrial off-taker, preferably with industrial facilities adjacent or in close proximity to the facility
7.	**Performance guarantees:**	• The O&M contractor shall be required to operate and maintain the facility so as to achieve a number of guarantees, including with respect to: o throughput of waste o net electrical and/or heat output o consumption of consumables o residue disposal o recycling rates o landfill diversion
8.	**Residue disposal:**	• Subject to any planning, permitting or other restrictions on residue disposal, IBA and APC residue disposal contracts can be put in place after Financial Close – particularly if the O&M Contractor is wrapping disposal cost risk or there is negligible risk associated with disposal/reprocessing • If constraints on disposal exist, or the risk is left with the project company, these contracts may need to be more fully documented at Financial Close

7. Public Sector Considerations: bringing a project “to market”

	Bidder / Funder concerns
1.	Does the Authority know what it is doing?
2.	How long will the tender process last?
3.	What will this tender cost me?
4.	What are my chances? • Right technology “fit”? • Strategic fit with the business? • Access to the right contractors/funders? • Who is the competition? • How many bidders will be shortlisted?
5.	If I lose this tender, is there a “pipeline” of similar tenders?

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PUBLIC SECTOR CONSIDERATIONS: BRINGING A PROJECT "TO MARKET" CONT.

	How to address Bidder / Funder concerns?
1.	Detailed preliminary due diligence to be carried out on: • site conditions/title issues • waste volumes and waste composition • technical options (proven technology)
2.	Soft market testing with potential bidders/funders
3.	Groundwork to be laid with all relevant stakeholders (e.g. political groups, local interest groups, planning authorities, councils etc.)
4.	Experienced and respected advisers who understand the sector to be appointed (legal, technical, financial, insurance etc.)
5.	Clear vision and strategy to be communicated
6.	Risk allocation and bankability analysis to be prudent and realist, based on recent market precedent
7.	Manage stakeholder expectations: • balance environmental performance v affordability • affordability v deliverability • timetable and costs

8. Questions?

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