

Effective Waste Strategy or Effective Waste of Money?

Public Presentation
St Sampsons School
14th July 2009

WHAT DOES THE PSD / SUEZ PROPOSAL MEAN FOR GUERNSEY?

FOUR KEY MESSAGES

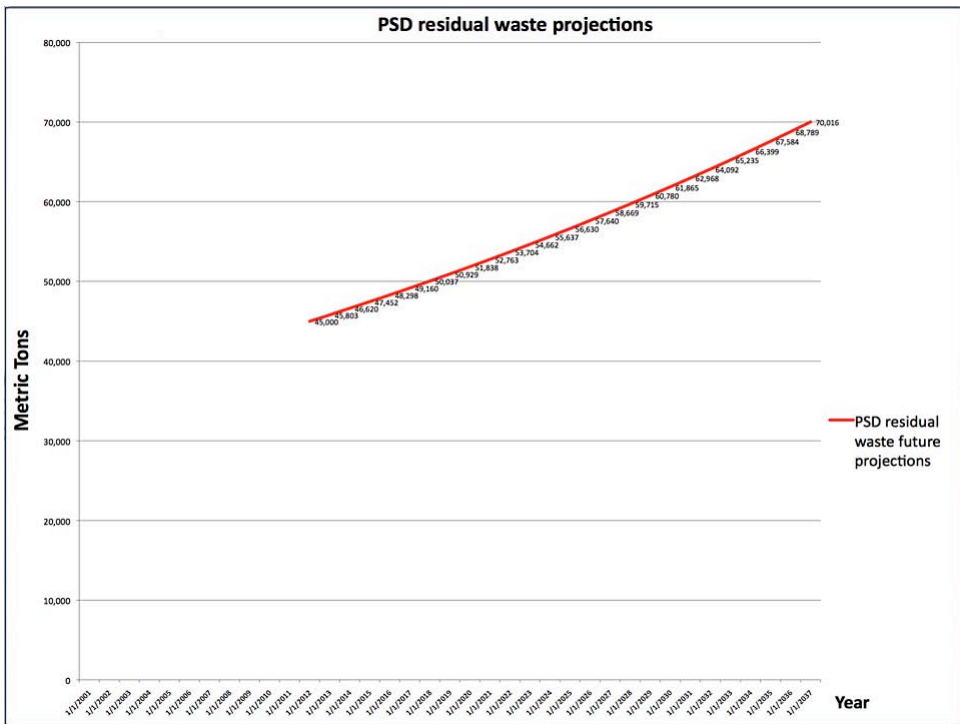
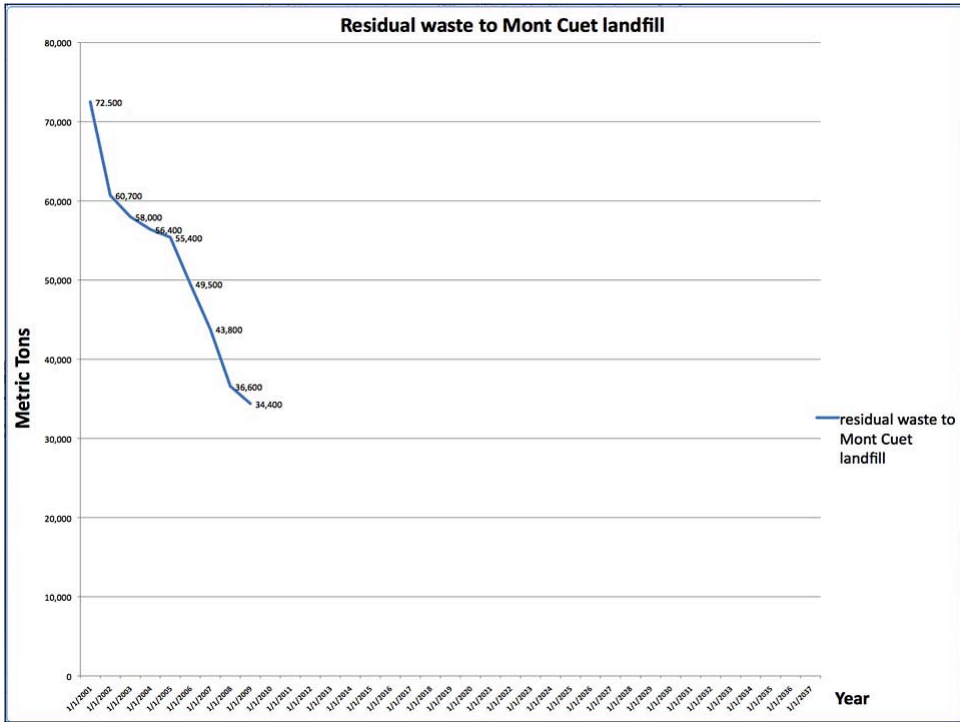
- ◆ The PSD /Suez solution is unaffordable.
- ◆ PSD's residual waste assumptions are fundamentally flawed.
- ◆ The RATIONAL ALTERNATIVE is self-funding, cash generative and offers much greater flexibility for waste management options
- ◆ There is no hurry. Mont Cuet has a longer life than PSD claim

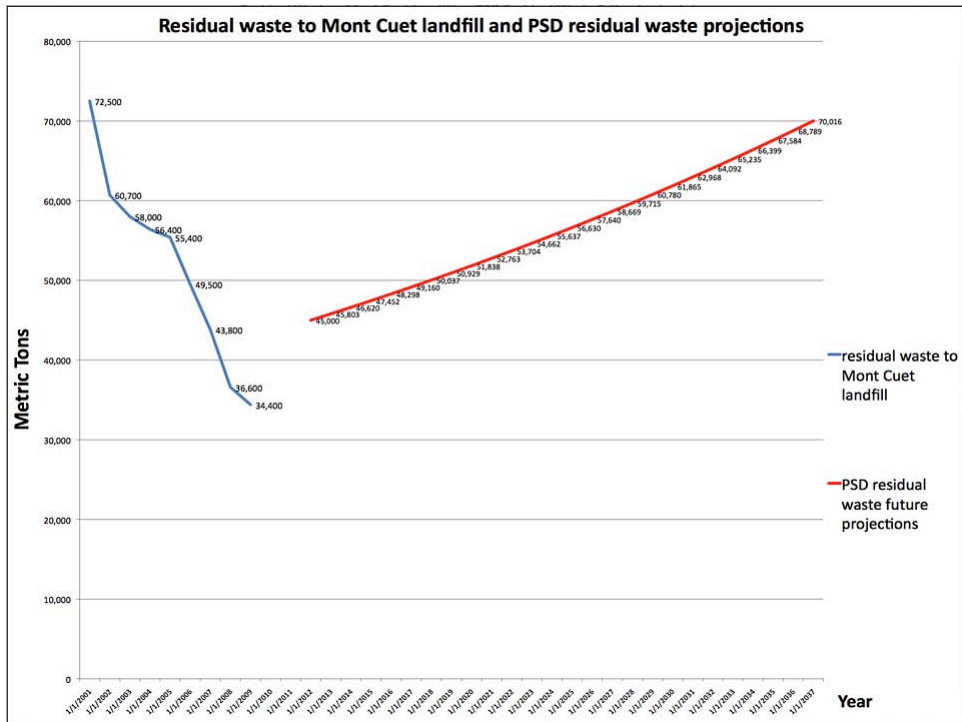
The PSD / Suez solution is far too large for Guernsey's needs and is also unaffordable.

- ❖ Claimed lifetime costs of the PSD / Suez facility has risen from £115m in May 2009 to an estimated £230m today (Billet XX 2009 4.7-4.8) due in part to PSD failing to take account of £75m of financing costs over 25 years.
- ❖ Costs could escalate further due to escalation clauses, the details of which PSD is unwilling to disclose, under the guise of "commercial confidentiality".
- ❖ PSD / Suez facility will mean that the taxpayer will have to fund an annual deficit of £1.4m per year for 25 years from general taxation, totaling £35m over 25 years, unless gate fees are raised further from £175 per ton to £206 per ton.
- ❖ PSD / Suez facility is a TAX by another name, that will result in each Guernsey household paying at least an extra £5000 in general taxation over the next 25 years.

PSD Waste Assumptions are flawed

- ❖ **Residual Waste figures are demonstrably incorrect**
 - ❖ Tonnage to be treated by the tendered facility was stipulated as being assessed assuming 50% re-cycling **upstream** of the waste plant. The tonnage treated should be 32000t not 45000t
 - ❖ The impact of this criteria was to effectively rule out other more appropriate technology combinations, that are more sensible for Guernsey.
 - ❖ Claims that residual waste will increase go against all recent evidence. They have been steadily falling since 2001 (Billet XX 2009 7.22)
 - ❖ The tender advertisement called for a plant with a capacity of 70,000 tons **residual waste** capacity, thereby precluding suppliers of smaller plant. Residual waste is what remains once other alternative means of dealing with it have been discounted such as recycling.





The RATIONAL ALTERNATIVE is Self- Funding and keeps our options open for the future

The Rational Alternative

- ◆ ...will cost £19m upfront versus £93.5m for PSD / Suez, SAVING £74m. (Day one commitment will be £19m versus £125m, SAVING £106m)
- ◆ ...will have a lifetime cost that is £180m LESS than PSD / Suez
- ◆ ...will have a net lifetime revenue that is £120m MORE than PSD /Suez
- ◆ ...will contribute in EXCESS of £3m per year to the States of Guernsey
- ◆ ...affords far greater adaptability to changing waste streams over time and at far lower cost.
- ◆ ...will permit other Capital Expenditure projects to proceed that would otherwise be excluded if the PSD / Suez facility is selected.
- ◆ ...can be in operation 18 months from “ go ahead” , some 2 years ahead of PSD / Suez

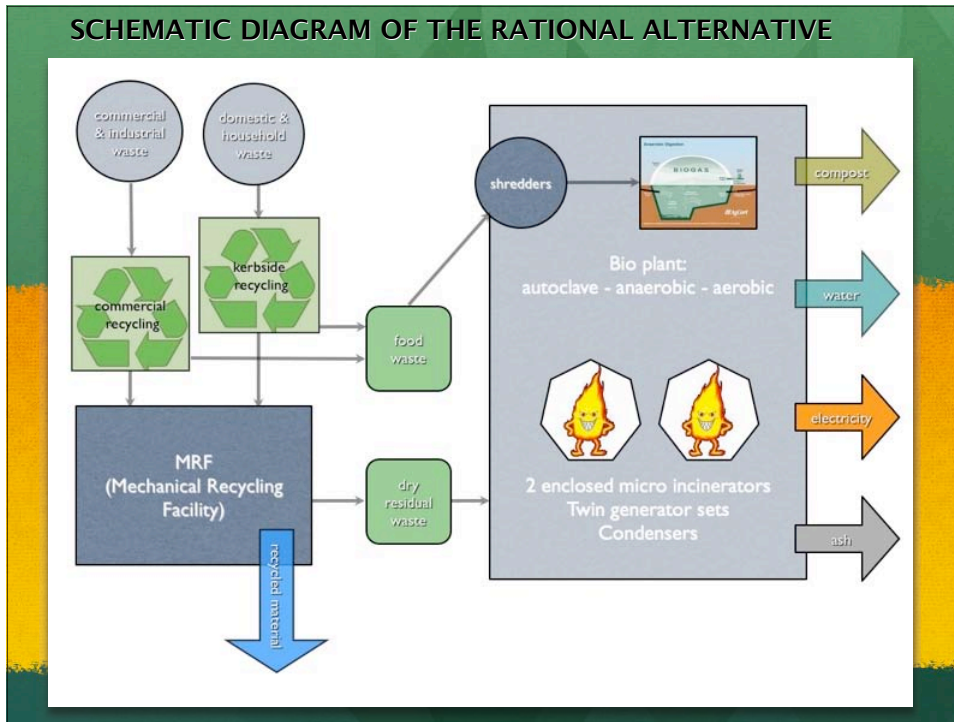
THERE IS NO HURRY. THE LIFESPAN OF MONT CUET IS LONGER THAN PSD WANT YOU TO BELIEVE

- ◆ PSD has been inconsistent about its claims for the remaining lifetime of Mont Cuét in the interests of forcing an early (inappropriate) decision on a waste treatment facility.
- ◆ Having been claiming that only 7yrs life remained (July 2008), they now claim that a year later 10 years remain using their 5yr rolling average tipping rate.
- ◆ Given that tipping rates are now annualizing at approx. 36000t, the actual life is approximately 13 yrs, assuming tipping rates stay constant.
- ◆ Mont Cuét has a usable lifespan until 2023, or 2017 if PSD wish to maintain 5yrs reserve tipping capacity.
- ◆ Our solution will extend Mont Cuét's tipping life by over 50 years to beyond 2060; double the expected lifetime of the Suez waste facility.
- ◆ PSD has erroneously managed to "lose" £2m of net revenue from Mont Cuét tipplings (Billet section 10.2). Mont Cuét net revenues were actually £3.7m in 2008 not the £1.7m claimed.

WASTE PLANT- PROPOSAL

- ◆ **Outline of Facility:**
- ◆ **Twin Stream Micro incinerator (2 X 1.5t/hour. Capacity 22000t per year)**
 - ◆ Duplex generator sets
 - ◆ Purpose built enclosure
 - ◆ Shredders
 - ◆ Condensers
- ◆ **Optional Bio Plant (5000t pa capacity) – subject to regulatory approval**
 - ◆ Autoclave
 - ◆ Anaerobic & Aerobic processes
- ◆ **MRF**
 - ◆ Privately operated & funded
- ◆ **Notes:**
 - ◆ Excludes kerb-side collection costs
 - ◆ Excludes cost of MRF relocation or enhancement as assumed privately funded. With Gate fees now being set at £175 per ton a privately funded option is even more attractive. An "arms length" self funded Sates option could be considered, and would generate net revenue for the States.

SCHEMATIC DIAGRAM OF THE RATIONAL ALTERNATIVE



WASTE TREATMENT PROPOSAL - WHICH IS BEST?

	PSD / Suez Proposal (45000t pa) £m	Rational Alternative (32000t pa) £m	Variance £m
25 Year Cost Analysis			
Capital Cost	93.5	19.0	
			+74.5
Finance Costs (5% pa)	74.0	15.0	
			+59.0
Operating Costs	64.8	12.0	
			+52.8
Disposal Costs		5.0	-
			5.0
25 Year Lifetime Cost	£232m	£51m	+£181m
Processing costs per ton	£206 per ton	£64 per ton	+£142 per ton

WASTE TREATMENT PROPOSAL – WHICH IS BEST?

ANNUAL REVENUE ANALYSIS using £175 per ton Gate fee

	<u>PSD / Suez</u> 45000 t pa <u>£m</u>	<u>Rational Alternative</u> 32000 t pa <u>£m</u>
Revenue	7.9	5.6
Finance Costs (Cap + Int)	(6.7)	(1.4)
Operating Costs	(2.6)	(0.5)
Disposal Costs		(0.2)
Net Annual Revenue	(£1.4m)	(£3.5m)
Lifetime Net Revenue	(£35m)	(£87.5m) +£122.5m

THE RATIONAL ALTERNATIVE WASTE PLANT – PROPOSAL

Other Income & Costs

Income:

- ◆ Sale of electricity (£18 per ton of waste processed) > £9m over 25 years
- ◆ MRF operator licence fee of £10+ per ton not included (>£8m over 25 years)
- ◆ Sales of fertiliser not included (estimated at £3m over 25 years)
- ◆ Income from co-located businesses at Longue Hougue as smaller plant means more industrial letting space. (estimated at £9m over 25 years for Area 1 & £19m for Area 2)

Costs:

- ◆ Kerbside collection (estimated at £10m over 25 years)
- ◆ **Additional net Income**
- ◆ Total additional revenue potential is £48m over 25 years
- ◆ Total additional costs could be around £10m over 25 years
- ◆ **Additional net revenue of £38m is achievable over 25 years , which could reduce the lifetime costs of the Rational Alternative solution from £52m to £14m, compared with over £230m for the PSD / Suez proposal.**

FINANCIAL SUMMARY

- ◆ The Rational Alternative will contribute over £85m to States revenue over its lifetime while the PSD proposal will lose £35m at the suggested gate fees.
- ◆ Guernsey will be better off by £120m by choosing the Rational Alternative
- ◆ The Rational Alternative can be operating two years sooner than the PSD proposal, relieving Mont Cuet of around 70000 tons of tipping receipts into Mont Cuet.
- ◆ Day one commitment of the Rational Alternative will be £19m. Day one commitment of the PSD proposal are £125m. The Rational Alternative saves a commitment by Guernsey of £106m on day one.
- ◆ Selecting the Rational Alternative will permit many other Phase One Capital projects to proceed that may otherwise be excluded by the PSD /Suez facility
- ◆ The Rational Alternative alone will cut 25% from the States Phase 1 Capital Expenditure Budget, as well as advance other urgent Capital Projects.
- ◆ The Rational Alternative is the common sense and responsible choice

COMPARISON BETWEEN VARIOUS ALTERNATIVES: USING +++ RATING SYSTEM USED BY PSD

	fly ash quantity	bottom ash quantity	flue gas emissions	public perception	operating safety	no. of personnel	waste arisings	proven technology	waste size	flexibility	energy recovery	maint - enance & repair	price	TOTAL STAR
PYROLYSIS And GAS-IFICATION WRG	+++	+	+++	+++	++	+++	+++	+	+	+++	+	+	+++	28
TILTING FURNACE GDF Suez/ Cyclerval	++	+++	+++	++	+++	++	++	+++	+++	++	++	+++	++	32
STEPPED GRATE FURNACE GDF Suez/ Sita	++	+++	+++	++	+++	++	+++	+++	+++	+++	+++	+++	++	35
RATIONAL SOLUTION 2 x 10kt Micro + Kerbside	++++	++++	++++	+++	+++	++++	++	+++	++	++++	++	++++	++++	43
LURGI 70000t FURNACE Updated to 2009	++	++	+++	+	+++	++	++++	+++	++++	+	++	+++	++	32

EFFECTIVE WASTE TREATMENT OR EFFECTIVE WASTE OF MONEY? INTRODUCTION

- ◆ PSD / Suez solution is superficially attractive to Guernsey
 - ◆ Relatively attractive appearance (for a waste plant)
 - ◆ Effective PR campaign (Press enclosures / brochures)
 - ◆ Modular type design (albeit from initial capacity level inconsistent with 50% recycling upstream of the plant)
 - ◆ Initial claimed lifetime costs less than we had feared at £115m

Closing Remarks

- ◆ PSD residual waste figures are inconsistent with tender document
- ◆ The cost of the PSD / Suez facility is £180m more than the Rational Alternative.
- ◆ The Rational Alternative is FAR more adaptable to new technologies and at FAR lower cost
- ◆ PSDs claims about the remaining life of Mont Cuet are misleading.
- ◆ Rejecting the PSD /Suez facility will permit other priority projects to proceed , all within the budgeted cost of the PSD / Suez Facility.
- ◆ The Rational Alternative will contribute £85m to States revenues rather than a TAX of £35m over 25 years.
- ◆ The Rational Alternative has lower carbon emissions.
- ◆ Can be commissioned two years sooner than PSD / Suez, relieving further pressure on Mont Cuet
- ◆ The Rational Alternative can free up valuable space for alternative business use at Longue Hougue, due to its smaller scale and generate extra revenue for the States of Guernsey
- ◆ Recycling of domestic household waste (black bag) ceases outright under PSD / Suez proposal.

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- ❖ PSD's residual waste assumptions are fundamentally flawed.
- ❖ The RATIONAL ALTERNATIVE is self-funding, cash generative and offers much greater flexibility for waste management options
- ❖ There is no hurry. Mont Cuët has a longer life than PSD claim.