



PPP for Energy Efficiency and Environment

Procurement of large PPP Waste Projects

The private sector point of view

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The private sector point of view

Preamble



- Public Private Partnership (PPP) combines the best elements of public and private sectors for procuring public services;
- PPP structures are more complex but bring procurement and operation under one point of responsibility i.e. the private partner;
- **In waste sector PPP differs from conventional procurement:**
 - procurement of services (including operational services and third party income trade-off), not of assets only,
 - transfer of certain project risks to the private sector, notably in the areas of finance, design, build and operation (including energy generation);
 - focus on the specification of project outputs rather than project detailed design inputs;
 - infrastructure completion based on “Ready for use” criteria assessed by an “independent Certifying Authority” rather than a conventional technical adviser;
 - payments by the local authority to the private sector which reflect the long term waste disposal services delivered, including third party income trade-off and sharing arrangements.

The private sector point of view

Investors and Operators requirements



- To make PPP projects prime candidate in the **waste sector** for project financing, investors and operators require:
 - a clear legislative framework where local authority has legal ownership on waste generated and can nominate treatment delivery points;
 - an exclusivity on contract waste generated under the Project Agreement within the local authority's jurisdiction area;
 - to reach a fair balance between project risks transferred and returns
 - An acceptable balance in the degree of control of the local authority over the under laying asset and the PP activities
 - EU Grant amount reduction or return risks due to delay should remain with the public beneficiary,
 - cash flows to be secure through payment by local authority of fixed fee (invest. payback) and variable fee (per ton of waste delivered) or minimum tonnage guarantee in remuneration formula.

EU countries/cities that need modernising infrastructure and improving service quality without increasing debt level should use PPP solutions

The private sector point of view

PPP and EU co-financing program



- **Greater need in Europe for well-structured co-financed PPPs:**
 - PPP projects contribute to **improving cohesion policy effectiveness** with accelerating investment on general interest infrastructures , and
 - with **improving quality of public services in the environmental field** provided to all EU citizens (EU 2020 strategy)
- **Start-up of co-financed PPP in the waste sector, to meet requirements of the Waste Framework Directive (2008/1998)**
 - Increase treatment capacity respecting the waste hierarchy (from re-use, recover to disposal) : **investments in recycling & energy from waste facilities** to meet recycling and recovery targets
 - **Development of hazardous waste and waste oils treatment facilities**

However experience under the Operational Programme Infrastructure & Environment 2007 -2013 in the waste sector in Poland shows the need to overcome certain difficulties at country and EU levels.

The private sector point of view

Need for improvement at country level



• **Reliable legal framework**

- for PPP => PPP law consistent with Public Procurement law and based on a streamline competitive dialogue tender selection procedure
- Implement legal Act to bring waste management activities under the ownership of local municipalities that will launch PPP tenders

• **Take into account some specific constraints in waste PPP**

- Complex tender process:
 - consortium of operator/developers tied-up with technology and civil work subcontractor consortium
 - Operating and energy generation and sales parts representing a higher weight than construction CAPEX part contrary to other infrastructure PPP
- Protracted procurement lead time:
 - due to building permit EIA and public consultation process
 - UK Waste PPP procurement

 **PPPs' benefit : bringing responsibility of delivering and operating complex waste infrastructure under one point, and transferring expertise and resources of the private sector.**

The private sector point of view

UK Waste PPP procurement Lead time examples



PPP/PFI Contract	Tender Advert	Contract signing	Building Permit	Start Const.	Start Oper.	Total years
Hampshire Chineham ERF	1994	1996	1999	2000	2003	9
Hampshire Portsmouth ERF	1994	1996	2001 (After appeal)	2002	2005	11
Sheffield ERF	1999	2001	2003	2003	2007	8
East Sussex Newhaven ERF	2000	2003	2007	2007	2011	11



The private sector point of view

Need for improvement at country level



- **Reducing uncertainties concerning EU grants application process – Poznan Waste Project case**
 - First Waste PPP tender under competitive dialogue started in Poznan in June 2011, however it is uncertain **how long the tender, the EU grant approval and building permit** will take – No benchmark in the Country
 - Conditional Agreement for Poznan EU Grant signed by the City of Poznan and National Fund (MRD body) in October 2011 but final amount subject to funding gap and meeting deadline end of 2015 for use of fund very unlikely!

Significant risk to exceed the December 2015 deadline for the use of EU grant funds imposed in the 2007-2013 Operational Program and funding gap calculation finalised after tender process and entering into the PPP contract

Resulting in high business uncertainty for the private sector!

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Need for improvement at EU level

- **Simplify the EU Grant application process**
 - Secure the process : firm EU grant as soon as possible in parallel to tender process and/or building application process
 - In the context of financial crisis, postpone the payment deadline for projects already accepted (prevent automatic de-commitment)
- **Promote partnership between public authorities and private undertaker for the management of EU funds**
 - Support of the private operator for the EU grants application
 - For concession contract, clarify the rules for transfer of funds from the public authority (beneficiary of the funds) to the private operator
- **Encourage the combination of PPP and structural funds**
as PPP bidders' selection is based on public procurement procedures
- **Make equal treatment effective between PPP revenue generating projects and other types of procurement**
 - Modify funding gap method : private undertaker IRR target for a project (which has been subject to a competitive tender) may differ from recommended public IRR





Thank you for your attention