

### **Availability of commercial waste**

During the procurement process both of the final two bidders used available reports and statistics (up to mid-2009) on commercial waste arisings to provide evidence that there would be sufficient commercial waste for them to target for supply contracts to their facilities. Both bidders provided in-house and independent evaluations concluding that there was sufficient commercial waste arising of sufficient quality to ensure that, with the correct marketing and gate price, commercial waste supply would not be a significant risk.

This was considered by both bidders within worst-case scenarios. The reports supplied by the bidders were evaluated during the bid assessment process and considered sound and justified, albeit based on the somewhat limited information available on commercial waste arising at that time.

The AmeyCespa commercial assessment report for their bid concluded that, considering estimates that 37% of the waste would be of an unsuitable composition for processing and that 50% of the waste would be recycled or recovered that there would still be in the region of 4.5 million tonnes of commercial waste arising within the Yorkshire and Humber region which might be suitable for targeting for waste supply. Reports from both final tenderers were considered by NYCC technical advisors during assessment of the final tenders and were considered to use relatively conservative approaches to estimating potentially available commercial waste tonnage although there is inherent uncertainty over the long-term predictions. This provided the councils with sufficient comfort on availability of commercial waste to enable appointment of Preferred Bidder.

Since appointment as preferred bidder, a further report projecting commercial waste arisings in North Yorkshire and York until 2026 has been produced by Urban Mines for AmeyCespa. The report identifies that commercial waste arisings are forecast to decrease by 0.45% in York and North Yorkshire between 2009 and 2026. This compares with a predicted 23% decline in commercial waste for the whole region by 2026 (Projection of Commercial & Industrial Waste Arisings in Yorkshire & Humber to 2026, Urban Mines 2009).

The difference is because North Yorkshire and York does not have the same level of manufacturing industry and therefore the reduction of waste related to a decline in these sectors is not expected to be as substantial as in other parts of the region. Retail & wholesale and other services make up a greater proportion of the economy and are forecast to continue to grow in York and North Yorkshire. These sectors, along with the public sector and food & drink are most likely to produce wastes that are combustible and suitable for treatment.

The recent report concludes that approximately 600,000 tonnes of commercial waste of a type suitable for treatment is produced annually in York and North Yorkshire (against a reducing forecast need of AmeyCespa from 60,000 tonnes to 10,000 tonnes over the life of the contract). This latest report

confirms that there is likely to be sufficient commercial waste will be available from North Yorkshire and York for the duration of the Contract.

### **Competition for commercial waste**

Both of the final bidders pointed to diminishing landfill void reserves within the region and the need for alternative options for the disposal of the commercial waste. The National Waste Strategy promotes the development of treatment capacity to meet the needs of businesses as well as for municipal waste, and proposes mechanisms for diversion of commercial waste from Landfill. This and a rising landfill gate fee (with landfill tax) will make landfilling of commercial waste financially prohibitive and more waste producers will seek alternative outlets over time. As further evidence of commercial waste availability, AmeyCespa completed an assessment of expected commercial waste arising compared against existing facilities and future facilities within a 100-mile radius, which may compete for commercial waste supply contracts.

From this data and comparison against their expected commercial waste arising they conclude that the total demand for commercial waste from competing facilities will be in the region of 685,000 tpa. Compared against the 4.2mt of suitable available commercial waste arising, AmeyCespa concluded that approximately 3.5mt will still be available to target.

The Councils' Technical Adviser (SKM Enviros) considered that the assessment provided a reasonable appreciation of the facilities that are likely to be in direct competition for waste. SKM Enviros have also recently reviewed the data on planned and proposed facilities and, assuming the same 100 mile radius, they have concluded that other plants could also now be considered.

If these additional facilities become operational then they may also be in competition for the same waste streams. However, the majority of new facilities are part of PFI procurement processes where it is assumed that the majority of the waste will be municipal in origin and the need for commercial waste will be only a relatively small proportion of the capacity of the plant. The total additional capacity is approximately 4.0 million tonnes of which it is suggested approximately 1.2 million tonnes would be commercial. This would still leave a market for 2.3 million tonnes of commercial waste in the region (i.e 3.5mt identified by AmeyCespa above less 1.2mt identified by SKM Enviros).

Attention has been drawn to local competition for waste supply from alternative waste treatment facilities, notably the Ferrybridge facility. The proposed Ferrybridge plant has yet to be built and is targeting a different waste stream than AmeyCespa. Treatment of residual waste at Ferrybridge would be dependent on additional upfront treatment of mixed waste to provide a fuel. The production cost of the fuel plus the cost of transport of the waste to Ferrybridge would need to be taken into consideration to arrive at an overall cost of waste treatment. AmeyCespa's facility at Allerton Park will be able to treat mixed and unprocessed commercial waste streams, and they are

therefore unlikely to be in competition with Ferrybridge for the same feedstock.

Other comments refer to “evidence of market saturation meaning there is not enough waste to fuel the growing regional, national and international market in waste for incineration.” This assertion is not supported by the evidence. It is widely recognised that there is a significant shortfall in residual waste treatment capacity in the UK. Indeed, an article in the June 2010 edition of the Chartered Institution of Wastes Management (CIWM) Journal (Incineration Transformation, Metcalfe, pages 46 – 49) concludes that even if all the potential incineration capacity ‘in planning’ was added to the existing capacity in the UK this would only deal with approximately 40% of all municipal waste produced in the UK. The article goes on to note that it is unlikely that all the planned facilities would be developed and estimates that if half the potential capacity was realised before 2020 then there would be capacity for approximately 26% of the total MSW waste produced in the UK.

Others have suggested that the Councils should not fund facilities that would present a commercial advantage for AC in terms of commercial waste treatment. This misunderstands the nature of the contract.

The capacity of the plant was determined by AmeyCespa taking into account the needs of the Councils and that AmeyCespa were in a competitive environment. The overall capacity of the plant is therefore a commercial issue determined by AmeyCespa as part of their tender.

The Council is not funding the facility, AmeyCespa are. The Councils are contracting to use the facility. AmeyCespa are then proposing to offer any spare capacity to local commercial customers who require a more sustainable and cost effective option than landfill. Income from commercial waste contributes to AmeyCespa’s overall income and is then used to subsidise the cost to the Councils. The net result of not providing for commercial waste, all other things being equal, would be an increased cost for councils and local businesses.