

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE**

LONDONWASTE LTD – WASTE INCINERATION DIRECTIVE - PROGRESS

**REPORT OF**

FINANCIAL ADVISER

**FOR SUBMISSION TO**

**DATE**

AUTHORITY MEETING

19 OCTOBER 2005

**1. SUMMARY OF REPORT**

This report provides a brief update on the progress being made by LondonWaste Ltd (LWL) to meet the requirements of the Waste Incineration Directive.

**2. RECOMMENDATIONS**

The Authority is requested to:-

- (i) Note the contents of this report.

Signed by the Financial Adviser: .....

Date: .....

### 3. **BACKGROUND**

- 3.1 LondonWaste Ltd (LWL) is carrying out modifications to the Energy-from-Waste facility at Edmonton in order to meet the requirements of the European Directive 2000/76/EC, the Waste Incineration Directive (WID).
- 3.2 On 9 July 2003, the Authority (in its capacity as a shareholder of LWL) agreed to give its consent to the Company to proceed with the refurbishment project and to incur such costs as are necessary to deliver the project.
- 3.3 The refurbishment option aims to ensure delivery of the NLWA/LWL main waste disposal contract until it expires in December 2014, and thereby reduces the uncertainty of future waste disposal costs over this time to the Authority and its constituent councils.
- 3.4 The Authority is not required to make any contribution towards the costs of the refurbishment other than by foregoing any dividend payments that may become payable by the Company to the Authority before 2014 (as provided for in the Joint Venture Agreement with Sita UK).
- 3.5 The project provides for the refurbishment of the 5 existing boilers to ensure that all WID emission limits are met, but by means other than the 2-second residence time in the combustion chamber. The Environment Agency (EA) has confirmed that it will grant an exemption in respect of the 2-second residence time provided the refurbishment meets all other requirements of the Directive, including all emission limits.
- 3.6 LWL tendered and selected a contractor to carry out the combustion improvements and, following an intensive period of technical evaluation and engineering design work, modification work commenced on one of the Company's five boilers on 29 March 2004. Work to boiler No. 4 was completed in August 2004.
- 3.7 Subsequently, on 13 October 2004 the Authority agreed in principle to the Company's proposed new borrowing facilities to finance the project and delegated authority to the Clerk to the Authority to convey the Authority's formal consent subject to LWL meeting the conditions that had been attached to the Authority's consent.

### 4. **FURTHER REVIEW OF PROGRESS**

- 4.1 Members will recall that work to the first boiler (line 4) was completed in August 2004 and work to a second boiler (line 3) was completed in May 2005.
- 4.2 The third boiler (line 5) was completed in July 2005.

- 4.3 On average boiler completion times have taken about one month longer than originally programmed resulting in lower than planned levels of waste incineration and therefore less of the Authority's waste has been diverted from landfill than expected. This is of particular concern to the Authority as 2005/06 is the first year of the Landfill Allowance Trading Scheme (LATS). Detailed projections and proposals are being sought from LWL to see if and how this shortfall can be remedied by the end of the financial year. If LWL cannot remedy the shortfall, the LATS scheme includes the flexibilities of "borrowing" up to 5% of next year's allowances or buying surplus allowances from another waste disposal authority. One or both of these may be necessary.
- 4.4 Work on the remaining two boilers is now well underway and the fourth boiler (line 1) is scheduled to be fully commissioned by early November. The remaining boiler (line 2) is currently programmed to be fully commissioned at the beginning of January although every effort is being made to make the boiler WID compliant by the end of December 2005. If, however, the final boiler is not fully commissioned until early January this should not be a problem as the remaining boilers will be WID compliant and able to operate within the new emissions limits which come into effect on 28 December 2005.
- 4.5 DeNOx equipment to reduce the Nitrogen Oxide (Nox) emissions to a new lower level has been installed for all boilers and is being re-tested/commissioned at the same time as each boiler is returned to operation.
- 4.6 New roller grate controls are also being fitted to all five boilers in order to improve the effectiveness of the waste combustion in the boilers, the overall throughput and the recyclability of the ash residues.
- 4.7 Although the project has suffered some delays the LWL project team has performed well in dealing with difficult working conditions, particularly in relation to managing asbestos and the need to operate within a rigorous health and safety regime whilst the remainder of the facility continues to operate.
- 4.8 In April Members were advised that as a result of a fall from a hand-railed stairway on to a concrete floor, a man in his twenties received life-threatening injuries. Nobody witnessed this incident and therefore the reason for the fall remains unknown. The incident has been the subject of a Health and Safety Executive investigation. It is understood that the Executive did not find any defects concerning the work area, particularly the handrail system that they considered to be up to required standard. The individual was unconscious for a number of months but has recently regained consciousness and is able to recognise visitors. It is understood that he has regained limited arm and hand use but has not yet spoken. Further developments will be reported to a future meeting of the Authority.

4.9 The LWL project team is currently preparing an up-to-date assessment of the project's costs but it is understood that this has now increased in value from £25m to £27m.

5. **CONCLUSION**

5.1 Despite the problems that have occurred it would appear that the WID project is continuing to proceed well. The Company remains confident that the key requirement to make the Edmonton Energy-from-Waste facility operate in compliance with WID by 28 December 2005 is achievable.

6. **COMMENTS OF THE LEGAL ADVISER**

6.1 The Legal Adviser has no comments to add to this report.

**Local Government Act 1972 - Section 100 as amended**

No documents that are required to be listed have been used in the preparation of this report: -

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