

Distribution Sub-Group (2021) Paper 07 – Energy from Waste & Anaerobic Digestion Gate Fee Support Programme Transfer for 2022-23

This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Exemplifications of changes are provided simply to inform discussion by DSG members. They are not Welsh Government proposals or statements of Government policy for or against changes.

Energy from Waste & Anaerobic Digestion Gate Fee Support Programme Transfer for 2022-23

Summary

1. The purpose of this paper is to provide the members of the Distribution Sub-Group (DSG) with the background of the Energy from Waste (EfW) and Anaerobic Digestion (AD) Programmes and to gain agreement of the mechanism for funding to be transferred into the Revenue Support Grant for the completed Local Authority projects which are now being managed as operational contracts. There is a Lead Authority in respect of payments against each project/hub within these programmes.

Views sought

2. This paper requests agreement of the mechanism for transfer of a total of £260.9m from the Resource Efficiency and Circular Economy (RECE) Budget to the RSG budget from financial year 2022/23 to financial year 2044/45. Annual Payments are made in accordance with contractual agreements with the Local Authorities. Based on the current programme the final payment is due in 2044/45.

Background

3. The Welsh Government's Waste Infrastructure Procurement Programme was established in 2008 to help Local Authorities with the affordability of securing the necessary food and residual waste treatment infrastructure to:
 - meet EU landfill diversion targets;
 - meet statutory recycling targets; and
 - avoid the risk of EU infraction fines.
4. Since 2008, the programme has become a key element of our action on the transition towards a more circular economy. For example, the EfW programme has ensured that Wales can deal effectively with our non-recyclable waste in a way that prevents it from either polluting the environment or that sees the problem being exported.
5. Robust governance was essential for the programme's success, with Local Authorities encouraged to form joint working partnerships to increase critical mass of the projects, encourage market competition, share resources and deliver enhanced value for money.

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Energy from Waste (EfW) Programme

6. In line with the waste hierarchy, the Welsh Government's preferred solution for treating waste that cannot be recycled is to use high efficiency energy-from-waste (EfW) facilities, which are able to recover electricity and heat from the material.
7. The programme was established to work with key partners, including Local Authorities, to develop regional, partnership-based solutions for more sustainable solutions to residual waste treatment than alternative disposal routes such as landfill.
8. Three residual waste contracts have been awarded by Local Authority hubs, as part of the EfW programme:

**Residual Waste Treatment
Project / Hub**

Status

Lead Authority

Prosiect Gwyrdd (5 Authorities in South East Wales) awarded a 25-year contract to Viridor.

Full services commenced at Trident Park, Cardiff, in April 2016.

Cardiff Council

The Tomorrow's Valley partnership (4 authorities, in South East Wales) awarded a 25-year contract to Viridor.

Full services commenced at Trident Park, Cardiff, in April 2016.

Rhondda Cynon Taf County Borough Council

The North Wales residual waste partnership (5 authorities) awarded a 25-year contract to Wheelabrator Technologies.

Full services commenced at Parc Adfer, Deeside, in December 2019.

Flintshire County Council

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Anaerobic Digestion (AD) Programme

9. In addition to energy from waste facilities, the Welsh Government worked with Local Authorities, to develop regional, partnership-based solutions for sustainable food waste treatment. Seven local authority-led projects successfully awarded contracts.

Food Waste Treatment Project / Hub	Status	Lead Authority
Prosiect Gwyri AD (Gwynedd Council) awarded a 15-year contract to Biogen.	Full services commenced at Llwyn Isaf, Gwynedd, in October 2013.	Gwynedd County Council
North East Wales (Denbighshire, Conwy, Flintshire) awarded a 15-year contract to Biogen.	Full services commenced at Waen, Denbighshire, in July 2014.	Denbighshire County Council
Central Wales AD Project (Ceredigion, Powys, Pembrokeshire) awarded a 15-year contract to Agrivert (now Severn Trent Green Power).	Full services commenced at Waen, Oxfordshire, in November 2012. Facility later built at Parc Stormy, Bridgend and started operating in December 2016. Facility now operated by Severn Trent Green Power.	Ceredigion County Council
Tomorrow's Valley AD Project (RCT, Merthyr Tydfil, Newport) awarded a 13.5-year contract to Biogen.	Full services commenced at Bryn Pica, RCT, in July 2015.	Rhondda Cynon Taf County Borough Council
Cardiff Organics AD Project (Cardiff and Vale of Glamorgan) awarded a 15-year contract to Kelda Organic Energy (now Welsh Water Organic Energy).	Full services commenced at Tremorfa, Cardiff, in April 2017.	Cardiff Council
South West Wales AD Project (Bridgend, Swansea) awarded a 15-year contract to Agrivert (now Severn Trent Green Power).	Full services commenced at Parc Stormy, Bridgend, in August 2017.	City and County of Swansea
Heads of the Valleys (Blaenau Gwent, Torfaen, Monmouthshire) awarded a 15-year contract to Agrivert (now Severn Trent Green Power).	Full services commenced at Parc Stormy, Bridgend, in April 2018.	Blaenau Gwent County Borough Council

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Gate Fees

10. Gate fees are charged by waste management companies for the services provided in treating and managing waste. The fee can be charged per load, per tonne, or per item depending on the source and type of the waste.
11. Within waste treatment facilities such as EfW or AD plants, a gate fee offsets the operation, maintenance, labour costs, financing and capital costs of the facility along with final disposal costs of any unusable residues.
12. Dependent on the scale and cost of developing facilities, typically contracts run for between 15 to 25 years to enable the contractor to recover the costs of building the plant. Contracts lengths of 15-years for AD facilities and 25-years for EfW facilities are industry standard due to the respective costs incurred in building the facilities. Where facilities are developed on a reverting public ownership basis at contract end, the full capital cost of facilities is built into gate fees and included in service payments made by Local Authorities. Payments over this contract length help with the public affordability of these solutions.
13. The Welsh Government agreed to provide revenue support in each contract year to help local authorities with the affordability of gate fees.
14. The table below provides the forecast programme support agreed from the proposed transfer date 2022/2023 to 2044/45. The Welsh Government contribution approximates to 25% of the net present value of the total gate fees

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**Forecast programme support for both EfW and AD Projects to 2044/45
WG Revenue Contribution (Gate Fees) to Lead Authority (£m)**

Year	Flintshire County Council (EfW)	Cardiff Council (EfW)	Rhondda Cynon Taf County Borough Council (EfW)	Gwynedd Council (AD)	Rhondda Cynon Taf County Borough Council (AD)	Ceredigion County Council (AD)	Denbighsh ire County Council (AD)	City and County of Swansea (AD)	Blaenau Gwent County Borough Council (AD)	Cardiff Council (AD)	Total (m)
2022/23	5.6	4.3	2.3	0.1	0.1	0.2	0.1	0.1	0.1	0.3	13.2
2023/24	5.6	4.3	2.3	0.1	0.1	0.2	0.1	0.1	0.1	0.3	13.2
2024/25	5.6	4.3	2.3	0.1	0.1	0.2	0.1	0.1	0.1	0.3	13.2
2025/26	5.6	4.3	2.3	0.1	0.1	0.2	0.1	0.1	0.1	0.3	13.2
2026/27	5.6	4.3	2.3	0.1	0.1	0.2	0.1	0.1	0.1	0.3	13.2
2027/28	5.6	4.3	2.3	0.1	0.1	0.1	0.1	0.1	0.1	0.3	13.1
2028/29	5.6	4.3	2.3	0.1	0.1	Nil	Nil	0.1	0.1	0.3	12.9
2029/30	5.6	4.3	2.3	Nil	Nil	Nil	Nil	0.1	0.1	0.3	12.7
2030/31	5.6	4.3	2.3	Nil	Nil	Nil	Nil	0.1	0.1	0.3	12.7
2031/32	5.6	4.3	2.3	Nil	Nil	Nil	Nil	0.1	0.1	0.3	12.7
2032/33	5.6	4.3	2.3	Nil	Nil	Nil	Nil	0.1	0.1	Nil	12.4
2033/34	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2034/35	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2035/36	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2036/37	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2037/38	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2038/39	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2039/40	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2040/41	5.6	4.3	2.3	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.2
2041/42	5.6	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	5.6
2042/43	5.6	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	5.6
2043/44	5.6	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	5.6
2044/45	4.0	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	4.0
Total	127.2	81.7	43.7	0.7	0.7	1.1	0.6	1.1	1.1	3.0	260.9

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For agreement by the Distribution Sub-Group

15. We are seeking agreement from the DSG on the following:

- For the proposed £260.9m transfer into the RSG to be payable to the Lead Local Authorities and distributed according to the contractual agreements (from financial year 2022/23 to financial year 2044/45) and payment profile outlined in the table above.

**Resource Efficiency & Circular Economy Division
Welsh Government**