

# **STATES OF JERSEY**



## **COMMITTEE OF INQUIRY: ENERGY FROM WASTE PLANT PROCUREMENT PROCESS (P.139/2008) – COMMENTS**

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**Presented to the States on 14th October 2008  
by the Minister for Transport and Technical Services**

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**STATES GREFFE**

## COMMENTS

### Executive Summary

All key questions raised in the proposition are addressed in this response.

Contrary to Deputy Baudains' inference, the OJEC (Official Journal of the European Community) process is the most fair and open process for large-scale procurements in the European context.

The OJEC notice issued in relation to the procurement was not unduly restrictive as was evidenced by the Expressions of Interest received, which included many alternative technologies.

There was no bias in favour of incineration – instead an open and fair appraisal of all waste treatment technologies was carried out throughout the procurement process.

The process took full account of trends in waste management as evidenced by the decision by the Minister for Transport and Technical Services to reduce the capacity of the plant in the light of latest information.

A full and rigorous appraisal was undertaken by Transport and Technical Services throughout a lengthy procurement process to demonstrate value for money, as evidenced by the Cost Comparison Report appended to P.72/2008 "Energy from Waste Facility: establishment and acceptance of tender".

The other assertions made by Deputy Baudains in his accompanying report are factually incorrect and refer to facilities that would not meet the specification required to deal with Jersey's waste.

Members are therefore urged not to support this proposition as the questions have already been debated several times, or are addressed within this response.

#### (a) Was OJEC Notice the most appropriate way to encourage Expressions of Interest?

Deputy Baudains appears to be questioning whether one of the most widely used procurement routes in Europe was the most appropriate way to attract the waste industry to Jersey. The OJEC notice has been in use within EU member states since 1952 and is used not only for major construction projects, but for many other forms of large-scale, competitive procurement routes such as bus and train franchises and major supply contracts.

The question whether this was the most appropriate way to encourage Expressions of Interest from major European suppliers of waste treatment technology is refuted, as it is so widely used by industry and is recognised as giving all potential suppliers a fair and open opportunity to put their companies forward for new projects.

#### (b) Was the OJEC Notice issued unduly restrictive?

The wording of the OJEC notice issued in August 2003 was only agreed by the Public Services Committee after several revisions and detailed input from Deputy Duhamel who was a Committee member at that time.

Within the notice, there are 2 key paragraphs which set out the purchaser's requirements and for clarity, these are printed below.

#### *II.1.6 Description of Plant*

*Design, supply, construction, installation, commissioning and testing of an Energy from Waste Plant.*

*The Plant is to have two streams or processing lines each capable of processing approximately 10 tonnes of waste per hour, with power generation. The waste to be processed will include municipal, industrial and commercial waste including for example shredded bulky items, tyres and dried sewage sludge.*

#### *III.2.1.3 Technical Capacity – Means of Proof Required*

*It is essential that the contractor is capable of designing, constructing and commissioning a suitable plant able to meet the process demands using a proven technology. Details of the technology proposed are to be submitted. A reference list providing details of similar installations of equivalent capacity that have been successfully completed by the contractor should be provided as evidence, along with details of the technology to be used. As a minimum, details including waste type, capacity and actual annual throughput shall be provided for two plants of a similar size, using the same technology, processing similar wastes, that have been in operation for two years.*

From the above description it is clear that the Committee was requesting an energy from waste solution, but it was not prescriptive in any way about what form this process should be.

Some Members might mistakenly consider that an Energy from Waste plant means an incinerator of conventional design, but in industry terms, any form of waste treatment operation that creates energy in the form of electricity or heat from a waste source can be classified as energy from waste. For example, anaerobic digestion of organic waste produces methane gas, which is then used to produce energy in the form of electricity or heating water for process plant, etc. The same can be said for many other 'alternative technologies' that have been promoted over the past decade.

Irrespective of this definition, the waste treatment industry clearly did not view the 2002 OJEC notice as being too restrictive, as 9 Expressions of Interest were received, which included anaerobic digestion, gasification and pyrolysis, autoclaves as well as conventional moving grate incineration technology.

(c) Was there a bias in favouring incineration against alternative technologies?

It is clear from the original Expressions of Interest that the wording of the OJEC notice did attract alternative technologies. The procurement process then considered whether these technologies complied with paragraph III.2.I.3 of the OJEC Notice in that they could demonstrate they were proven technology, operating 2 reference plants of similar capacity to the Jersey requirement for 2 years on similar waste.

Throughout the various discussions with the Shadow Scrutiny Panel and the main Scrutiny Panel and in the States debate, very few States Members have ever spoken against these criteria as being an appropriate safeguard for Jersey given that there is no alternative way of processing waste if the plant fails to perform.

Members will recall that during the Solid Waste Strategy debate (P.95/2005), the President of the Environment and Public Services Committee gave an assurance to Members that a report would be published outlining all of the conventional and alternative technologies considered and whether they were appropriate for Jersey.

The initial Babbie Fichtner Technology Review Report, published in October 2005, considered 59 technologies and was circulated to all States Members. It was updated to include all of the technologies that had been put forward by companies for consideration by Transport and Technical Services since the original Technology Report had been completed and re-issued to States Members prior to the debate of P.72/2008: Energy from Waste Facility: establishment and acceptance of tender as P.72/2008 Add. The updated Technology Review Report concluded that, although several new technology companies have emerged onto the market since 2005, none are sufficiently proven or have offered a viable solution for the whole of the Jersey waste stream.

(d) Did the procurement process take account of the trends in waste management in light of expected lifespan of the plant?

The original plant capacity of 126,000 tonnes per annum set out within the Solid Waste Strategy 2005 was designed having taken into account the waste composition on Jersey, a recycling target of 32% and the predicted number of households anticipated over the life of the plant, based upon information used to inform the Island Plan 2002 and the outcome of the Housing Needs Survey 2005.

Having regularly reviewed the trends in waste management since 2005 and, having taken into account the good public response to recycling, coupled with the reduced growth in household numbers, anticipated within the

Housing Needs Survey 2007, the Minister for Transport and Technical Services agreed to reduce the size of the proposed Energy from Waste plant and increase the recycling target to 36%. This matter was fully considered by States Members when debating P.72/2008.

Whether a new and innovative technology will come to the market within the 25 year life of the plant that will radically change the way in which Jersey, the UK and Europe manage their waste is not possible to predict.

However, despite the £30 million invested by the UK government to review and promote alternative technologies in 2003 under its New Technologies Demonstrator Programme, it is clear that while some new technology suppliers have benefited from the investment in certain conditions, no new technology types have emerged beyond those already considered within the procurement process.

The majority of new plants being specified in the UK call for conventional moving grate technology. All of these plants will have a 20-25 year lifespan. Given the outcome of the UK New Technologies Demonstrator Programme, the requirement for Jersey to have proven technology and the lack of any new technology type emerging in the market that has been proved, the procurement process undertaken is considered robust.

(e) What steps were taken to ensure that the new plant represented best value for money?

When the States considered and approved P.72/2008 “Energy from Waste Facility: establishment and acceptance of tender” Members were provided with, as an Appendix to the Report and Proposition, a Cost Comparison Report that considered alternative technology options for Jersey. It was clear that the preferred solution of realistic recycling with an Energy from Waste facility for treatment of residual waste, provided the best value when all capital and revenue costs had been accounted for over the 25 year life of the proposed facility.

Deputy Baudains’ report, accompanying the Proposition, makes specific reference to one supplier who did not respond to the original OJEC notice and who has never contacted the Department or their technical consultants in relation to the Jersey project. Deputy Baudains’ report also contains some factually inaccurate statements which need to be addressed.

(i) Deputy Baudains states that countries are moving away from mass-burn conventional systems to new technologies.

In the UK there are many major waste projects progressing to enable Councils to meet their obligation of achieving the European Landfill Directive target of reducing the amount of biodegradable waste sent to landfill to 35% of 1995 levels. The driver for the UK and Europe is reducing the creation of greenhouse gases from organic waste decomposing in landfill, which is very different to Jersey’s requirement. However, mass-burn “energy from waste” plants remain the leading process that other jurisdictions are choosing to meet their Landfill Directive targets.

Throughout Europe, there are numerous examples of mass-burn energy from waste plants being installed – it is not an outdated technology. In most countries these plants are being used to burn residual waste, that is, the waste remaining after sensible levels of recycling, exactly as proposed for Jersey. However, the technology most widely-used is the well-proven grate, or so-called “mass-burn” technology. It should be noted that the technology supply company highlighted by Deputy Baudains has supplied many plants to burn waste, and the vast majority of these are the same grate based “mass-burn” solutions which he claims countries are moving away from.

(ii) Deputy Baudains states that a world-renowned firm willing to supply a plant for £68 million was “put off” by the Transport and Technical Services Department’s consultants.

This is an inaccurate statement. The technology supply company referred to by Deputy Baudains have never contacted Transport and Technical Services or its consultants with regard to the Jersey project. An intermediary company who claimed to have the rights to represent this main technology supply company

has contacted the Department on a number of occasions throughout a 4 year period. This intermediary never took up the offer of a meeting with TTS to understand the overall requirements of the project and did not submit a formal Expression of Interest to prompt consideration within the pre-qualification process, and at no time provided anything more than a 2-3 page email outlining how it could provide a solution for the quoted £68 million.

In order to assess the true and accurate position as regards the main technology supply company, who are very well-respected in the waste industry, their Sales Director was contacted directly by the Transport and Technical Services Department's technical consultants to ascertain their precise involvement. Their response confirmed that they had passed information to the intermediary company relating to 2 of their plants built in Sweden. A simple investigation carried out by an Internet search of the 2 named plants identified that the main comparison plant was in fact designed to burn fuel based primarily on virgin wood and waste wood chip. It has also been designed to burn refuse-derived fuel (RDF). From information on the technology supplier's website, it appears that their scope of supply for this single-stream plant was for the fuel-handling system, combustion grate, boiler and control system only. There is no reference to the electrical generation equipment, waste sorting facility to produce Refuse-Derived Fuel or the many other major infrastructure requirements or the main building to house such a facility.

The response from the main technology Supply Company Director states "... we are unaware of the content of the tender material for Jersey, and have no information that may justify whether these costs (the £60 million quoted within Deputy Baudains' proposition) are applicable for the Jersey project."

The Director of the Main Technology Supply Company goes on to state that there is no consortium led by his company for the Jersey project, but he was aware that the intermediary company had investigated the cost of supplying a mechanical biological treatment plant (MBT) that would provide a fuel source that would in turn be fed to one of their mass-burn plants.

The main technology supply company would be seen as a direct competitor to the successful preferred and reserved bidders for the Jersey project, as their facilities would be of a similar size to the new Jersey plant. The installed technology and flue gas treatment plant would be broadly the same which suggests, for a 2-stream plant with all of the associated infrastructure, their price would not have been dissimilar to the tenders received. There would of course be significant additional capital and operating costs due to the additional waste processing plant which would produce the refuse-derived fuel. This plant would also generate other waste streams which would require disposal, as the refuse-derived fuel consists normally of the paper and plastic fraction of municipal waste, typically only 40-50% of the incoming waste. No mention is made of how the Island would dispose of the remaining waste rejected from the refuse derived fuel.

It is therefore extremely difficult to see how the intermediary company could offer any form of accurate price without knowing the Jersey specification and only having corresponded by e-mail.

Deputy Baudains states that he contacted the main technology supply company that had been asked to supply an old-fashioned plant (albeit against their better judgement).

This company have never been asked to provide a plant via Transport and Technical Services or their consultants. Therefore, to imply they had been asked to supply an old-fashioned plant is simply misleading.

Deputy Baudains asks why Jersey has committed £102 million when the same plant (by a firm which has built hundreds of them) could have been supplied for £60 million.

Deputy Baudains fails to recognise that the total price for the Jersey project is for a 2-stream facility and includes enabling works such as new road access, connection to the Jersey Electricity Company chimney and cooling water system and professional fees, etc. In addition, the new facility at La Collette will include a new refuse pre-treatment plant and landscaping to the area, none of which appear to have been factored into the Deputy's calculations.

From the above examples it is clear that Deputy Baudains has only been in possession of part of the facts, and both he and the intermediary company have completely failed to take steps to fully understand the scope of the supply for the Jersey project. It is clear that the main comparison plant mentioned in the Report and Proposition is very different in scale and operation to that proposed for Jersey.

### Conclusions

All key questions raised in the proposition have been addressed in this response.

A full and rigorous appraisal was undertaken by Transport and Technical Services throughout a lengthy procurement process. This was overseen by political representatives on the Solid Waste Strategy Steering Group and a Project Board in full compliance with the States Standing Orders.

The evaluation process has been subject to review by the States Internal Audit function who confirmed that the financial advice was consistent with best practice and sufficient to provide an adequate basis for the assessment of tenders and financing options.

The assertions made by Deputy Baudains in his accompanying report are factually incorrect and where he has referred to alternative plants, the pricing information he has obtained refers to facilities that would not meet the specification required to deal with Jersey's waste. Comparing a single-stream wood-burning plant with no pre-treatment facility to the Jersey requirements of dealing with municipal and commercial waste is simply inappropriate and misleading to Members.

Members are therefore urged not to support this proposition as the questions have already been debated several times, or are addressed within this response.

### **Financial and manpower implications**

The cost for a Committee of Inquiry is likely to be significantly higher than those proposed by Deputy Baudains. A consultant or specialist with the requisite knowledge to understand the waste industry is unlikely to be available for less than £1,000 per day, not including travel and accommodation expenses. When these costs are taken into account, the time available for a specialist to do the necessary research, attend public hearings and then provide a detailed response would be extremely limited and unlikely to be achieved within the budget proposed by Deputy Baudains. In addition, the costs for Committee Clerks and support, etc., are not shown.