



Environmental Infrastructure procured with Private Finance: Contract Solutions in the UK

John Redmond

September 2008

Top-ranked in
CHAMBERS



Osborne
Clarke







EU Directive 1999/31

- The Landfill Directive
- Target: to achieve a reduction of 65% in Biodegradable Municipal Waste ("BMW") going to landfill by 2016



How are we doing?

- Countries landfilling less than 35% of BMW:
 - Denmark, Austria, the Netherlands, Belgium (part)



How are we doing?

- Countries landfilling less than 35% of BMW:
 - Denmark, Austria, the Netherlands, Belgium (part)
- Countries landfilling 35% - 75% of BMW:
 - France, Finland, Norway, Germany, Italy



How are we doing?

- Countries landfilling less than 35% of BMW:
 - Denmark, Austria, the Netherlands, Belgium (part)
- Countries landfilling 35% - 75% of BMW:
 - France, Finland, Norway, Germany, Italy
- Countries landfilling more than 75% of BMW:
 - Spain, Portugal, Ireland, UK, Greece

By 2009

Osborne
Clarke



Target: landfilling to be reduced to 75% of
BMW produced in 1995

(but Greece and UK have until 2013!)



By 2020

- UK must spend £11 billion
- Estimate doubled in 2 years



The Problem of the 1990s

- Public Sector Net Investment down
- Public Sector fixed capital formation down from £50 billion (1976) to £18 billion (1997)
- Schools, hospitals, road and rail systems in crisis
- Waste: low priority



The Solution

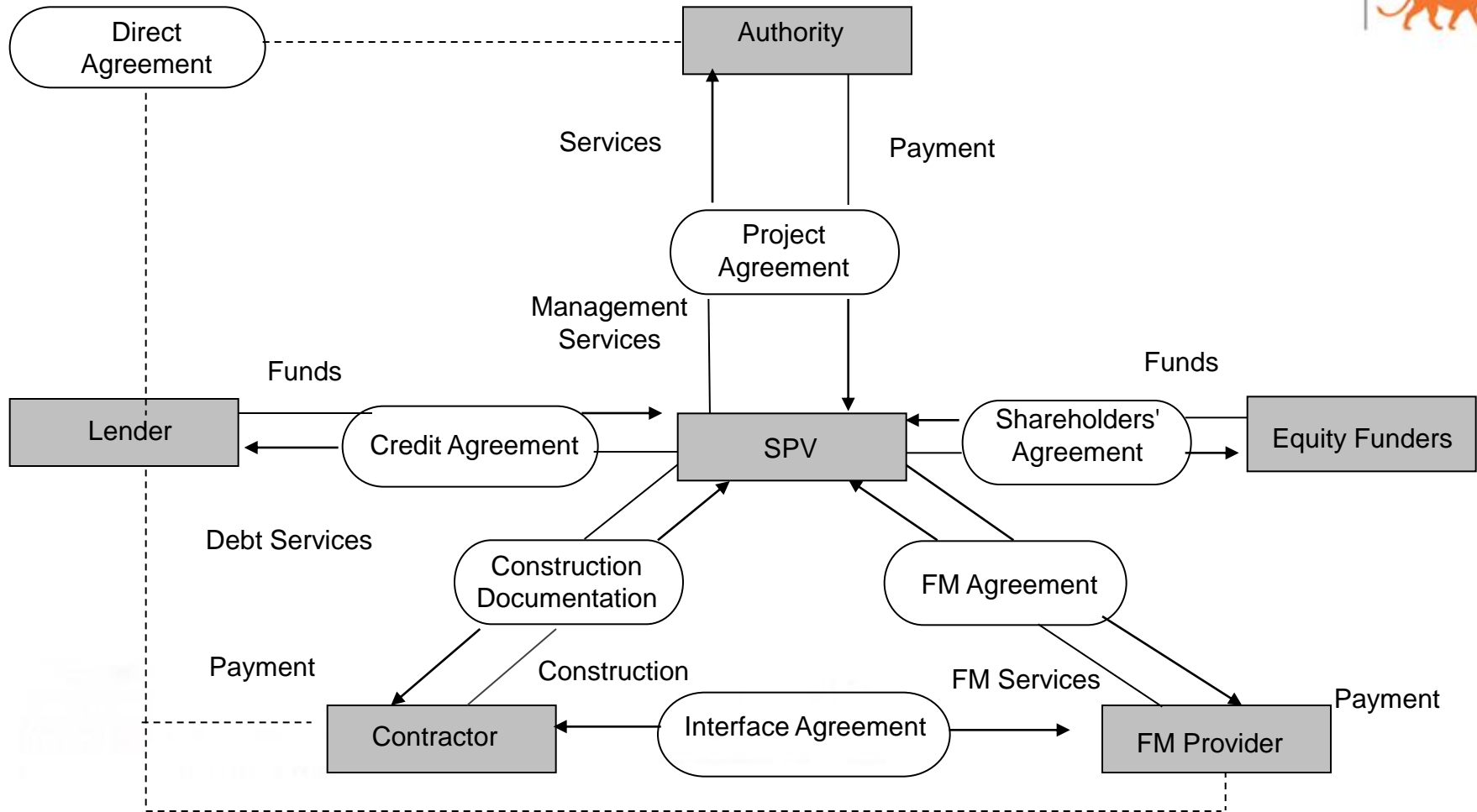
- The Private Finance Initiative
- 1997 – 2008, 632 transactions
- Total value £58.5 billion



PFI – the benefits

- Maintaining service standards
- Services start on time
- Better use of public money
- Incentive to deliver over whole life
- Better understanding of cost
- New ways of working

Deal Structure - PFI





Difficulties

- Planning
- Waste composition and volume
- Technology and bankability
- Market for refuse derived fuel
- Law
- Time



Going forward

- 15 waste projects through PFI in 10 years
- 18 projects in construction
- 9 projects being considered
- 12 projects proposed

- Of £11 billion needed, 50% to be raised through PFI