

4.2 ADVANCED WASTE PROCESSING SPECIAL PURPOSE VEHICLE (SH: ENV 17)

Responsible Manager: Simon Hill

Responsible Director: Ossie Martinz

RECOMMENDATION

That Council:

1. *Supports participation in a Special Purpose Vehicle for purposes of entering appropriate contract arrangements for Advanced Waste Processing.*
2. *Supports a financial contribution by Monash to the Metropolitan Waste and Resource Recovery Group for the establishment of a Special Purpose Vehicle, site selection and planning approvals of approximately \$43,750 to \$54,375.*
3. *Supports officers continuing to advocate to relevant state bodies including the Minister for Energy, Environment and Climate Change, for funding from the Sustainability Fund to be allocated to this project.*
4. *Supports the Chief Executive Officer to provide informed advice to the Metropolitan Waste and Resource Recovery Group regarding tender criteria, including price parameters.*
5. *Authorises the Chief Executive Officer to execute the relevant documents for participation in the Special Purpose Vehicle and financial contribution as may be required during the procurement process.*
6. *Notes that a further comprehensive report detailing key tender criteria, including financial and environmental outcomes, will be brought back to Council for approval prior to committing to the full tender process.*

PURPOSE

This report seeks authority from Council for Monash to join a Special Purpose Vehicle (SPV) comprised of a collective of South East Councils prior to and in preparation for entering into contract arrangements with the successful Advanced Waste Processing (AWP) tenderer and to contribute appropriate costs for its establishment and site selection as detailed. Also to note that a further report will be brought back to Council for consideration detailing key tender criteria prior to Monash committing to the full tender process.

INTRODUCTION

Council currently disposes of its putrescible kerbside waste at Cleanaway's Lysterfield Transfer Station and its hard waste at Suez Landfill in Hallam. It is likely that these arrangements will continue for several years until alternatives to landfills are made available. It is preferable to find an alternate to landfilling our waste and the

Metropolitan Waste and Resource Recovery Group (MWRRG), along with 16 South East Councils are involved in a procurement process to establish Advanced Waste Processing (AWP) facilities made available by 2025.

BACKGROUND

In April 2019 Council resolved to:

1. *Notes the advanced waste processing confidential summary business case;*
2. *Notes the formation of a Special Purpose Vehicle as the preferred contract model for the establishment of advanced waste processing facilities;*
3. *Advises the Metropolitan Waste and Resource Recovery Group that it wishes to participate in an expression of interest for advanced waste processing including further expenditure for a special purpose vehicle, as outlined in the business case and authorises the Chief Executive Officer to sign the relevant documents;*
4. *Notes that any contractual arrangements will be brought back to council for approval.*

In September 2019, the 16 councils listed below signed a Management Deed with MWRRG to participate in a collaborative procurement process for AWP solutions to divert waste from landfill through resource recovery.

Participating Councils - Bayside, Boroondara, Cardinia, Casey, Greater Dandenong, Kingston, Monash, Whitehorse, Frankston, Glen Eira, Knox, Manningham, Maroondah, Mornington Peninsula, Stonnington and Yarra Ranges.

ACCC authorisation

The councils and MWRRG received authorisation from the Australian Competition and Consumer Commission (ACCC) in January 2020 to conduct the collaborative procurement.

Further, in July 2020 Council resolved to:

1. *Notes the progress of the Advanced Waste Processing collective procurement process.*
2. *Supports the participation in Stage 2 of the collective procurement process, detailed solution development.*
3. *Notes that a further report detailing formal arrangements for participation in the Special Purpose Vehicle and contract will be brought back to Council for approval.*
4. *Notes that this report includes a comprehensive assessment of:*
 - *the financial impacts to Council;*
 - *greenhouse gas emissions generated by the proposal(s) compared to business as usual; and*
 - *any waste to energy and/or combustion technology to be utilised as part of the proposal(s).*

Creation of a Special Purpose Vehicle (SPV)

In preparing the Regional Business Case, MWRRG sought advice from Holding Redlich with respect to establishing an arrangement for an advanced waste processing solution that would serve multiple councils. Holding Redlich recommended that the councils establish a Special Purpose Vehicle in the form of a company in which the participating councils hold shares. An SPV would provide the following benefits:

- it would bring economies of scale to the contract (by aggregating demand) and be attractive to the market as a contracting entity;
- rather than dealing with large numbers of individual councils, the private sector can deal with one entity - this simplifies several issues from a legal and financing perspective, which facilitates the contract management process;
- it provides the vehicle to attract investment from other levels of government;
- it is easier to facilitate decision-making and administration between the councils with a clear decision-making structure;
- it will limit a Council's liability to its shareholding in the SPV, protecting the Council's financial position and wider asset pool; and
- the SPV can own, operate or apply for planning permission for a facility.

MWRRG and its advisors have since worked with a sub-set of officers from the Working Group to develop a draft shareholder agreement and a draft constitution. The next steps include seeking formal endorsement of these documents from the Working Group, and then seeking formal commitments from each council prior to commencing the statutory process to establish the SPV.

DISCUSSION

Given the size of the AWP procurement, the use of an SPV is essential for participating councils to be able to enter into an agreement with the private sector for AWP establishment. The new Local Government Act 2020, commencing 1 July 2021, allows Council to establish beneficial enterprise arrangements with other councils, private enterprise or other levels of government providing the enterprise is consistent with the role of a council.

Each council will be a shareholder to the SPV and a shareholder agreement will determine governance arrangements as appropriate.

The collective councils have also agreed, under guidance from the MWRRG, that it is preferable to be involved in site selection and preliminary planning approvals for the AWP facility. This will help speed up the siting and approvals processes.

There will be costs in the establishment of the SPV and for preliminary site selection and planning approvals.

SOCIAL IMPLICATIONS

The provision of AWP facilities will enable Council to continue to provide the essential waste collection and disposal services for the community in a more sustainable and responsible manner.

POLICY IMPACTS

The provision of AWP facilities supports the following Council Objective:

A Liveable and Sustainable City – Delivering responsible and sustainable waste management services.

It also aligns with the:

Waste Management Strategy 2017 for the provision of kerbside waste collection services. *Action - The Waste Management Strategy aims to reduce waste sent to landfill to minimise the costs of waste disposal to the community.*

Waste Management Strategy 2017 item 5.8 aims to minimise reliance on landfills and reduce the need for large transportation distances for waste disposal. *Action – New technologies, Council to work with industry and State Government to promote investment in alternative waste management options, including Waste to Energy.*

Waste Management Strategy 2017 KPI 1, Waste Diversion Rate. Current 51%. Target 60% by 2022 and 75% by 2027. The success of recycling and Fogo plus finding alternates to landfill is essential for Council to meet this KPI.

It also aligns with the Circular Economy Policy.

As part of Recycling Victoria, waste to energy solutions will play a significant role in achieving the Victorian Government's new target to divert 80 per cent of household waste from landfill by 2030. Best outcomes will be achieved by minimising our waste, reusing and recycling, including separation of food and green waste for composting. What is left over can go to advanced waste processing which is more productive than burying it in the ground. The Victorian Government supports waste to energy projects where they create clear net benefits and complement efforts to reduce or recycle waste.

The advanced waste processing procurement will ensure any facilities:

- meet best-practice environment protection requirements and energy efficiency standards;
- reduce the amount of waste sent to landfill;
- do not displace or inhibit innovation to reduce or recycle efforts;
- reduce greenhouse gas emissions compared to the waste and energy services they displace; and
- have sustainable business models creating new jobs and economic development in local communities.

FINANCIAL IMPLICATIONS

It is estimated by the MWRRG that a total cost for establishment of the SPV, site selection and planning approvals will be \$700,000 to \$870,000. This will be evenly distributed amongst participating councils. Currently, there are 16 participating councils, so Monash will be asked to contribute between \$43,750 and \$54,375. There are no other anticipated costs associated with this project as the establishment of a facility will be fully financed by the successful bidder/s.

A number of agreed criteria will also need to be decided on by collective councils for inclusion within the tender documents, including gate fee parameters (price) and CEOs will be asked to provide such advice at upcoming AWP meetings.

CONCLUSION

That Council supports Monash participating in the SPV and contributing costs as detailed, noting that a further comprehensive report detailing key tender criteria, including financial and environmental outcomes, will be brought back to Council for approval prior to committing to the full tender process.