

SELCHP Extension Report

Appendix 3: SELCHP Summary history

This note sets out a short background to SELCHP.

During the 1980s the main route for waste disposal was Landfill, there was little to no environmental legislation guiding local authorities away from landfill and no government direction in terms of recycling. Waste management was limited to the lowest possible economic cost, with little emphasis placed on the long-term effects on the environment.

It did however become clear during this time that there was limited capacity in the UK's landfill sites, and that by the late 1990s space within these sites would be inadequate for the UK's disposal needs.

Alternative treatment facilities for waste disposal did not exist at this time due to the reliance on landfill. This meant that there was not a huge pool of organisations that would have had the capacity to develop a Combined Heat and Power (CHP) plant in London or the UK. The idea of developing a CHP plant was facilitated and pushed forward by the South East London Waste Disposal Group (SELWDG). As a result, there would have been limited options for running a competitive tender as the lack of legislative environment meant that the market and therefore competition simply did not exist.

Under the terms of the Local Government Act 1983, responsibility for waste regulation and disposal was devolved to individual Local Authorities from 1st April 1985. Section 10 of the Act required Local Authorities to make arrangements in order to obtain the efficient and economical discharge of those functions.

RB Greenwich, LB Lewisham and LB Southwark (Southwark did not continue with agreement) agreed to form the South East London Waste Disposal Group Agreement (SELWDG), to meet the requirements for co-operation to waste disposal laid down by the Department of Environment, (under section 101 of the Local Government Act 1972). SELWDG was established November 1985 - to carry out waste disposal functions that were stipulated under Section 2 of the Control of Pollution Act 1974.

SELWDG was responsible for preparing a 10-year plan for waste disposal. As part of the plan, SELWDG commissioned the London Waste Regulation Authority (LWRA) to conduct a strategic study of waste disposal options. The report published in September 1986 concluded that a refuse-fired combined heat and power (CHP) scheme would be the most cost-effective option. A supplementary study on CHP options and design study completed by W.S Atkins & Partners confirmed the findings of the first study. The study also focused on locations of proposed sites.

Mindful of the then-Government's desire for private sector involvement in major capital ventures, Lloyds Merchant Bank was appointed as financial consultants to seek a way forward. It was established that there were two main ways in which a joint venture could be achieved.

1. Seek passive investors (e.g. Capital venture firms) who would be prepared to fund such a project, but would have the drawback of seeking high returns
2. Active investors who have other interests in the project other than their rate of return.

The second type of approach was identified as the most appropriate for the SELWDG project and was an approach that had been used successfully by the City of Leicester.

SELWDG invited 6 suitably qualified industrial companies to become members of the consortium together with the London Electricity Board, Central Electricity Generating Board and Lloyds Bank, who acted as financial advisors to develop the CHP scheme.

Formation of the project company – SELCHP Ltd – occurred in August 1990. The company structure consisted of 2 major shareholders AMS (CGC) & Martin Engineering (CNIH) and 4 minor shareholders – Lewisham, London Electricity, John Laing and ISS Mainmet. 7 Directors.

The following Environmental constraints for waste sent to Landfill long term were raised in 1990:

- May 1990 Proposed EPA makes provision for and encourages LA's to recycle the energy from waste to produce electricity which produces a saving in natural source.
- SERPLAN – identified a shortfall in void space in the South East of England for landfill and the space available would reflect an increase in commercial value in the long term.
- Proposed legislation relating to improved operating conditions and aftercare arrangements of landfill sites.
- And the general view within the industry at this time was the effect of such legislation was that prices would increase.

Lewisham and Greenwich sent their waste to Landfill at Stone near Dartford. The site was expected to be full by the end of 1989.

SELWDG considered alternative options, centred on landfill to reassure itself that a CHP project was viable and the most effective solution for long term waste disposal obligations. SELWDG concluded that in addition to the use of non-fossil fuel, employment and urban renewal advantages, the project offered a cost-effective method of waste disposal.

Further cost analysis was carried out, comparing cost for incineration and landfill.

Quotes from 3 private companies were sought in August 1990 from private waste disposal contractors, based on a 20 year contract, with gate fee to be indexed to take account of national price movement in various elements e.g. labour, transport, materials etc. Due to the number of conditions and risk, the length of contract was decided to be 30 years.

Planning permission granted May 1990 (subject to conditions).

The SELCHP Facility was opened in November 1994. Originally, the Plant extracted energy from all of the post-recycling waste of Lewisham and Greenwich, and it now processes waste from several other London Boroughs as well. In 2015, more than 40 of these plants operated in the British Isles.

The Operator in 2001 was Onyx Selchp which was originally part of a group of companies called Vivendi Environment. Vivendi Environment renamed to Veolia Environmental in 2003.

The partners in SELCHP currently are Veolia; Icon Infrastructure; EDF Energy; ENER-G; John Laing; and LB Lewisham & RB Greenwich (who hold a very small shareholding interest)

Subsequent Legislation

In 1996 the Landfill directive introduced Landfill Tax which facilitated a levy on all waste sent to Landfill on or after 1st Oct 1996. This rate increased significantly in 2011-12 with the introduction of the landfill Tax Escalator. This tax resulted in the gate fee for landfill becoming much higher than the SELCHP gate fee.

Concurrently the Government introduced the Household Waste and Recycling Act 2003 requiring all Local Authorities to collect at least two types of recyclable materials from the kerbside and the first national targets measuring recycling rates followed in 2004-5. Also, in 2003 the Waste Emissions Trading Act was introduced, setting limits on the amount of Biodegradable waste that Local Authorities could send to landfill. In recent years the Waste Framework Directive 2008 has been transposed into UK law under the Waste Regulation 2011 with the focus on developing Europe into a recycling society.