

# Javelin waste PPP's prolonged development

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22/04/2015

The initial plan for the Javelin waste-to-energy PPP, in Gloucestershire, England, is at least nine years old. But a string of setbacks – including the loss of government financing and lengthy appeals processes – has left the project closer to early development than operation.

The project's future now rests with the UK High Court, which is to hear an appeal of Javelin's governmental approval in June 2015. If the court upholds the project's approval, Javelin will simply need to finalise funding arrangements to begin construction.

## Repeated setbacks

In 2006 the Gloucestershire County Council began considering its options for a waste treatment plant. Potential technologies included mechanical biological treatment and combined heat and power.

The county launched a tender on the Official Journal of the European Union for the project in 2009, two years before it shortlisted two bidders, [Complete Circle, a consortium of John Laing, Keppel Seghers and United Utilities, and UBB](#). Soon after, UBB – a 70:30 joint venture of Urbaser and Balfour Beatty – was chosen as [preferred bidder](#) for the project.

By the time of UBB's selection, Javelin was already encountering headwinds.

Gloucestershire had obtained £92 million (\$138 million) in project finance initiative (PFI) credits for the project in 2008, from the government of then-Prime Minister Gordon Brown. But the Department for Environment, Food and Rural Affairs in 2010 revoked credits that had been awarded to several projects, including Javelin, amid widespread spending cuts imposed by the new coalition government.

Javelin encountered further delays in early 2012 when the Gloucestershire County Council held a scrutiny meeting to assess whether the [decision to choose the UBB consortium as preferred bidder was justified or not](#). The project passed the scrutiny phase – the [committee found no grounds to overturn the decision](#) – and [UBB was officially awarded the contract in September the same year](#).

But the project was still in doubt. In March 2013 the authority's planning arm [unanimously rejected Javelin](#). The project was rescued in January 2015 when Secretary of State for Communities and Local Government Eric Pickles [granted it approval](#). Shortly thereafter, Stroud District Council responded with a Section 288 challenge (a relatively obscure appeal issued to try to overturn the decision of a planning inspector or the secretary of state).

The challenge, if unsuccessful, will likely be the final obstacle for Javelin. The High Court is scheduled to hear the challenge on 25 June, and may make a ruling that same day.

## The appeals process

The Stroud District Council – part of the Gloucestershire council region – [appealed Pickles' approval in February 2015](#) with the Section 288 challenge. The appeal specifically challenges Pickle's decision – not the plant itself. But if the appeal is successful, Javelin's prospects will surely dim.

The council questions whether project-related aesthetics were properly considered – and whether Javelin would spoil the view of its immediate surroundings in Haresfield, where it would process up to 190,000 tonnes of waste annually.

But a January 2015 report by the Department for Communities and Local Government states that Javelin's design proposal would minimally affect the landscape. And a source close to the appeals situation suggests that that the "current working assumption is that the challenge to the secretary of state's decision won't be successful."

At least one project opponent – local group GlosVAIN – contends that the council missed its best opportunity to stop Javelin permanently. The council, the group notes, could have cancelled the Javelin incinerator contract in February 2015. But the council that month upheld the contract after learning the cost of termination: £100 million.

If the High Court rejects the challenge, initial construction on Javelin could begin as soon as July 2015 – even before financial close is reached, says a source close to the project. A successful challenge, however, would send Javelin's planning application back to the secretary of state for redetermination, UBB told *IJGlobal*. Such a setback would delay Javelin by at least another six months.

## Re-profiling the Javelin financing

Because of the myriad delays, [Javelin will need to reach a second financial close to re-profile the interest rate and foreign exchange swaps](#).

UBB intends to use the same lenders – the Green Investment Bank (GIB), SMBC, BayernLB and Nord/LB – that participated in the initial £185 million debt financing, which closed in February 2013. Tweaks to Javelin's financial model have been expected since at least March 2013, the month of the original planning approvals stage, because some delays were expected (though not necessarily lasting more than two years).

The sponsors and lenders are understood to have planned meetings in advance of the High Court hearing, but the scope of the needed changes is not yet clear.

The initial debt was split equally between the lenders – just over £46 million each. The financing has three tranches; a £141 million term loan facility, with a tenor of 26 years and five months; an approximately £3 million change in law facility, with a tenor of 26 years and five months; and a £41 million equity bridge loan facility, with a tenor of three years and five months. A source close to the transaction confirmed that GIB's debt contribution to Javelin is expected to be the same as the initial deal.

Project sponsor UBB will provide about £42 million in equity, such that the project has a debt-to-equity ratio of 78:22.

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