

ABERDEEN CITY COUNCIL

COMMITTEE	Capital Programme Committee
DATE	24 March 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Ness Energy Project
REPORT NUMBER	RES/21/070
DIRECTOR	Steve Whyte
CHIEF OFFICER	John Wilson
REPORT AUTHOR	Pete Lawrence
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Committee on progress made with regards to the construction of the Ness Energy Project. This requirement was a recommendation approved at Full Council on the 4 March 2019.

2. RECOMMENDATION(S)

That the Committee:

- 2.1 Notes the progress achieved to date; and
2.2 Notes the financial position for the project.

3. BACKGROUND

- 3.1 On 4 March 2019, the Council approved the award of the Ness Energy Project Residual Waste Treatment contract for the implementation of the Project to a consortium led by Acciona Industrial and Acciona Servicios Urbanos and an Inter-Authority Agreement, IAA3. Similar approvals were given by Moray Council and Aberdeenshire Council on 4 March 2019 and 7 March 2019 respectively.
- 3.2 The contract was signed on 8 August 2019 with work starting immediately to prepare the site, activate the planning permission and commence engineering design and procurement.
- 3.3 An update on progress with the project was provided to committee in November 2020.

Update Since November 2020

COVID-19

- 3.4 Since the November committee meeting, the Contractor has maintained operations at the site by following additional COVID-19 related working practices in line with government and other relevant guidance. There has been minimal impact on project delivery albeit that two separate positive COVID-19 tests in sub-contractor teams has resulted in staff self-isolating in line with COVID-19 regulations. At date of report finalisation, all staff have returned to work. At this stage, there is no indication that there will be budget implications arising from COVID-19 impacts.

Engineering, Design and Procurement

- 3.5 The large majority of engineering and design work is now successfully concluded and procurement of sub-contractors to undertake the construction, manufacture and installation of plant components is also progressing well. All significant design elements are reviewed and subject to the approval of the Authority's Technical Advisors. Overall progress in this area is satisfactory.

Off-site Manufacturing

- 3.6 Manufacture of many components of the boiler, turbine, generator and flue gas treatment systems continued largely unaffected during the worst of the COVID-19 pandemic. As a result, significant quantities of components have been delivered to storage areas in Aberdeen ahead of the revised installation dates meaning that additional storage areas have been required. The Contractor has reported some minor issues relating to transport of components from mainland Europe prior to the end of the Transition Agreement, however, since January 2021, there has been no reported impact on the project relating to cross-border transport.

On Site Works

- 3.7 Progress on site has continued, broadly in line with the revised programme. All concrete piling has now been completed and the main foundations for the boiler, turbine, flue gas treatment and ancillary equipment have been completed. The formation of the waste bunker superstructure, the first major above ground structure is now complete. Similarly the excavation of the sub-structure is also largely complete. Installation of the foundations for the waste reception hall on the northern boundary of the site is now underway. The next major phase of construction, the erection of the steel framework for the boiler and its subsequent installation has commenced. There has been a short delay in commencing this work as a result of new work permit/visa arrangements coming into force on 1 January 2021, the same time that the Spanish sub-contractor for the mechanical erection was mobilising its staff.

Pollution Prevention and Control (PPC) Permit

- 3.8 The contractor reports that most issues relating to the PPC Permit application have been resolved with SEPA and a draft permit is imminent. The cyber-attack suffered by SEPA prevented progress in January 2021, however there is no indication that the application will not be successful or that delay will hinder project completion.

Programme

- 3.9 Current indications are that commissioning is anticipated to commence as planned in Spring 2022 with the facility fully operational by the end of 2022.

Inter-Authority activity

- 3.10 The Project Board continues to meet in accordance with the Inter Authority Agreement. The three-authority Officer Working Group also meets on a monthly basis and is currently establishing arrangements for delivery of commissioning waste and the handling of bulky waste that, untreated, is outwith the dimensions defined in the Waste Acceptance Criteria for the facility.

Community Liaison

- 3.11 The contractor has established a Community Liaison Group including south of the River Dee Community Councils and elected representatives. This group met via Microsoft Teams in January 2021. COVID-19 restrictions have prevented in-person meetings. The contractor has continued to update the project website and provided updates to 'Torry Vision'. Additional electronic means of communication are being investigated to ensure community engagement is enhanced.

Community Benefits

- 3.12 COVID-19 has hampered efforts to develop community benefits, however, engagement with local schools and community groups has now restarted and work is underway to fulfil requirements to provide apprenticeships, work placements and training as set out within the contract. The Contract has achieved Real Living Wage Accreditation; all sub-contracts require Living Wage rates as a minimum. Some of the Community Benefits that the Contractor has successfully achieved include a "Meet the Buyer" event which was held online on 6 November 2020. The event was aimed at local businesses and was attended by representatives from 50 companies. The procurement team gave a presentation covering areas of supply and work-scope procurement, and details of supplier registration process. Acciona have continued recruit into the "New Entrants Scheme" which sees employment of those who were previously out of work, including an Office Manager, Logistics Manager, two Site Support Coordinators and an Administration Assistant, many who had been made redundant from the Oil & Gas industry. Acciona have also recruited a student for a 28-week minimum placement who will work in their QS department. The contractor has also hosted a presentation to Robert Gordon's College - National 5 Environmental Science Course Class. This presentation can be tailored for differing age groups so that it can be presented at other schools across North East.

4. FINANCIAL IMPLICATIONS

- 4.1 Payments are being made to the contractor in line with Milestones set out in the contract.
- 4.2 The table below shows the project budget share for the Aberdeen City Council.

Gross Budget	Spend to date
£70.0m	£ 29.45m

5. LEGAL IMPLICATIONS

5.1 There are no significant legal issues to report.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	Contractor termination	L	Extensive procurement work undertaken to select proven and financially stable contractor. Strong contractual controls in place
Compliance	Health and Safety breaches during construction	L	Strong contractual obligations to use best Health and Safety practice monitored on site daily by Authority Technical representative
	Failure to obtain Permit to operate from SEPA	L	Proven technology already consented elsewhere in Scotland
Operational	Delay in Construction Programme	M	Consequences of delay managed through contract conditions. Effective communication with three authorities' waste teams to manage consequences should they arise
Financial	Project costs increase as a result of Contractor Claims	M	Contract conditions define claims management processes
Reputational	Construction delay and cost overspend	L	Contract obligations deemed sufficient to minimise risk to the Authority
Environment / Climate	Failure to operate facility within authorised emission levels	L	EfW is best available technology for management of mixed municipal waste. Established and proven process selected during procurement provides strong confidence that plant will operate well within acceptable standards. Low carbon heat and power from this facility will displace fossil fuel thereby reducing net carbon emissions

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	<p>Unleashing the non-oil and gas economic potential of the city: The construction of the energy from waste facility will create over 200 jobs many using skills transferable from the oil and gas sector. Furthermore, during the 20 years of operation, highly skilled, engineering based staff will be required, again utilising skills common in the oil and gas sector.</p> <p>Maximising community benefit from major developments: There are numerous community benefit obligations built into the contract including the establishment of apprenticeships, placements and training. Links are being established with schools in the region to support environmental education.</p>
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	<p>The proposals within this report support the delivery of LOIP Stretch Outcome 1 – 10% increase in employment across priority and volume growth sectors by 2026. The construction of the energy from waste facility will create over 200 jobs. Furthermore, during the 20 years of operation, highly skilled, engineering based staff will be required.</p> <p>The Contractor has obtained Real Living Wage accreditation and this applies to all sub-contracts.</p>
Prosperous People Stretch Outcomes	<p>2.1 Promoting inclusive economic growth for our most disadvantaged communities. There are numerous community benefit obligations built into the contract including the establishment of apprenticeships, placements and training. Links are being established with schools in the region to support environmental education. The facility is being developed close to one of the disadvantaged areas of the city.</p>
Prosperous Place Stretch Outcomes	<p>14.1 Reducing emissions across the city through delivery of Aberdeen’s Sustainable Energy Action Plan ‘Powering Aberdeen’. Construction of the Ness Energy EfW facility will significantly reduce carbon impact from the disposal of non-recyclable waste. The facility also provides the opportunity to</p>

	develop low carbon heat supplies to local housing and businesses thereby offsetting fuel poverty.
Regional and City Strategies	Strategic Development Plan: Sustainable Development and Climate Change. This facility will increase the supply of renewable energy in the region and diversify the mix of renewable sources. The facility enables the objective to meet our waste management needs locally and promote the development of the Circular Economy. The facility is specifically identified at paragraph 6.18 as an objective of the Plan.
UK and Scottish Legislative and Policy Programmes	The Waste (Scotland) Regulations 2012 introduced a ban on the landfilling of biodegradable waste. This ban will now come into force in 2025. The facility enables the three authorities in the Northeast to comply with that regulation 3 years in advance.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required. Evidence submitted to Equalities Team.
Data Protection Impact Assessment	Screening questions completed – not required

9. BACKGROUND PAPERS

None.

10. REPORT AUTHOR CONTACT DETAILS

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