

REPORT

Boston Alternative Energy Facility

Funding Statement

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The Infrastructure Planning (Applications: Prescribed Forms and Procedure) 2009

Regulation 5(2)(h)

Contents

1	Introduction	3
2	The Applicant	4
3	Proposed Development	4
4	Land Acquisition	5
5	Project Costs	6
5.1	Overview of Development Cost Elements:	6
5.2	Funding required for Immediate Costs (including land acquisition)	6
5.3	Development Funding.....	7
5.4	Funding for Land Acquisition and Blight	7

1 Introduction

- 1.1 Alternative Use Boston Projects Ltd (the Applicant) is applying to the Secretary of State under the Planning Act 2008 (the 2008 Act) for powers to construct, operate and maintain a proposed Energy from Waste (EfW) plant, to be known as Boston Alternative Energy Facility (the Facility).
- 1.2 The principal elements of the Facility comprise (amongst other things) a thermal treatment plant, lightweight aggregate manufacturing plant, a wharf and associated infrastructure, electrical export infrastructure and two carbon dioxide (CO₂) recovery plants (together referred to as the Proposed Development). Further details of the Proposed Development are set out in Section 3 of this Statement.
- 1.3 This Statement has been produced because the Development Consent Order (DCO) sought for the Proposed Development would authorise the compulsory acquisition of interests in land. The Applicant has limited the scope of its compulsory acquisition powers to a small subset of plots with unknown ownership. The vast majority of the land to be used by the Facility will be acquired voluntarily and is outside the scope of compulsory acquisition powers.
- 1.4 This Statement has been produced pursuant to regulation 5(2)(h) of The Infrastructure Planning (Applications: Prescribed Forms and Procedure) 2009 (APFP Regulations) and the Department of Communities and Local Government guidance, Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land (September 2013).
- 1.5 This Statement is required because the DCO sought for the Proposed Development, known as The Boston Alternative Energy Facility Order (the Order), would authorise the compulsory acquisition of land or interests in land. This gives rise to the requirement under regulation 5(2)(h) of the APFP Regulations for the Applicant to provide a statement indicating how the Order containing these powers is to be funded.
- 1.6 This Statement is one of a number of documents accompanying the DCO Application, as set out in the Guide to the Application (Document Reference 1.2). This Statement should therefore be read alongside and is informed by those documents. In particular, this document supplements the Statement of Reasons (Document Reference 3.1).

2 The Applicant

- 2.1 The Applicant is Alternative Use Boston Projects Ltd, a company incorporated in England (Company Number 11013830) with registered office of 26 Church Street, Bishop's Stortford, Hertfordshire, England, CM23 2LY. The Applicant is undertaking the development and securing funding for the Proposed Development.
- 2.2 The Applicant is a privately-owned special purpose company with the core business aim of securing consent for and developing the Facility. The company team has been involved in industrial development at the site in Boston, Lincolnshire since 2004.
- 2.3 In 2010 consent was obtained for a 12MWe Gasification Power Station that would process waste wood (known as Boston Biomass Plc) with enabling works carried out during 2013. This facility was sold in November 2015, along with the right to develop that facility, and in September 2016 it was transferred to Biomass UK No. 3 Ltd. The Biomass UK No. 3 Ltd facility is entirely separate to the proposed Facility.

3 Proposed Development

- 3.1 The Proposed Development would deliver approximately 80 MWe of renewable energy to the National Grid using Refuse Derived Fuel (RDF) as a feedstock into a thermal treatment facility generating power via steam turbine engines. This technology provides significant environmental benefits compared to landfilling residual waste and is in support of Government's sustainable energy targets to reduce carbon emissions to net zero by 2050.
- 3.2 Schedule 1 to the draft DCO (Document Reference 2.1) identifies the development for which development consent is being applied for and for which this Funding Statement has been prepared.
- 3.3 Further, a full project description is set out in the Environmental Statement (ES) Volume 1 Chapter 5 (document reference 6.2.5).

4 Land Acquisition

- 4.1 The development of the Facility requires the acquisition of land (freehold) and the temporary possession of land. The land affected can be seen on the Land Plan and Crown Land Plan (Document Reference 4.2), where land coloured pink is subject to freehold acquisition and land coloured blue is subject to temporary possession.
- 4.2 The Applicant intends to secure the majority of the land and rights required for the Proposed Development through a voluntary agreement (i.e. without use of compulsory acquisition powers) with the main freeholder and the Crown Estate. Discussions on voluntary agreements are ongoing.
- 4.3 As set out in the Statement of Reasons (Document Reference 3.1), compulsory acquisition powers are required to acquire the freehold of certain plots (with unknown owners) and temporarily possess land to ensure that the Proposed Development can proceed without impediment.
- 4.4 Only four plots, being Plot 19, 19b, 21 and 23 are subject to permanent acquisition. Plot 3 is the only plot subject to temporary possession. Full details of these plots are set out in the Book of Reference (Document Reference 3.3). Although the owners of these plots are unknown (despite attempts by the Applicant to identify them) and it has not been possible to negotiate for these interests, the Applicant has sought expert valuation advice in respect of these interests.

5 Project Costs

5.1 Overview of Development Cost Elements

- 5.1.1 The estimated capital cost of constructing the Proposed Development is £530 million. This cost estimate is based upon and supported by detailed design work, the advice of experts experienced with similar schemes, and market feedback.
- 5.1.2 The estimate covers all aspects of the Proposed Development including construction costs, preparation costs, supervision costs, land acquisition (including compensation payable in respect of any compulsory acquisition), equipment purchase, installation, commissioning, necessary grid connection and power export.
- 5.1.3 The estimate also includes an allowance for inflation and project contingencies.
- 5.1.4 The cost estimate for the Proposed Development has also been benchmarked against other similar energy from waste schemes. The benchmark exercise undertaken indicated that the Proposed Development will be comparable in terms of cost per megawatt of power and is supported by market offers for various forms of private and commercial funding, based on energy generation quantum.

5.2 Compulsory Acquisition Estimate

- 5.2.1 The Project has to date been funded by private equity investment and this arrangement will continue up to financial close of the major lending arrangements required for construction.
- 5.2.2 Only a small amount of land is subject to compulsory acquisition powers in the DCO. The Applicant has taken specialist valuation advice in respect of these interests and is advised that the total (combined) land acquisition cost (including an allowance for professional and associated fees) of the unregistered land will be less than £30,000. The Applicant intends to fund this sum through the private equity investment funding that it has been using to date. The Applicant has already spent a far greater sum in funding the Proposed Development to date, in respect of professional and application fees.

5.3 **Development Funding**

- 5.3.1 Funding for the capital cost of construction of the Proposed Development, following the grant of the DCO, will be sourced from a combination of commercial debt and additional equity.
- 5.3.2 The Applicant has held extensive discussions with a wide range of organisations to assess the feasibility of raising the necessary capital. These organisations include specialist investment advisers and merchant banks operating in the renewable energy sector and commercial lending organisations.
- 5.3.3 Discussions with such parties have demonstrated that the Project has the realistic potential to meet the investment returns required by EfW investors and lenders. The ratio of debt/equity will be dictated by the prevailing commercial conditions.
- 5.3.4 A significant amount of work has been done to demonstrate that the Project will deliver the level of operating revenues to allow the required debt/equity to be secured.
- 5.3.5 The Applicant has assessed the Proposed Development and is, based on its experience in this sector and work on previous schemes, confident that it will be commercially viable, enabling it to be funded as required if development consent is granted.

5.4 **Funding for Land Acquisition and Blight**

Land Acquisition

- 5.4.1 Construction of the Proposed Development may require the acquisition of interests in land and the temporary use of land. Only a small amount of land (as detailed in paragraph 4.4 above) is within the scope of the proposed compulsory acquisition powers. The value of such compulsory acquisition is estimated to be less than £30,000 in total (including an allowance for professional and associated fees), which the Applicant will fund through private investment. Other than this limited potential compulsory acquisition of land the Applicant is securing the remaining land/interests to construct, operate and maintain the Proposed Development by private treaty.
- 5.4.2 The Applicant is a special purpose vehicle which does not, at this stage of the development process, have substantial assets and is presently funded by its shareholders. Article [53] (set out below) of the draft DCO (Document Reference 2.1) provides that powers of compulsory acquisition may not be exercised unless a suitable guarantee for the compensation liability has been provided and approved in writing by the Secretary of State.

53. Guarantees in respect of payment of compensation

—(1) The undertaker must not begin to exercise the powers conferred by the provisions referred to in paragraph (2) in relation to any Order land unless it has first put in place either—

- (a) a guarantee and the amount of that guarantee approved by the Secretary of State in respect of the liabilities of the undertaker to pay compensation pursuant to the provisions referred to in paragraph (2); or*
- (b) an alternative form of security and the amount of that security approved by the Secretary of State in respect of the liabilities of the undertaker to pay compensation pursuant to the provisions referred to in paragraph (2).*

5.4.3 Accordingly, the draft DCO provides a suitable mechanism for ensuring that security for compensation which would be payable following the exercise of any compulsory acquisition rights is in place prior to such acquisitions.

5.4.4 If considered necessary the Applicant would be content to immediately deposit the sum referred to in paragraph 5.4.1 above in an escrow account to hold the monies until they are required for compensation purposes.

Funding for Blight

- 5.4.5 The Applicant has not identified any interests in the DCO land which it considers could be eligible to serve a blight notice as a result of the promotion of the DCO. Nevertheless, if any claims for blight do arise as a consequence of the DCO application being made, and before it is known whether the Proposed Development will proceed, the costs of meeting blight claims that are upheld will be met via the private funding that has funded the project to date.