



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
REGIONAL AND URBAN POLICY
Better implementation, Closure and Programme Implementation III
The Director

Brussels,
REGIO.DDG.F1/EA

VIA SFC2014

Subject: Observations on the application documents of the major project "Integrated waste management of the Peloponnese Region with Public Private Partnership" CCI: 2018GR16CFMP003

Dear Mr Psarakis,

On 20 December 2023, in accordance with Article 102(2) of Regulation (EC) N°1303/2013, Greece submitted to the European Commission via SFC2014 the information on the major project application "Integrated waste management of the Peloponnese Region with Public Private Partnership" under the Priority Axis 14 "Preservation and Protection of the Environment - Promotion of Resource Efficiency" of the operational programme CCI 2014GR16M1OP001 "Transport Infrastructures, Environment and Sustainable Development".

Following the analysis by the Commission services of the information provided in the Application Form and its annexes as part of the request, the Directorate-General for Regional and Urban Policy concluded that additional clarifications would still be needed regarding the major project. Therefore, the Directorate-General cannot proceed with a positive decision on the project at this stage.

As foreseen in Article 102(2) of Regulation (EU) N° 1303/2013, the deadline for the adoption of the major project is hereby interrupted until the clarifications are submitted to the Commission within two months from the receipt of this letter.

For easy access to the documents, please number the replies the same way as the questions below.

If necessary, the Commission services are available to hold a technical meeting with the Greek authorities.

Yours sincerely,

(e-signed)

DataJournalists
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Encl.: Annex – request for clarifications

Copy:

Mr Dimitrios Skalkos, Secretary General for NSRF, Ministry of Finance and National Economy

Mr George Zervos, Special Secretary for ERDF & CF Program Management

Mr Nikolaos Mamaloungkas, Special Management Service for the Programmes “Environment & Climate Change” and “Civil Protection”

Mr Ch. Grant, DG REGIO, HoU F.1

Mr C. Rasmussen, DG REGIO, HoU G.3



DataJournalists

ANNEX

Observations of the Commission services

In line with the points indicated below, please provide additional clarifications, and ensure the revision of the project application where applicable.

The Beneficiary and its capacity - Art. 101(a) of the Regulation (EU) No.1303/2013

In accordance with the Greek legislation, the body in charge of coordinating, planning, implementing, and operating the integrated municipal solid waste management system (ISWM) is the Regional Waste Management Body (FODSA Peloponnesus). However, since 2012, due to the lack of technical, administrative, and organisational capacity, FODSA Peloponnesus has delegated – by means of a programming agreement (Προγραμματική Συμφωνία) - to the Region of Peloponnesus Administration its rights and obligations to prepare and implement the ISWM.

For the project to be sustainable and well managed, it matters that FODSA Peloponnesus has full ownership over the investment and disposes of the necessary administrative capacity to oversee all technical, financial and organisational matters related to the investment. FODSA Peloponnesus should ensure the professional management (day to day operation; maintenance) of the IWMS (3 MBTs, 2 TSs, 3 landfills) as well as other planned investments (e.g., an additional 15 TSs and 2 bio-waste facilities, see below). It should also prepare and implement further waste investments in the region, and organise, in cooperation with the municipalities, separate waste collection measures. Even if a significant part of the operations is based on a cooperation with private companies, the above-mentioned tasks will require substantial technical, financial and organisation capacity. Considering the fact that at the moment "*the FODSA has been judged to not have the capacity to successfully implement and manage the PPP project*" (section A.4.1 of the application), it matters to establish that FODSA Peloponnesus obtains the capacity to ensure the sustainability of the project.

Regarding the involvement of FODSA Peloponnesus and its member municipalities in the project

We kindly ask you to provide the following:

1. The timetable for the hand-over of the project (and the assets contained therein) from the Region, with the necessary transfer of all legal, organisation and financial obligations. This date should occur before the adoption of the Commission decision.
2. Further to point 1), written confirmation by the FODSA Peloponnesus Board confirming its willingness/decision to take over the project and all the obligations that follow with it. Please provide evidence that all members of FODSA Peloponnesus (i.e., the municipalities) endorse this arrangement.
3. Written confirmation by the FODSA Peloponnesus Board that the tariff policy reflected in the Cost Benefit Analysis of the application has been endorsed by all/the necessary majority of municipalities and will be implemented as described.

4. Written confirmation by each municipality member of FODSA Peloponnesus that the waste collected and delivered to the treatment facilities (quantities; composition) will correspond to the evolution contained in the Financial Analysis.

Regarding the organisation and administrative capacity of FODSA Peloponnesus

We kindly ask you to provide the following:

5. The final organisation plan of FODSA Peloponnesus (number of staff; job titles) and the timeline for reaching full capacity.
6. The current number of staff and their qualifications.

Regarding the financial capacity of FODSA Peloponnesus and its ability to operate and maintain the investment

Insufficient information was presented in relation to the existing administrative and financial capacity of FODSA Peloponnesus to set and collect the gate fees from the beneficiary municipalities and make payments to the Region.

7. In view of the advanced stage of the project's implementation and the fact that at least one Integrated Waste Management Centre (IWMC) is in full operation, please provide information related to the invoices, collection rate from municipalities and payments made to the Region for the past two years. Please thereby clarify, if any of the constituent municipalities has outstanding debt to the FODSA Peloponnesus in relation to the operation of the existing IWMC.
8. Confirmation of the sound financial state of FODSA Peloponnesus (cash flow, net revenue, debt).

The project and its location Art. 101(b) of the Regulation (EU) No.1303/2013

Project design and performance

9. The YMEPEERA programme limits the eligibility of waste treatment facilities (Mechanical-Biological Treatment and landfills) to a total of 50% of a region's total waste generation. The total waste generation for the Peloponnesus Region being 280.000 t/y, the capacity of 190.000 t/y to be financed under this project seems beyond the threshold. Please explain.

Moreover, the Programme requires for waste treatment infrastructure to be designed to be technically adaptable to process an increased amount of recycling at a later stage. Please explain, if the treatment infrastructure covered by the project is technically designed in such a way that a higher recycling target can be achieved. Please also provide a timeline for the adaptation of the facility towards more recycling.

10. One of the result indicators (T4437) included in the programme refers to the fraction of separate collected municipal solid waste led to recycling (recyclables & biowaste). In the application form, the project's contribution to achieving the result indicators is presented as follows:
 - o Total generated MSW in Greece (t): 5.780.000

- Recyclables from MBTs (t): 21.349
- Recycled organic waste (OPPs) (t): 18.655
- Total recycling (t): 40.004
- % recycling of total generated MSW: 0,7%

However, the 21.349 t of recycling come from mixed waste treatment and not separately collected waste (as the indicator dictates). Therefore, only the 18.655 t of recycling organic waste (separately collected) should be counted in the calculations. Please correct the values.

11. Considering the above, the recycling output at the start of operations is low, i.e., just above 10%. Moreover, with 22% in 2035 the share of landfilling remains largely above the acquis (10% as stated in the Circular Economy Package). Please clarify.
12. The project outlines a significant increase of biowaste recycling throughout the life span of the investment, raising from 0 t to 18.655 t between 2023 and 2024, and from that level to 68.223 t in 2025. We understand that the increase from 2023 to 2024 is foreseen as a result of investments in separate waste collection currently under implementation, which cover around 25% of the region. Please clarify the financial and/or physical state of implementation of these ongoing waste collection investments.
13. As to the increase between 2024 and 2025, from 18.655 t to 68.223 t, no reference is made to any additional investments that would justify the increase of 50.000 t within one year. Please explain, how this additional separate collection will occur (organisation, financing).
14. The selection criteria of the Operational Programme make it compulsory for municipalities to establish functioning separate collection schemes of five waste streams (paper, plastic, metal, glass, and bio-waste) conformant with the national Waste Management Plan prior to or within the implementation of EU co-financed waste treatment projects. In the application we have found no reference to the collection and/or treatment of five waste streams. Please indicate, in how far this principle has been respected.
15. Further to the above, we understand that FODSA Peloponnesus will also operate two bio-waste plants in respectively Korinthos and Kinouria. Please clarify, what amount of separately collected bio-waste is planned for the three IWMS facilities and what for the 2 independent biowaste treatment units.
16. We also note that the gate fee envisaged does not differentiate between mixed waste and separately collected waste. In fact, the gate fee seems to provide a lower tariff for municipalities delivering high quantities, including of mixed waste, which seems anti-strategic. Please explain which financial incentives will be used to motivate municipalities to increase the amount of separately collected waste.
17. Please also clarify, which measures are envisaged to deploy Pay as You Throw schemes, which are foreseen in the national waste legislation (what, when) and explain the financial impact on the tariff policy.
18. Considering that at least one of the plants is in full operation, please provide actual data (quantities and nature of the waste input at gate; recycling;

landfilling) and compare it to the targets set in the current contract with the operator.

19. The application form features two transfer stations. However, the feasibility study (Section 4.2.2 Transfer stations (not included in the PPP project), p. 115) refers to a further 15 transfer stations financed from cohesion policy. Please explain, why these transfer stations are not accounted for in the option analysis and further explain their mode of operation and integration with the project at hand.

Project location

20. Regarding the location of the project's components, following the 2017 revision of NATURA 2000 sites, the chosen site for the Lakonia MBT and landfill is located within a NATURA 2000 area. The project application is lacking information on nearby Special Areas of Conservation and an assessment of cumulative impacts with other projects. Please provide a revised version of the NATURA 2000 declaration aligned with EU Commission guidelines and the Habitats Directive.

Project costs - Art. 101(c) of the Regulation (EU) No.1303/2013

21. With respect to project costs, revised unit costs (as compared to the previous version of the application) have been provided resulting in a revised total investment cost of EUR 154 million. The operation and maintenance costs for the different investment components cannot be verified. A top-down approach based on the actual gate fees established in the Public Private Partnership (PPP) contract is used. We note that different numbers are used from the estimates which are presented in the option analysis. Please provide available data of the initial operation of the Arcadia IWMC since April 2022 (and the other two plants, if available) which could reflect the operational and maintenance costs and revise the financial analysis as necessary.

Article 101 (g) of Regulation (EU) No 1303/2013 - Explanation as to how the major project is consistent with the relevant priority axes of the operational programme or operational programmes concerned, and its expected contribution to achieving the specific objectives of those priority axes and the expected contribution to socio-economic development.

22. Further to the analysis above (Article 101 b), the Commission services must conclude that:

- a. the project in its current configuration is not in line with the Operational Programme, as it is not in conformity with the eligibility criteria regarding the capping of treatment capacity to 50% of the total regional waste stream.
- b. The project contains insufficient data regarding the increase of separate waste collection, which from a technical point of view is a necessary step to increase the recycling output from the IWMCs. In this respect it is noted that the collection of some 50.000 additional t of separately collected waste are organisationally and financially unaccounted for.

- c. An efficiently way to tackle the over-capacity issue would be to increase the targets for recycling, as recycling capacity falls outside the capping of waste treatment infrastructure, which is related to mixed waste treatment only. This would, however, potentially require a limited re-design of the IWMS in terms of the technical configuration as well as a re-configuration of the contract with the operator. It would also require the decision on tangible measures to increase the amount of separately collected waste entering the treatment facilities (collection initiatives; financial incentives).

Please explain by which means you intend to bring the project into conformity with the eligibility criteria of the Operational Programme.

State aid - Art. 101(c) of the Regulation (EU) No.1303/2013

23. According to the information from the application documents, the company which will construct and operate the waste management facility was selected in a tender. As far as the support to the operator of the waste management facilities (other than the biogas installation which does not constitute Service of General Economic Interest (SGEI)) is concerned, the Greek authorities could in theory also rely on the Altmark case law depending on whether the tender was competitive and based on the costs for discharging the SGEI (and if all other Altmark conditions were fulfilled).

The application documents do not mention the Altmark case law, thus it was not possible to verify whether the Altmark conditions were fulfilled. By contrast, for the SGEI part, the application documents refer to the conditions laid down in the Commission Decision (2012/21/EU). It is the responsibility of the Greek authorities to verify that the support complies with all the compatibility conditions of this Commission Decision. Please provide the missing information and correct the application documents, if needed. Please also demonstrate compliance with the above referred rules and Commission decision.

Options analysis - Art. 101(d) of the Regulation (EU) No.1303/2013

24. It seems that 15 transfer stations financed under cohesion policy are not included in the option analysis. Please clarify.

Demand analysis - Art. 101(e) of the Regulation (EU) No.1303/2013

25. While the expected increase in the seasonal population seems very optimistic, the demand analysis can be globally validated.

Financial analysis- Art. 101(e) of the Regulation (EU) No.1303/2013

26. The revised analysis includes the updated project investment and operating costs, demand projections and used a reference period of 29 years. A consolidated analysis is carried out from the perspective of the owner and operator. The previous double counting of investment costs in the availability payments has been corrected. However:

- a. the calculation of the rate of return to the private partner cannot be validated. No information is provided on the revenues (quantity and price of recyclables and energy to be sold) nor a disaggregation of the operating

and management costs. Please provide the above information and update the documents as needed.

- b. the tariff affordability analysis (Section 11.1.6.5 of the FS) shows that residential tariffs exceeded the defined affordability threshold (defined as 1% of the average household disposable income) during the greater part of the reference period. However, no reference was found to national benchmark regarding affordability considerations that the tariff must consider. Please provide the missing information and correct the documents accordingly.

27. P.m. please also see the points regarding the financial capacity of FODSA Peloponnesus raised above under 101.a.

Economic analysis - Art. 101(e) of the Regulation (EU) No.1303/2013

28. The economic analysis does not include additional costs related to the separate collection costs, which will be necessary to achieve the planned waste separation. Please provide an overview of such additional costs.
29. A social discount rate of 6% is used in the economic analysis. No further justification is given in the application. Please explain and correct as necessary the rationale of the chosen social discount rate which is higher than the standard 5% used for cohesion Member States.

Risk analysis - Art. 101(e) of the Regulation (EU) No.1303/2013

A financial and economic activity analysis was conducted. The risk assessment generally follows the required methodology. Risk prevention and mitigation measures are proposed, and residual risks are found to be low.

However, the financing plan shows the total planned financial resources and the planned support from the Funds, the EIB, and all other sources of financing together with physical and financial indicators for monitoring progress. Please correct the following:

30. In Section G.2. of the application form, no physical indicators for monitoring progress are specified. The Greek authorities are requested to provide the missing information for the entire project.
31. The information about the national financing sources in the application form is inconsistent with the data provided in the excel CBA file. Sheet "FG" of the excel file presents the information on the financing sources for the private partner. Private contribution (interpreted as private equity sources) amounts to EUR 17.33 million, and principal repayment (interpreted as loan sources) amounts to EUR 36.82 million, totalling EUR 54.15. This amount is greater than the EUR 48.43 million presented in Chapter 11 of the Feasibility Study.
