

# The Regional Municipality of York

Committee of the Whole  
Environmental Services  
June 16, 2022

Report of the Commissioner of Public Works

## Securing Long-Term Energy from Waste Processing Capacity

### 1. Recommendations

1. Council authorize the Commissioner of Public Works to negotiate, approve and execute a direct purchase for a long-term contract with Emerald Energy From Waste Inc. to provide haulage and processing of up to 50,000 tonnes of residual waste per year from September 16, 2023 to January 28, 2036, with renewal options to 2046 as described in this report and in accordance with Private Attachment 1.
2. Council authorize the Commissioner of Public Works to negotiate, approve and execute a five-year renewal term to the existing Covanta Niagara contract to provide continued processing of up to 70,000 tonnes of residual waste per year from September 23, 2023 to September 30, 2028 as described in this report and in accordance with Private Attachment 1.
3. Council authorize the Commissioner of Public Works to negotiate, approve and execute a five-year renewal term to an existing contract with J.E. Culp Transport Ltd. to provide continued haulage services from the Region's waste transfer stations to Covanta Niagara from October 1, 2023 to September 30, 2028 as described in this report and in accordance with Private Attachment 1.

### 2. Summary

This report seeks Council authorization for strategic procurements to secure long-term residual waste processing and transportation services with Emerald Energy From Waste Inc. (Emerald EFW), Covanta Niagara, and J.E. Culp Transport Ltd. (Culp) to sustain York Region's position as a leader in waste diversion in Ontario. Each contract will be subject to a guaranteed maximum price as set out in Private Attachment 1. Private Attachment 1 to this report will be considered in private session as it relates to commercial and financial information supplied in confidence to the Region and key points and principles of negotiation.

Key Points:

- Council's leadership for the 4Rs (reduce, reuse, recycle, recover) has consistently resulted in province-leading diversion scores for the past decade and has enabled the

Region to demonstrate environmental stewardship by significantly reducing reliance on landfill use, achieving over 90% waste diversion from landfill since 2016

- The Region manages residual waste at the Durham York Energy Centre (DYEC), an Energy From Waste (EFW) facility that it co-owns with Durham Region, and through contracts with privately-owned EFW facilities and landfills
- The Region has contracted with Emerald EFW and Covanta Niagara since 2013 and has established successful partnerships with these EFW processors to manage the Region's residual waste through EFW processing and diversion from landfill
- Direct negotiation is the preferred approach to secure long-term EFW capacity with Emerald EFW as this is the only private capacity available in the Province
- Activating five-year renewal terms contemplated in existing contracts for Covanta Niagara and Culp is the preferred approach until 2028 to ensure continuity of service to sustain Council's target to achieve 90% diversion from landfill
- Current pricing through existing Emerald EFW, Covanta Niagara and Culp contracts establishes a good benchmark for negotiating new contract pricing
- Given limited supply of EFW and as landfill capacity continues to diminish in Ontario, securing EFW processing capacity will continue to provide uninterrupted service for the Region's residual waste needs

### **3. Background**

#### **Diversion from landfill is key to the Region's waste management system**

York Region's waste management system is designed for sustainability, with province-leading programs to maximize diversion from landfill. In addition to blue box, green bin, and other traditional diversion programs, York Region is committed to recovering energy from non-recyclable residual wastes. As a result of this commitment, York Region and its local municipal partners achieved 92% diversion from landfill in 2021, once again exceeding the 90% target established in the York Region Official Plan.

#### **Council endorsed a plan to secure long-term processing for residual waste as part of the SM4RT Living waste management plan update in April 2020**

In [April 2020](#), Council endorsed the SM4RT Living Update, which included a Residual Waste Processing Plan (the Processing Plan) that considered alternative methods of securing EFW processing capacity to manage non-recyclable residual waste and maximize diversion from landfill. This Processing Plan considered long-term tonnage projections, expiration dates of existing contracts, and alternative processing facility options. The Processing Plan provided a recommended approach to address long-term capacity needs that includes both privately contracted and Regionally owned EFW processing capacity, as well as landfill capacity to dispose of non-combustible residual waste materials.

## Having multiple EFW processing contracts provides flexibility, minimizes service continuity risk and adds resiliency to meet the Region’s needs

The Region currently manages residual waste at the Durham York Energy Centre (DYEC), an EFW facility that it co-owns with Durham Region, and through contracts with privately-owned EFW facilities and landfills as summarized in Table 1. The DYEC is permitted to process up to 140,000 tonnes of residual waste per year with 30,000 tonnes of annual capacity owned by the Region and 110,000 tonnes owned by Durham Region.

**Table 1**  
**Current Region Residual Waste Contract Summary**

Contract	Minimum Annual Tonnage	Maximum Annual Tonnage	2021 Tonnes Managed	Current Contract Term Expiry Dates
DYEC	30,000	30,000	30,251	January 28, 2036 Renewal options to January 28, 2046*
Emerald EFW	27,000	33,000	49,870**	September 15, 2023 Renewal option to September 15, 2028
Covanta Niagara	55,000	70,000	59,012	September 22, 2023 Renewal option to September 22, 2028***
<b>Total EFW</b>	<b>112,000</b>	<b>133,000</b>	<b>139,133</b>	
Walker South Landfill	20,000	50,000	29,311	June 27, 2025

\* While the DYEC facility is owned by Durham and York Region, the renewal options are for operations and maintenance of the facility, which is currently contracted to Covanta Durham York Renewable Energy L.P.

\*\* Emerald EFW agreed to manage additional tonnes beyond their contractual annual maximum limit. Additional tonnes in 2021 were attributed to increased residual waste generated during the pandemic as residents worked from home.

\*\*\* Expiry date for renewal term to be negotiated

### Existing contracts with Emerald EFW and Covanta Niagara include renewal terms to 2028

On [November 16, 2017](#), Council authorized a contract renewal option for Emerald EFW for the first of two additional five-year terms from September 16, 2018 and expiring September 15, 2023. The Region can extend the Emerald EFW term at its sole discretion for a second term of five-years commencing September 16, 2023 and expiring September 15, 2028, on

the same terms and conditions provided the Region gives Emerald EFW notice to renew at least one-year in advance of the September 15, 2023, current term expiry date.

Council also authorized the option to renew the Covanta Niagara agreement on November 16, 2017, for an additional five-year term commencing September 23, 2018 and expiring September 22, 2023. The Covanta Niagara contract term can be extended for a further term of five-years upon mutual agreement between the Region and Covanta Niagara.

## 4. Analysis

### **Securing long-term EFW capacity when residual waste processing options are limited aligns with Council approved direction**

While Emerald EFW and Covanta Niagara contracts include optional renewal terms, the opportunity to secure new long-term contract capacity with Emerald EFW aligns with the Processing Plan's recommended approach approved by Council in [April 2020](#). Initial plans involved staff inviting proposals from qualified firms to provide transportation and processing of residual waste services from the Region's transfer stations to an EFW facility owned and operated by third-party contractors.

With the recent acquisition of Covanta Niagara by a global investment organization namely EQT, staff were informed their preference is short-term renewals rather than long-term processing contracts. Based on these circumstances, staff recommend proceeding with the Covanta Niagara contract renewal term to maintain continuity of services. Given Emerald EFW is the only private capacity available in the Province, staff recommend direct negotiation to secure long-term processing services.

### **New Emerald EFW agreement offers long-term processing capacity until DYEC expansion plans are implemented**

Emerald EFW provides processing capacity until DYEC expansion plans are implemented, currently forecasted for 2036. This timing allows residual waste tonnages in York and Durham Region to reach levels required to support expanded facility operations. Staff project new contract capacity with Emerald EFW and Covanta combined with the existing DYEC capacity will meet the Region's demand for future EFW capacity. Forecasted tonnages are expected to be 140,000 tonnes in 2023. Following the initial Emerald EFW term to 2036, a series of optional renewal terms are included between January 2036 and January 2046 as outlined in Table 2. As communicated to [Council in 2020](#), these optional renewal terms provide the Region with flexibility to respond to any changes in timing associated with future expansion of our DYEC.

**Table 2**

**Initial and Additional Term Renewals Proposed for New Emerald EFW Contract**

<b>Operating Term</b>	<b>Time Period</b>
Initial Operating Term* <b>13 years</b>	September 16, 2023 to January 28, 2036
Operating Renewal Term 1 <b>3 years</b>	January 29, 2036 to January 28, 2039
Operating Renewal Term 2 <b>2 years</b>	January 29, 2039 to January 28, 2041
Operating Renewal Term 3 <b>3 years</b>	January 29, 2041 to January 28, 2044
Operating Renewal Term 4 <b>2 years</b>	January 29, 2044 to January 28, 2046

\*Minimum guaranteed Operating Term

**Renewal of Culp haulage contract is contingent on extending contract with Covanta Niagara and offers best value considering haulage industry challenges**

Culp is the current contractor responsible for hauling residual waste from the Region’s Waste Management Centre in East Gwillimbury and the Earl Turcott transfer station in Markham to the Covanta Niagara EFW facility in Niagara Falls, New York since January 2018. Culp’s initial term ended on December 31, 2021 and a renewal term was exercised, which expires on September 30, 2023. The final renewal term extends from October 1, 2023 to September 30, 2028. This contract renewal requires Council approval and will provide haulage services for the duration of the Covanta Niagara renewal term.

Culp’s renewal term will ensure continuation of these services at competitive pricing given current market conditions. The haulage industry is facing significant challenges due to labour shortages, high fuel costs and short supply of fleet and equipment. As Culp has an established history of providing these services to the Region since 2018, they are well positioned to continue to provide cost-effective service for the contract through the renewal term.

**5. Financial**

The proposed agreements with Emerald EFW and Covanta Niagara will meet processing needs, offer long-term processing capacity within proximity and maximize diversion from landfill to continue to meet the Region’s Official Plan target. The Culp contract will ensure continued haulage services and align with Covanta Niagara contract terms. The total

maximum combined value of these contract renewals will not exceed \$202 million as described in more detail in Private Attachment 1. The total cost per tonne to deliver and process residual waste at the three EFW facilities currently contracted by the Region (DYEC, Covanta Niagara and Emerald) are all within 15% of each other. Additional details are included in Private Attachment 1.

## 6. Local Impact

The Region collaborates with its local municipal partners to provide sustainable, long-term waste management programs and maximize diversion from landfill in a cost-effective manner. The recommendations in this report allow the Region to continue providing sustainable residual waste haulage and processing service to local municipalities in an evolving business environment. They also provide for a seamless pathway for continuation of EFW processing as the Region's preferred processing option for residual waste.

## 7. Conclusion

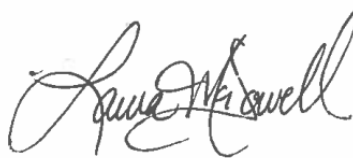
The Region is committed to meeting its waste diversion targets as outlined in the SM4RT Living Plan and Vision. Securing long-term Energy from Waste processing capacity will reduce the Region's greenhouse gas emissions compared to landfilling.

DYEC and contracted EFW capacity contributed to York Region and its local municipal partners in achieving 92% waste diversion from landfill in 2021, again exceeding the 90% target established in the York Region Official Plan. While most of this waste management success is achieved through existing diversion and recycling programs, securing EFW capacity in the long-term will ensure the Region continues to meet and exceed the 90% diversion from landfill target.

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For more information on this report, please contact David Szeptycki, Director of Environmental Promotion and Protection at 1-877-464-9675 ext. 75723. Accessible formats or communication supports are available upon request.

Recommended by:



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May 27, 2022

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Private Attachment (1)