

Appendix 1.

TV ERF– Middlesbrough Council

Executive Summary

The Tees Valley Energy Recovery Facility (TV ERF) will provide a safe, reliable, deliverable and cost effective long-term treatment solution for the seven partner Councils' residual waste (the waste that has not been recycled) utilising the best available technology. This will ensure that the Councils' statutory duties for safely managing waste will be met, ensuring financial security and stability, and helping the Councils' in their objective to avoid waste being disposed of in landfill. The Facility will reduce Middlesbrough Councils' cost of treatment by c. £44 million over the contract term, compared with the most likely alternative. In addition, Value for Money (VfM) proposals currently under negotiation (to be finalised and agreed in advance of Financial Close) have the potential to provide Middlesbrough with an additional £10 million of savings over the contract term.

The development will result in a £600 million investment to the area, resulting in a peak of 700 construction jobs, 48 Full-Time employees, a Community Fund for local projects funded by Viridor to the amount of £800,000 during the construction phase and £100,000 per annum (indexed) throughout the 25-year Services period, significant local supplier opportunities, as well as training and development opportunities. It will also lead to the regeneration of a derelict brownfield site.

Viridor have been appointed as Preferred Tenderer in July 2025, and the Councils are now working with them with the aim of achieving Contract Award / Financial Close in early 2026.

Summary

1. The seven Councils which include Darlington Borough Council, County Durham, Hartlepool Borough Council, Middlesbrough Council, Newcastle City Council, Redcar and Cleveland Borough Council and Stockton Borough Council have joined together to procure a contractor to design, build, operate and finance a new Energy Recovery Facility to be located in the Tees Valley (TV ERF) that will treat the residual (nonrecycled) waste from across the region.
2. The Councils entered into an Inter-Authority Agreement in July 2020, which governs the procurement process up until Contract Award / Financial Close being achieved.
3. The existing waste treatment contracts are due to expire in 2031 for the TV4¹, Durham and Newcastle. Darlington's contract will expire no later than 2035. This new Residual Waste Treatment Contract is being procured to ensure that the Councils' have a longterm safe, cost effective and reliable solution to treat their residual waste, thereby providing long-term financial security to the Councils, whilst ensuring their statutory duties in relation to the safe disposal of waste are met.
4. Due to delays to the project caused by a number of external factors (including COVID, Ukraine War and grid connections), an Optimised Final Tender was received from the Tenderer in March 2025. An evaluation team, consisting of the Project Advisory team² and Council officers completed a comprehensive evaluation of the this submission, which confirmed that the price offered is within the agreed threshold limit; risk profile is within an acceptable tolerance for the Councils; and the solution is reliable and deliverable from a technical perspective.

¹ Middlesbrough, Hartlepool, Redcar & Cleveland and Stockton

² Legal Advisors – DLA Piper; Financial Advisors – KPMG; Technical Advisors – Stantec.

5. On this basis, Viridor were appointed as 'Preferred Tenderer' in July 2025. [Viridor operate 12 Energy-from-Waste facilities in the UK, with 22% of the market share, and the market leader in UK EfW].
 6. An Option Agreement for the TV ERF development in Teesworks (Redcar) was entered into in June 2024, thereby securing the site.
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7. Full Planning Permission for the site was granted in July 2023, which has now been secured through the Commencement of Development works having been undertaken on site in July 2025.
 8. The grid connections, to allow the export of electricity from the Facility to the grid, were issued in March 2024. The date for connection is aligned to the export of electricity requirements for the project delivery timetable.
 9. Modern energy recovery facilities are among the most heavily regulated industrial installations in the world and must meet strict environmental standards. The TV ERF will use mature, proven and reliable technology to process waste and treat flue gases. The Facility operations will be regulated and closely monitored by the Environment Agency. An Environmental Permit was granted by the Environment Agency to Viridor in July 2025, which allows Viridor to operate TV ERF .
 10. The UK Health Security Agency, which continues to raise no objection to the use of energy recovery facilities like the TV ERF, published an updated report in June 2025³ which found that "*Levels of airborne emissions from individual MWI are significantly lower now than in the past due to implementation of stricter legislative controls and improved technologies (WID, 2000). Additionally, these incinerators only make a small contribution to local concentrations of air pollutants when compared to other sources of air pollution. This systematic review shows that currently there is no clear evidence of association between human health exposure to emissions from modern, wellregulated MWI and morbidity, cancers, or adverse birth outcomes in the UK*". As such, Middlesbrough Council remains of the view that the TV ERF is a safe, sustainable and cost-effective solution for discharging our statutory duty to manage waste from within our area.
 11. Key aspects of the proposed treatment solution include:
 - i. The Facility has been designed to treat c.450,000 tonnes per annum of residual waste each year. The capacity of the Facility has been specifically designed to meet the capacity requirements of the Councils over the long-term, and takes into account the impact of future recycling initiatives (such as the introduction of separately collected food waste from 2026) and housing / population growth.
 - ii. The Contract will be 29 years in total (c.4 years construction period, followed by 25-years Services period), with the option to potentially extend by a further 11 years.
 - iii. It will generate up to 47MW of baseload electricity, that will be exported to the grid (equivalent to power c.60,000 houses each year).
 - iv. It has been designed to be Combined Heat and Power (CHP) Ready – meaning that heat from the Facility can potentially be exported to nearby businesses and industry in the future; and Carbon Capture (CCS) Ready – meaning that carbon capture infrastructure can be installed at Facility, potentially to allow the capture of carbon emissions from the Facility and store them in offshore storage as part of the East Coast Cluster.⁴
 - v. The Facility will have an Availability of at least 93%, thereby maximising its efficiency whilst minimising any waste diverted to landfill.

³ [Epidemiological evidence review in the UK and EU, following implementation of the Waste Incineration Directive - GOV.UK](#)

⁴ CHP and CCS would both be subject to the approval of separate Business Cases by the Councils.

- vi. The Facility will revert to the ownership of the Councils at the end of the Contract.
12. The new TVERF facility to be developed by Viridor will have lower emissions and operate at increased efficiency compared to older existing Energy-from-Waste facilities.
 13. Treating the residual waste through the Facility, will significantly reduce carbon emissions compared to those emitted by landfill. In designing and operating the TV ERF, Viridor have also committed to providing additional environmental benefits and carbon reductions through their approach to design, construction and delivery.
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14. The Facility will lead to Whole Life Cost savings for Middlesbrough Council of between c. £21 million and c. £67 million over the 25-year Services period.
 15. The Councils are now in the process of negotiating Value for Money (VfM) proposals, which collectively could potentially lead to additional savings to the Councils estimated to be worth approximately £100 million (for Middlesbrough, this would be equivalent to c. £10 million additional savings) over the life of the Contract.
 16. The Councils, supported by the Advisory team, are now working towards achieving Contract Award / Financial Close in early 2026.
 17. The seven partner Councils intend to incorporate a Special Purpose Vehicle (LA SPV) [a Limited Company], which will be the contracting entity to enter into the Project Agreement (Contract) with Viridor, on behalf of the Councils.
 18. Each of the Councils will be required to subscribe for shares and become a shareholder of the LA SPV, which will be governed through the Shareholders' Agreement (to be entered into in c. October 2025). In parallel with this, each Council will be required to appoint a Director (and Alternate Director) to the Board of the LA SPV, and ensure that there are internal procedures in place to allow the Councils to make decisions in respect of their roles as Shareholders in the LA SPV.
 19. In parallel with entering into the Shareholders' Agreement, the Councils will all be required to enter into the Waste Supply and Support Agreement (WSSA) which will deal with how the payment obligations and financial liabilities of the SPV will be shared between the Councils.
 20. The SPV will be supported through a Service Level Agreement with Redcar and Cleveland Council, which will provide support services including finance, HR, payroll etc. and will also second employees to work on behalf of the LA SPV.
 21. In advance of Contract Award / Financial Close, the Option Agreement will be novated from Hartlepool Borough Council to the LA SPV, which will then enter into the Lease, Side Deed and Environmental Deed.
 22. The Council shall be required to provide a 'Council Guarantee', in favour of the Contractor (Viridor), to provide resilience to the LA SPV and to provide comfort to the Contractor that the LA SPV is fundamentally robust to meet its obligations under the Project Agreement. The LA SPV will be a party to that Council Guarantee.
 23. A Lease Guarantee, to underwrite the LA SPV's obligations (such as rent for example) under the 50-year lease for the site, is required to be provided by the Councils in favour of the landlord. The LA SPV will be a party to the Lease Guarantee.
 24. The Side Deed, which deals with how wider estate related issues are dealt with, and the Environmental Deed, which deals specifically with how contamination will be dealt with, should it be identified on site – are both part of the site arrangements. The Council will act as a Guarantor in respect of the Side-Deed and Environmental Deed.
 25. On the basis that Financial Close is achieved in [early] 2026, construction will commence shortly afterwards. The construction phase will last approximately 4-years. It is anticipated that the Facility will commence commissioning in mid-2029, with full services being delivered from 2030.

